2017 PSEG Investor Conference

NEW YORK – MARCH 6, 2017

PSEG

We make things work for you.

We have the
energy
to make things better
... for you, for our investors
and for our stakeholders.

Forward-Looking Statements

Certain of the matters discussed in this presentation about our and our subsidiaries' future performance, including, without limitation, future revenues, earnings, strategies, prospects, consequences and all other statements that are not purely historical constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ materially from those anticipated. Such statements are based on management's beliefs as well as assumptions made by and information currently available to management. When used herein, the words "anticipate," "intend," "estimate," "believe," "expect," "plan," "should," "hypothetical," "potential," "forecast," "project," variations of such words and similar expressions are intended to identify forward-looking statements. Factors that may cause actual results to differ are often presented with the forward-looking statements themselves. Other factors that could cause actual results to differ materially from those contemplated in any forward-looking statements made by us herein are discussed in filings we make with the United States Securities and Exchange Commission (SEC) including our Annual Report on Form 10-K and subsequent reports on Form 10-Q and Form 8-K and available on our website: http://www.pseg.com. These factors include, but are not limited to:

- fluctuations in wholesale power and natural gas markets, including the potential impacts on the economic viability of our generation units;
- our ability to obtain adequate fuel supply;
- any inability to manage our energy obligations with available supply;
- increases in competition in wholesale energy and capacity markets;
- changes in technology related to energy generation, distribution and consumption and customer usage patterns;
- economic downturns;
- third party credit risk relating to our sale of generation output and purchase of fuel;
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements;
- changes in state and federal legislation and regulations;
- the impact of pending rate case proceedings;
- regulatory, financial, environmental, health and safety risks associated with our ownership and operation of nuclear facilities;
- adverse changes in energy industry laws, policies and regulations, including market structures and transmission planning;
- changes in federal and state environmental regulations and enforcement;
- delays in receipt of, or an inability to receive, necessary licenses and permits;
- adverse outcomes of any legal, regulatory or other proceeding, settlement, investigation or claim applicable to us and/or the energy industry;
- changes in tax laws and regulations;
- the impact of our holding company structure on our ability to meet our corporate funding needs, service debt and pay dividends;
- lack of growth or slower growth in the number of customers or changes in customer demand;
- any inability of Power to meet its commitments under forward sale obligations;
- reliance on transmission facilities that we do not own or control and the impact on our ability to maintain adequate transmission capacity;
- any inability to successfully develop or construct generation, transmission and distribution projects;
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers;
- our inability to exercise control over the operations of generation facilities in which we do not maintain a controlling interest;
- any inability to maintain sufficient liquidity;
- any inability to realize anticipated tax benefits or retain tax credits;
- challenges associated with recruitment and/or retention of key executives and a qualified workforce;
- the impact of our covenants in our debt instruments on our operations; and
- the impact of acts of terrorism, cybersecurity attacks or intrusions.

All of the forward-looking statements made in this presentation are qualified by these cautionary statements and we cannot assure you that the results or developments anticipated by management will be realized or even if realized, will have the expected consequences to, or effects on, us or our business, prospects, financial condition, results of operations or cash flows. Readers are cautioned not to place undue reliance on these forward-looking statements in making any investment decision. Forward-looking statements made in this presentation apply only as of the date of this presentation. While we may elect to update forward-looking statements from time to time, we specifically disclaim any obligation to do so, even in light of new information or future events, unless otherwise required by applicable securities laws.

The forward-looking statements contained in this presentation are intended to qualify for the safe harbor provisions of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended.

GAAP Disclaimer

PSEG presents Operating Earnings and Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) in addition to its Net Income reported in accordance with accounting principles generally accepted in the United States (GAAP). Operating Earnings and Adjusted EBITDA are non-GAAP financial measures that differ from Net Income. Non-GAAP Operating Earnings exclude the impact of returns (losses) associated with the Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting and material one-time items. Non-GAAP Adjusted EBITDA excludes the same items as our non-GAAP Operating Earnings measure as well as income tax expense, interest expense and depreciation and amortization. The last two slides in this presentation (Slides A and B) include a list of items excluded from Net Income to reconcile to non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA with a reference to those slides included on each of the slides where the non-GAAP information appears.

Management uses non-GAAP Operating Earnings in its internal analysis, and in communications with investors and analysts, as a consistent measure for comparing PSEG's financial performance to previous financial results. Management believes non-GAAP Adjusted EBITDA is useful to investors and other users of our financial statements in evaluating operating performance because it provides them with an additional tool to compare business performance across companies and across periods. Management also believes that non-GAAP Adjusted EBITDA is widely used by investors to measure operating performance without regard to items such as income tax expense, interest expense and depreciation and amortization, which can vary substantially from company to company depending upon, among other things, the book value of assets, capital structure and whether assets were constructed or acquired. Non-GAAP Adjusted EBITDA also allows investors and other users to assess the underlying financial performance of our fleet before management's decision to deploy capital. The presentation of non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA is intended to complement, and should not be considered an alternative to, the presentation of Net Income, which is an indicator of financial performance determined in accordance with GAAP. In addition, non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA as presented in this release may not be comparable to similarly titled measures used by other companies.

Due to the forward looking nature of non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA guidance, PSEG is unable to reconcile these non-GAAP financial measures to the most directly comparable GAAP financial measure. Management is unable to project certain reconciling items, in particular MTM and NDT gains (losses), for future periods due to market volatility.

These materials and other financial releases can be found on the PSEG website at www.pseg.com , under the Investors tab. From time to time, PSEG, PSE&G and PSEG Power release important information via postings on their corporate website at http://investor.pseg.com. Investors and other interested parties are encouraged to visit the corporate website to review new postings. The "email alerts" link at http://investor.pseg.com may be used to enroll to receive automatic email alerts and/or really simple syndication (RSS) feeds regarding new postings at http://investor.pseg.com/rss .

2017 PSEG Conference Agenda

Presentation	Presenter
Welcome and Introductions	Kathleen Lally
PSEG	Ralph Izzo
Regulatory & Policy Overview	Tamara Linde
PSE&G	Ralph LaRossa
Q&A Session	
Break	
PSEG Power	William Levis
Q&A Session	
Financial Review & Outlook	Dan Cregg
Summary and Q&A	
Conference Conclusion	

PSEG STRATEGY: GROWING A HIGH-QUALITY, FINANCIALLY SOUND ENERGY INFRASTRUCTURE COMPANY

Ralph Izzo

CHAIRMAN, PRESIDENT AND CHIEF EXECUTIVE OFFICER

PSEG

We make things work for you.

PSEG Strategy - Delivering Value

Operational Excellence: Improving reliability and customer service as we control costs in a low price environment

Financial Strength: Strong financial position supports investment program

Disciplined Investment:

- Program focused on achieving objectives through infrastructure investment that meets customer and shareholder needs
- Robust pipeline of opportunities

Results:

- Double digit growth in rate base and net income at PSE&G
- Reconfiguration of Power's generating fleet: higher quality, more efficient
- Annual growth in common dividend
- Strong credit metrics



Two strong businesses

A stable platform, each with growth opportunities

PSEG

PSE&G	PSEG Power LLC
Electric & Gas Delivery and Transmission	**Regional Competitive Generation**
Strategy: Investments aligned with public policy and customer needs **Value Proposition:** A $12 - $14 billion infrastructure program with opportunities to expand, producing high single digit rate base growth through 2021	**Strategy:** Investment program enhances competitive position with addition of efficient, clean, reliable CCGT capacity **Value Proposition:** Provides substantial free cash flow and upside from market rule improvements
2016	2016
Assets $26B **Net Income $889M**	**Assets $12B** **Net Income $18M** **Non-GAAP Operating Earnings* $514M**

ASSETS AND NET INCOME ARE FOR THE YEAR ENDED 12/31/2016. PSE&G AND POWER DO NOT ADD TO TOTAL DUE TO ENTERPRISE / OTHER ACTIVITY. *SEE SLIDE A FOR A RECONCILIATION OF NET INCOME TO NON-GAAP OPERATING EARNINGS AND SLIDE B FOR RECONCILIATIONS FOR PSEG POWER AND ENTERPRISE/OTHER.

Focus on building a reliable, efficient, clean energy infrastructure



Selected Accomplishments

2012
- Award winning Superstorm Sandy storm response restoring 2.1M customers
- Final federal approval for Susquehanna-Roseland transmission project
- 400 MW of new peaker capacity*

2013
- Expanded Solar investment
- 90% nuclear capacity factor for 9th straight year
- Record output from Linden CCGT and Salem 2 nuclear unit

2014
- Energy Strong program approved
- Advanced Gas Path uprates (through 2018)
- PSEG Long Island management contract effective

2015
- Gas System Modernization Program (GSMP) and Energy Efficiency Extension II approved
- New generation build starts Power fleet transformation

2016
- Solar 4 All Extension Approved
- Continued new generation build and transforming fleet to be more efficient, clean, and higher quality
- Solar Source grew to 396 MW_{DC} **

Cost Control

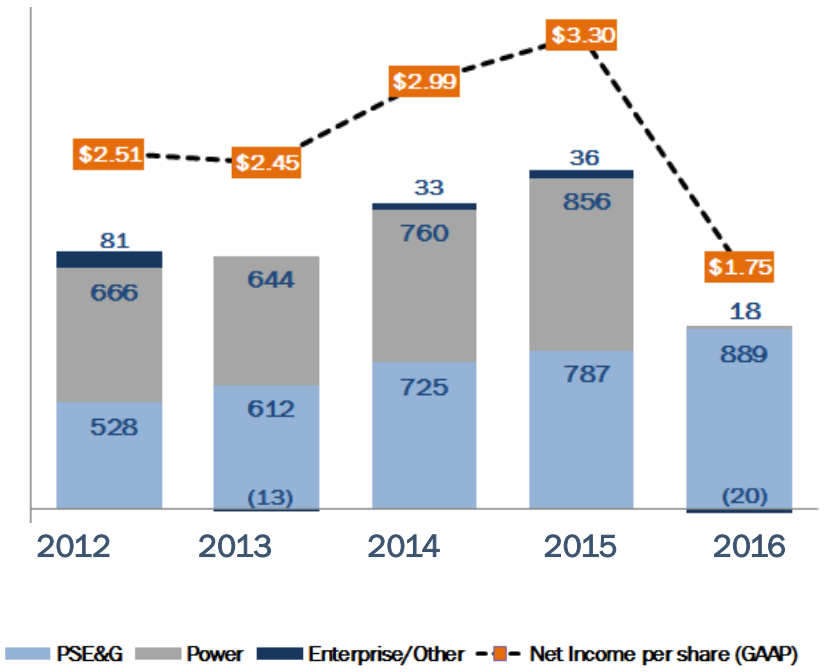
*KEARNY AND NEW HAVEN. ** AS OF FEBRUARY 2017; INCLUDES 70 MW_{DC} OF PV SOLAR GENERATION IN CONSTRUCTION.

Delivering on commitments and realizing growth

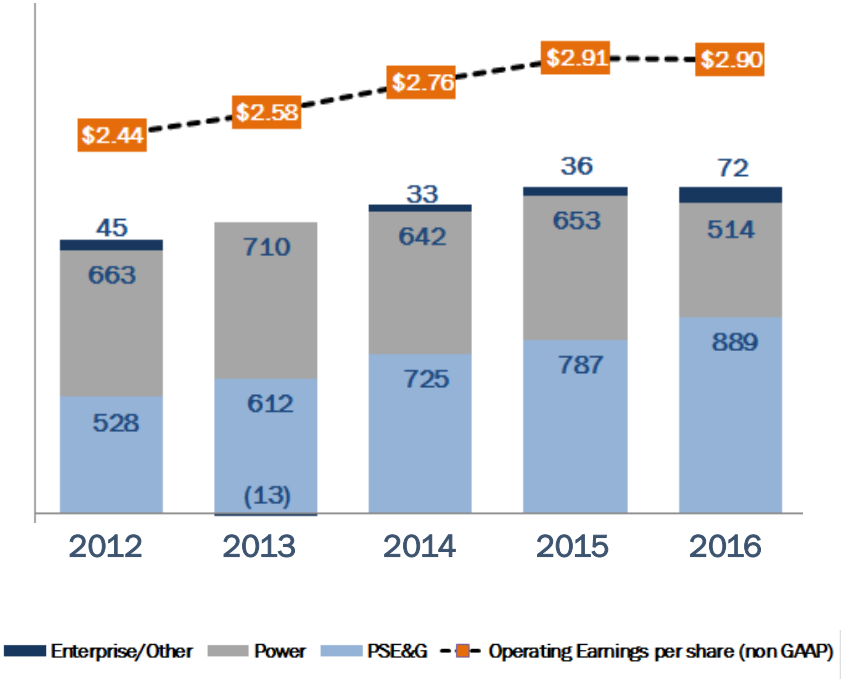
Operational Excellence	• PSE&G: 15 consecutive years of recognition as the most reliable utility in the Mid-Atlantic region • PSEG Power: Lowest CCGT EFORd in last 5 years, while moving the fleet towards improved efficiency and environmental position • PSEG Long Island: Improved customer service and reliability while managing costs • PSEG: Maintaining focus on efficiency, resiliency, and customer satisfaction
Financial Strength	• Non-GAAP Operating Earnings for 2016 at midpoint of original guidance range and upper end of revised guidance range • Cash flows and business mix support strong credit ratings and ability to fully fund robust investment pipeline without issuing new equity • Increased dividend in February 2017 – 13th increase in last 14 years
Disciplined Investment	• PSE&G capital program drives continued rate base growth over the 5-year period (2017-2021) with increased investment in Gas System Modernization Program, Electric and Gas distribution, and Energy Efficiency • Potential for additional investments in Renewables, Expanded Energy Efficiency and integration of Infrastructure with Customer Access • Power capital program focusing on growth investments including Keys Energy Center, Sewaren and Bridgeport Harbor

PSEG 5 – Year Results

GAAP: Contribution to
PSEG Net Income ($ Millions)
and Net Income per share ($/Share)

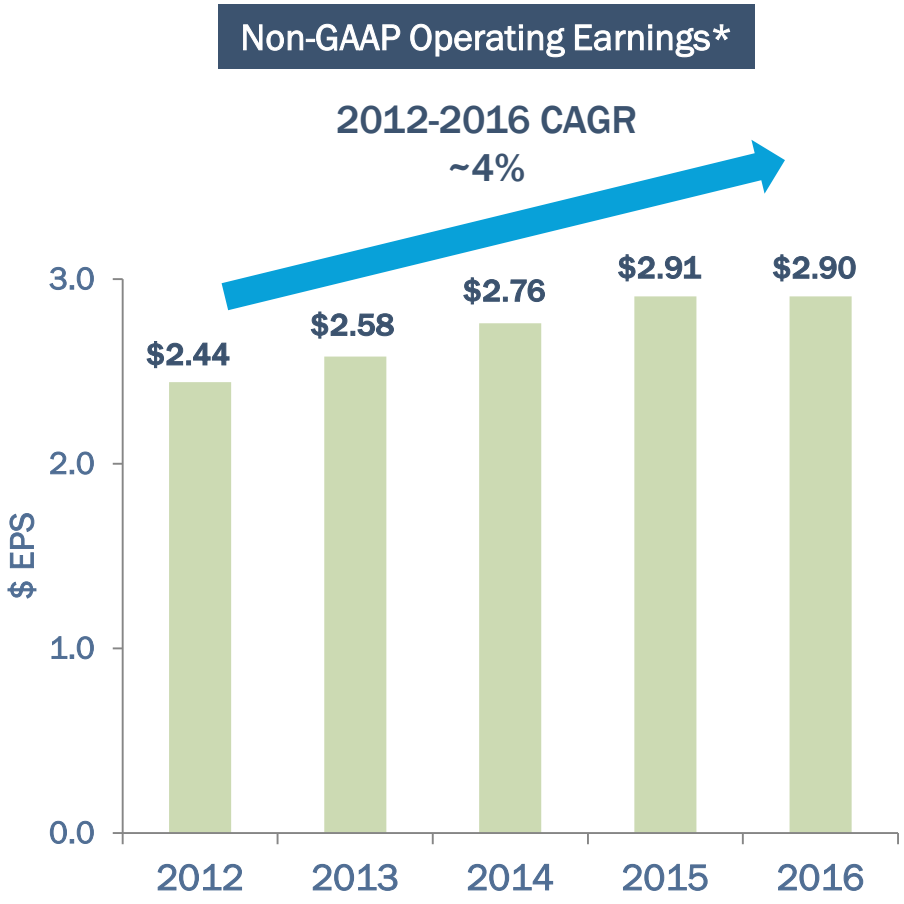


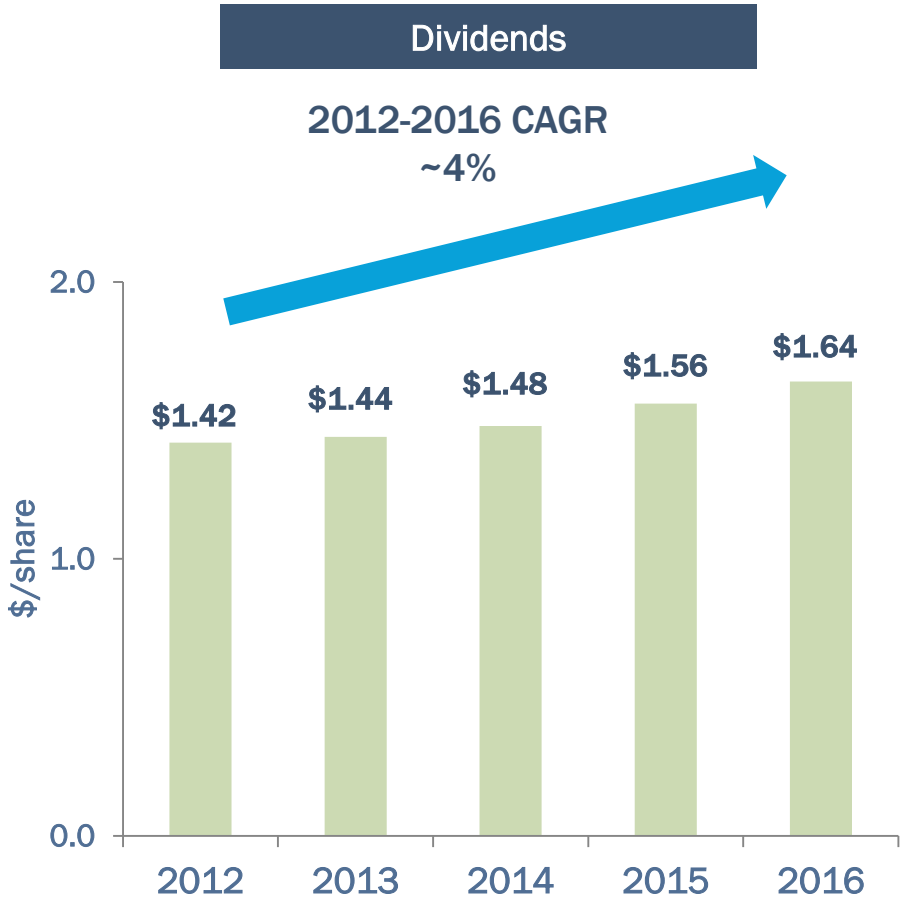
Non-GAAP*: Contribution to
PSEG Operating Earnings ($ Millions)
and Operating Earnings per share ($/Share)



*SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO NON-GAAP OPERATING EARNINGS.

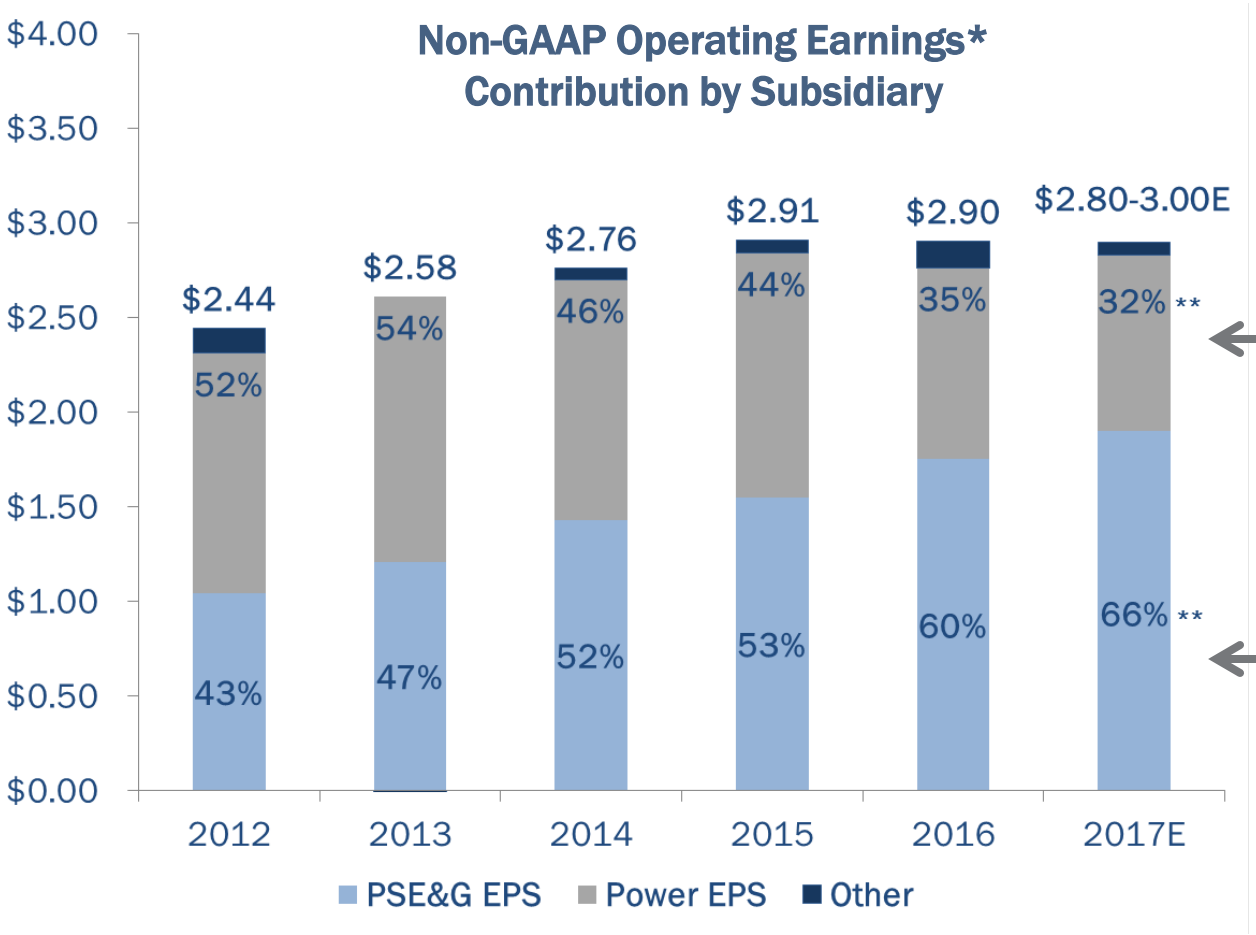
Focus on earning our cost of capital has provided for growth in operating earnings* and dividends





*SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO NON-GAAP OPERATING EARNINGS.

Earnings profile with growth at PSE&G has been transformed

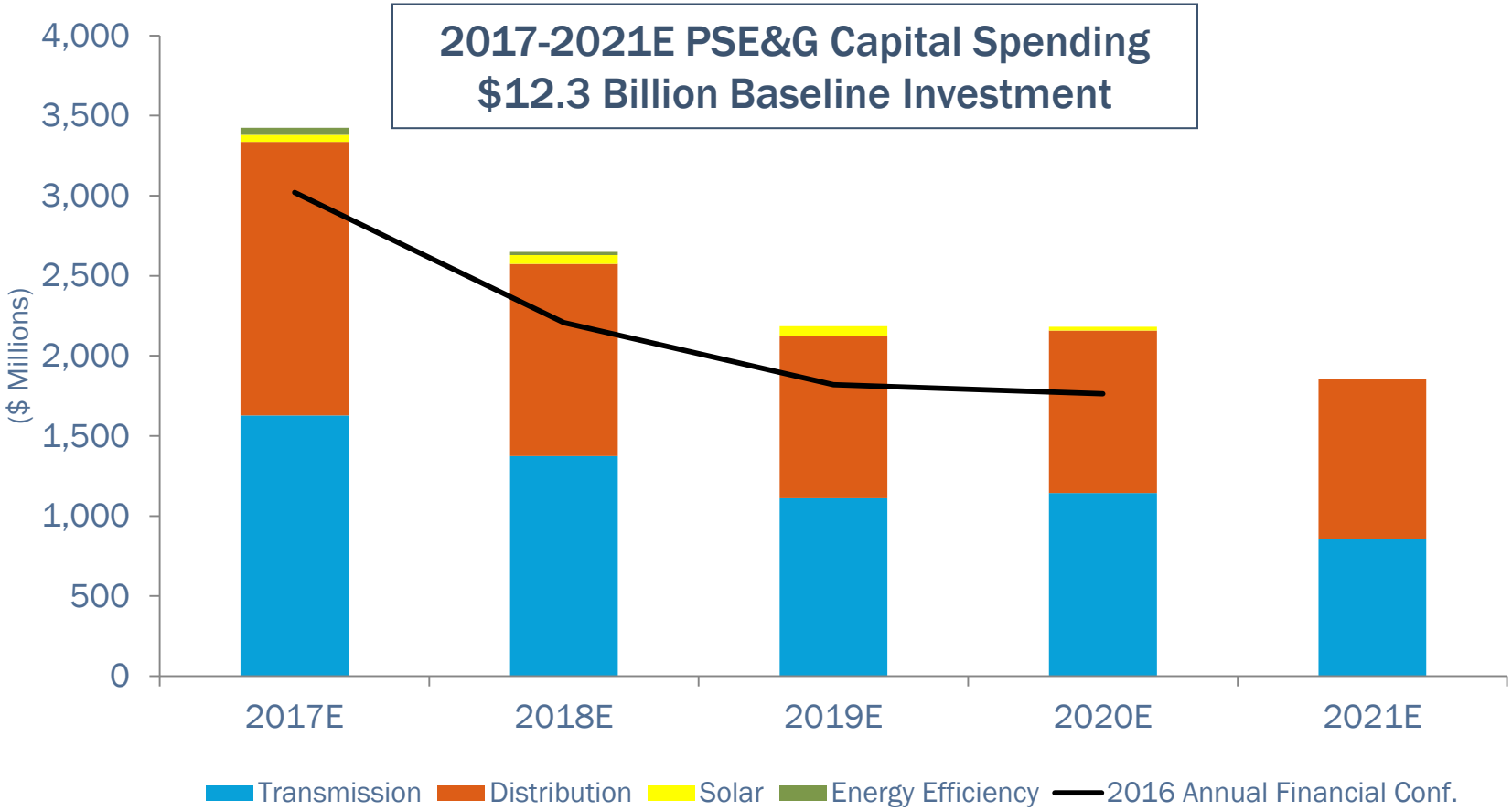


Power's locational and fuel cost advantage generate free cash flow in low price environment

PSE&G's earnings contribution has increased with growth in capital program

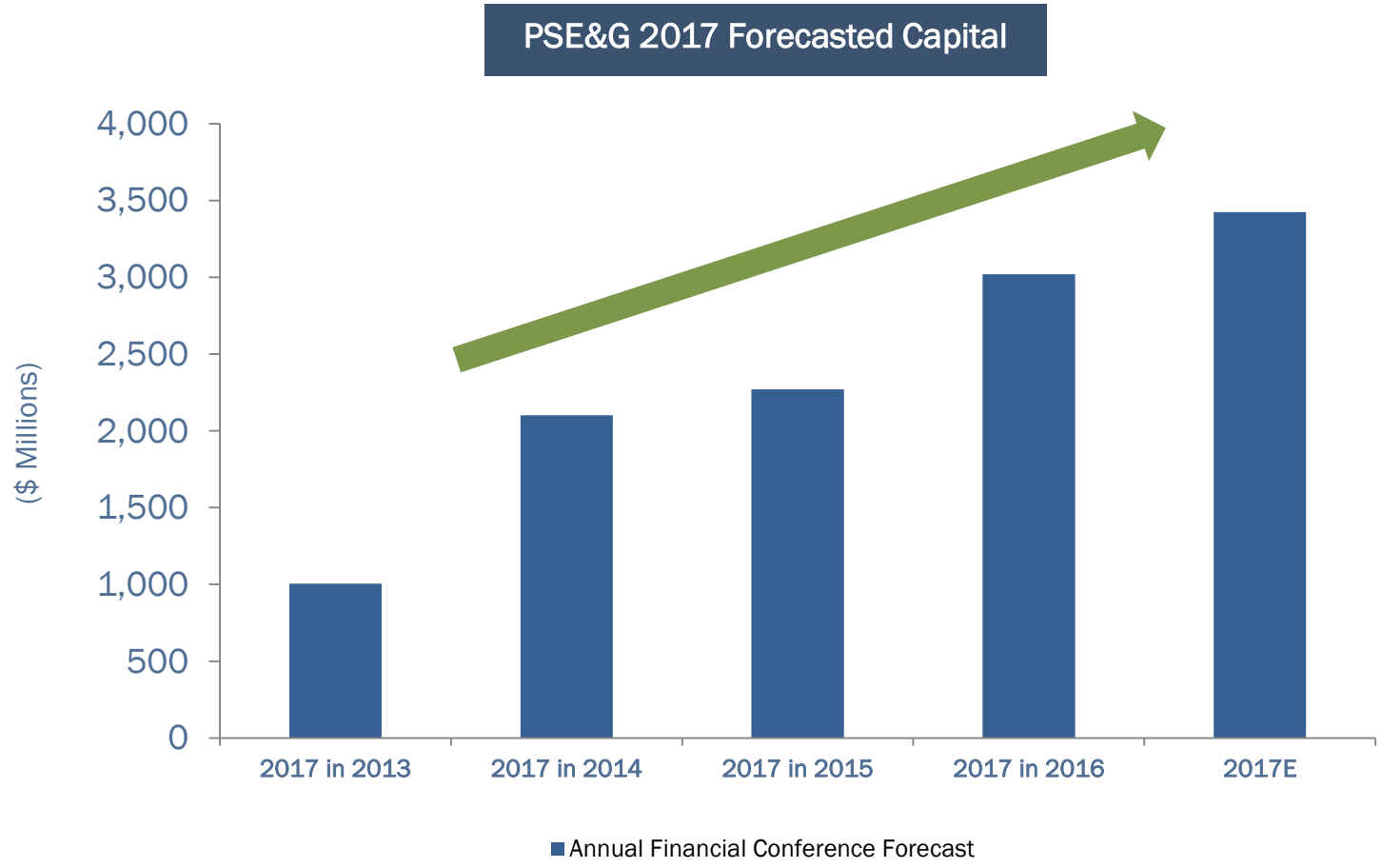
*SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO NON-GAAP OPERATING EARNINGS AND SLIDE B FOR A RECONCILIATION OF NET INCOME TO NON-GAAP OPERATING EARNINGS FOR PSEG POWER AND ENTERPRISE/OTHER. E=ESTIMATE.
** 2017 PERCENTS USE MID-POINT OF 2017 NON-GAAP OPERATING EARNINGS GUIDANCE OF $2.80–$3.00 PER SHARE.

Baseline programs yield 7% compound annual growth in rate base



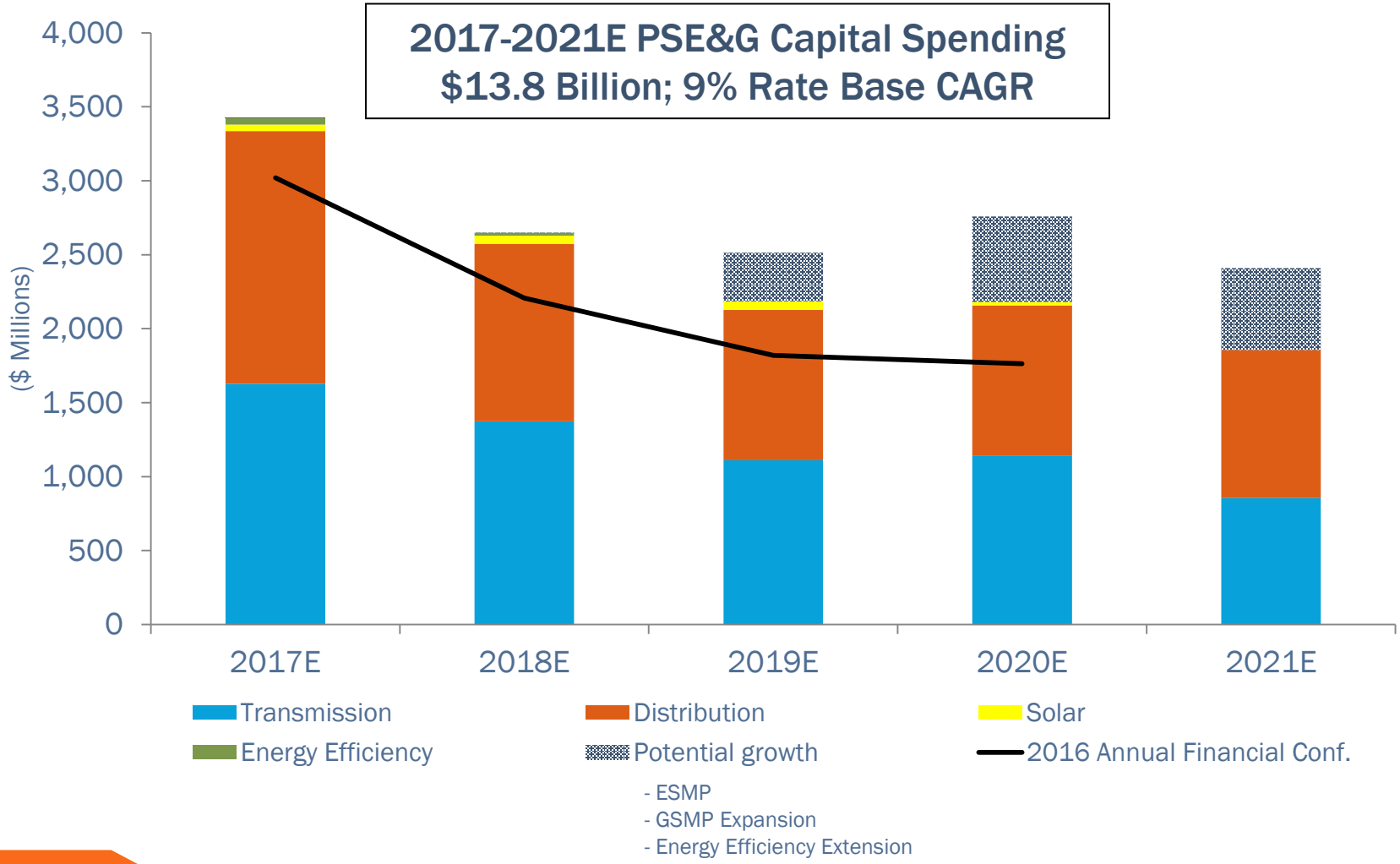
E = ESTIMATE. DATA AS OF MARCH 2017. CAGR = COMPOUND ANNUAL GROWTH RATE. INCLUDES AFUDC.

PSE&G has a track record of identifying opportunities for capital investment



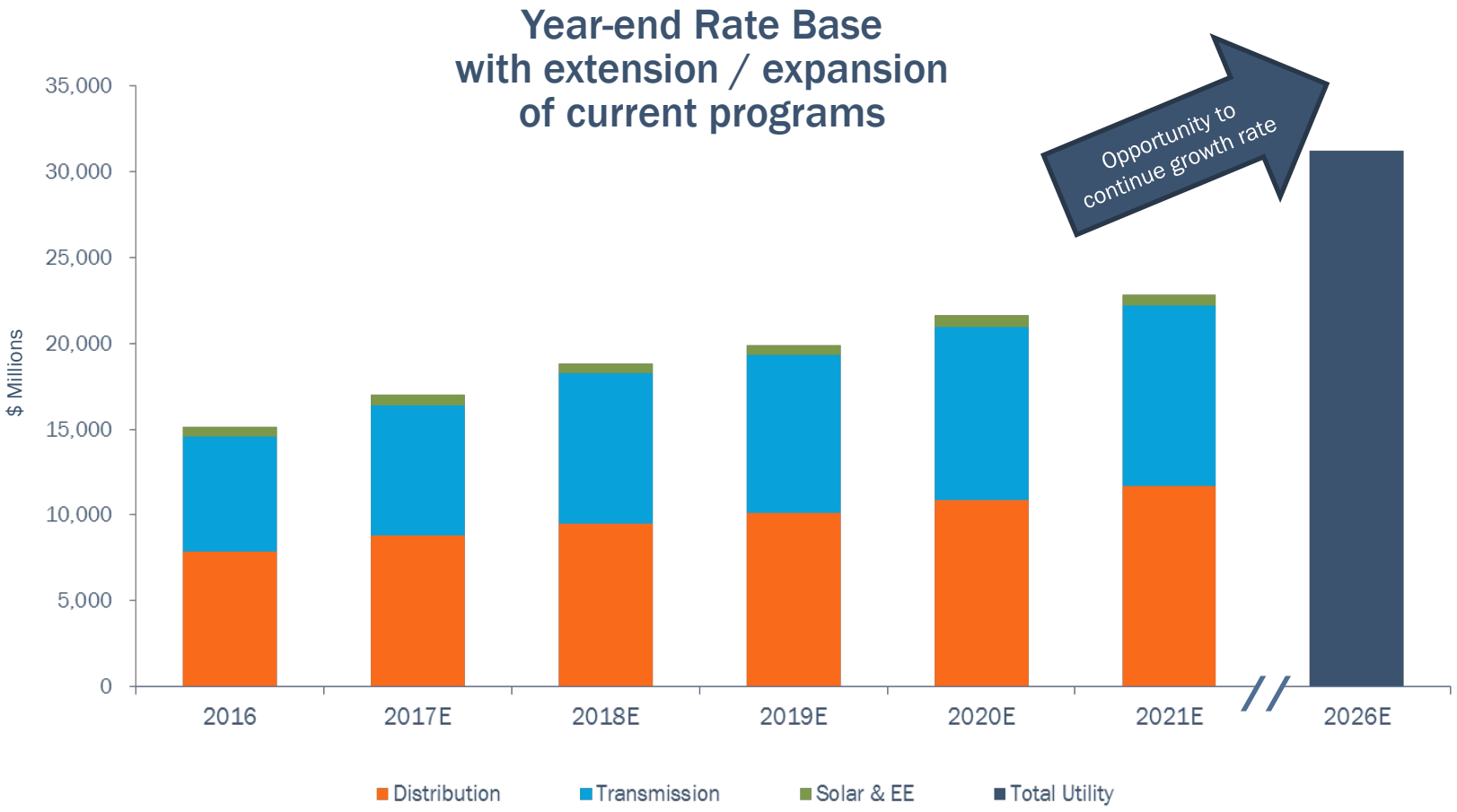
E = ESTIMATE.

Expansion/Extension of existing baseline programs enhances reliability for our customers



E = ESTIMATE. DATA AS OF MARCH 2017. CAGR = COMPOUND ANNUAL GROWTH RATE. INCLUDES AFUDC.

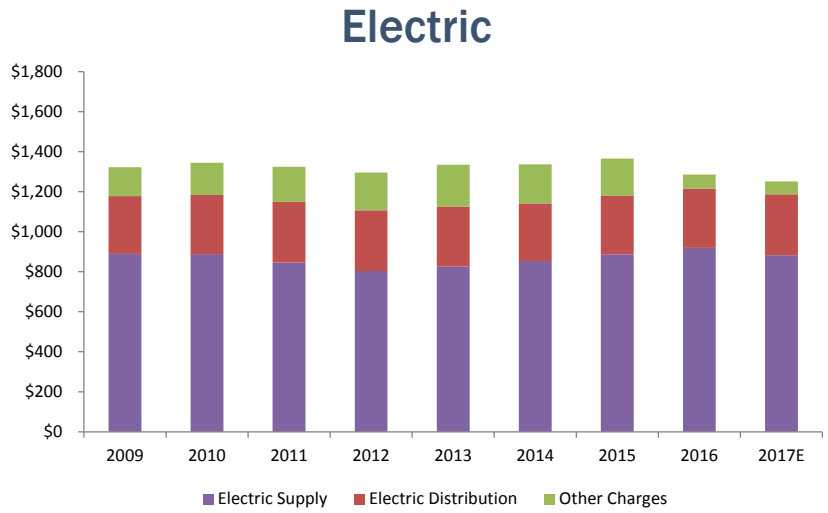
PSE&G's investment program provides for 7%–9% growth in rate base

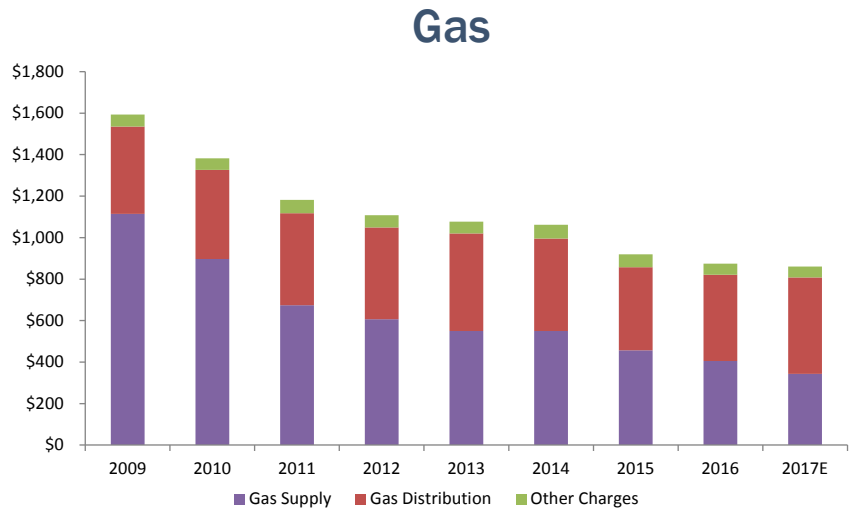


E = ESTIMATE.

Executing on investment program and continuing to manage the total costs to customers

PSE&G Typical Residential Customer Bills 2009-2017E*



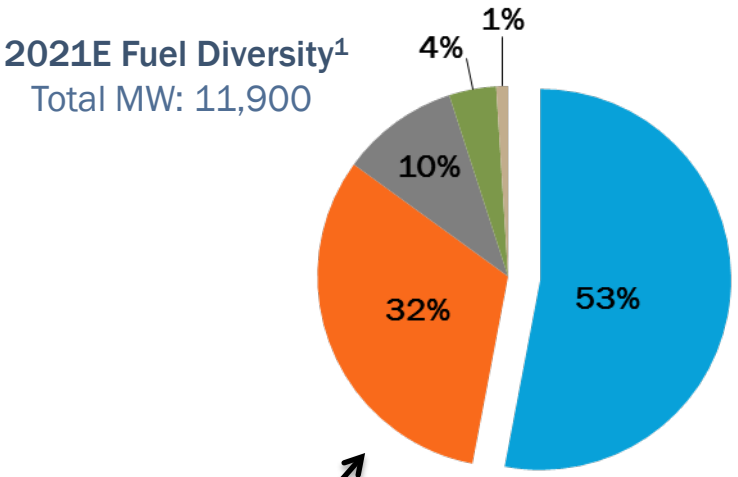


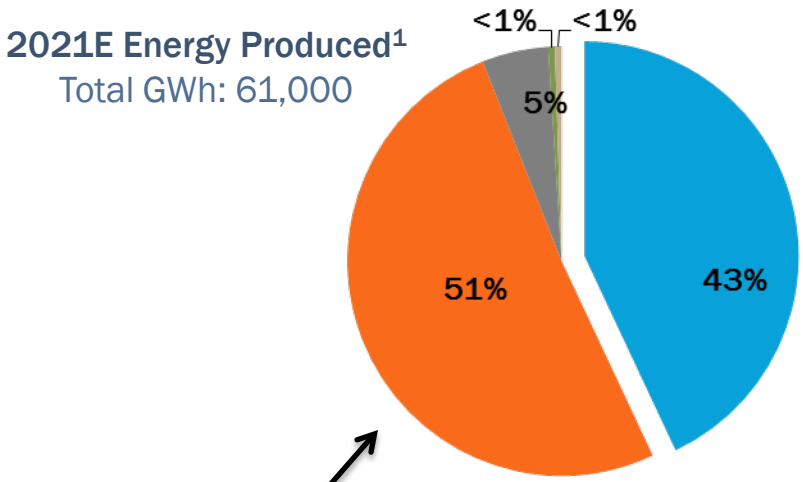
- PSE&G customers' combined electric and gas bills declined 28% over the period
- Low gas prices and elimination of transition charges drove rate decreases
- Continued recent bill reductions include 2017 gas credits and recent BGS auction results
- Tax reform has the potential to reduce rates further

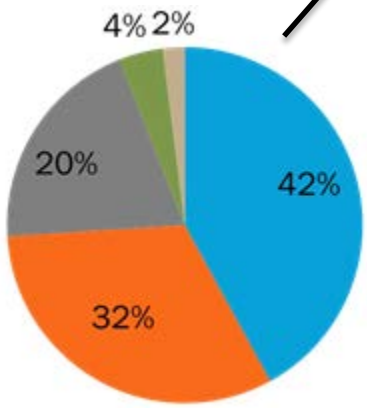
*FOR ALL YEARS THE BILLING ASSUMES 7,200 KWH FOR ELECTRIC AND 1,010 THERMS FOR GAS ANNUALLY. E = ESTIMATE

Power's fleet to be transformed with new investment and improvement in efficiency

Projected Fleet Comparison 2016 to 2021E

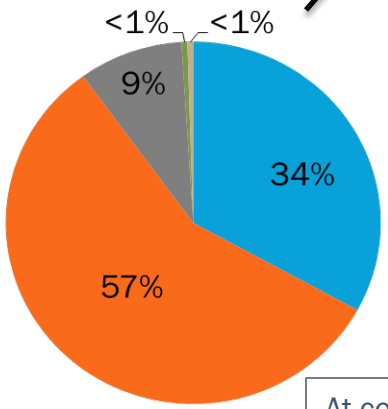






2016 Fuel Diversity
Total MW: 11,577

- Gas
- Nuclear
- Coal**
- Oil
- Pumped Storage



2016 Energy Produced
Total GWh: 51,510

At conclusion of Power's construction program in 2018, capital to maintain the business declines to ~$200M per year

[1] REFLECTS ANNOUNCED EARLY RETIREMENT OF HUDSON AND MERCER UNITS IN MID-2017
ALL PERIODS EXCLUDE SOLAR (326 MW_{DC}/257MW_{AC}) CAPACITY AND KALAELOA (104MW) CAPACITY / ENERGY PRODUCED
**2016 COAL INCLUDES NEW JERSEY UNITS THAT FUEL SWITCH TO GAS. E= ESTIMATE.

Nuclear outlook is increasingly challenged

National

6 plant closures
2 state interventions
Legislation pending in CT
PJM Grid 2020 study

New Jersey

No sustainable wind resource
Lack of open space for solar fields; RPS Standards;
Marcellus gas supply

New Jersey Impacts

Economy/Jobs

Emissions

Cost to replace

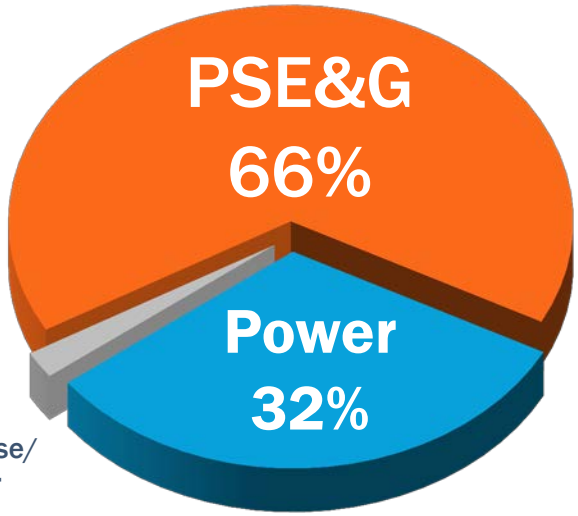
Fuel diversity

Reliability

PSEG Nuclear is not currently earning its cost of capital

Investment programs provide opportunity for growth

2017E Non-GAAP Operating Earnings Guidance Contribution*



2017-2021E Total Capital**

~$13.8B

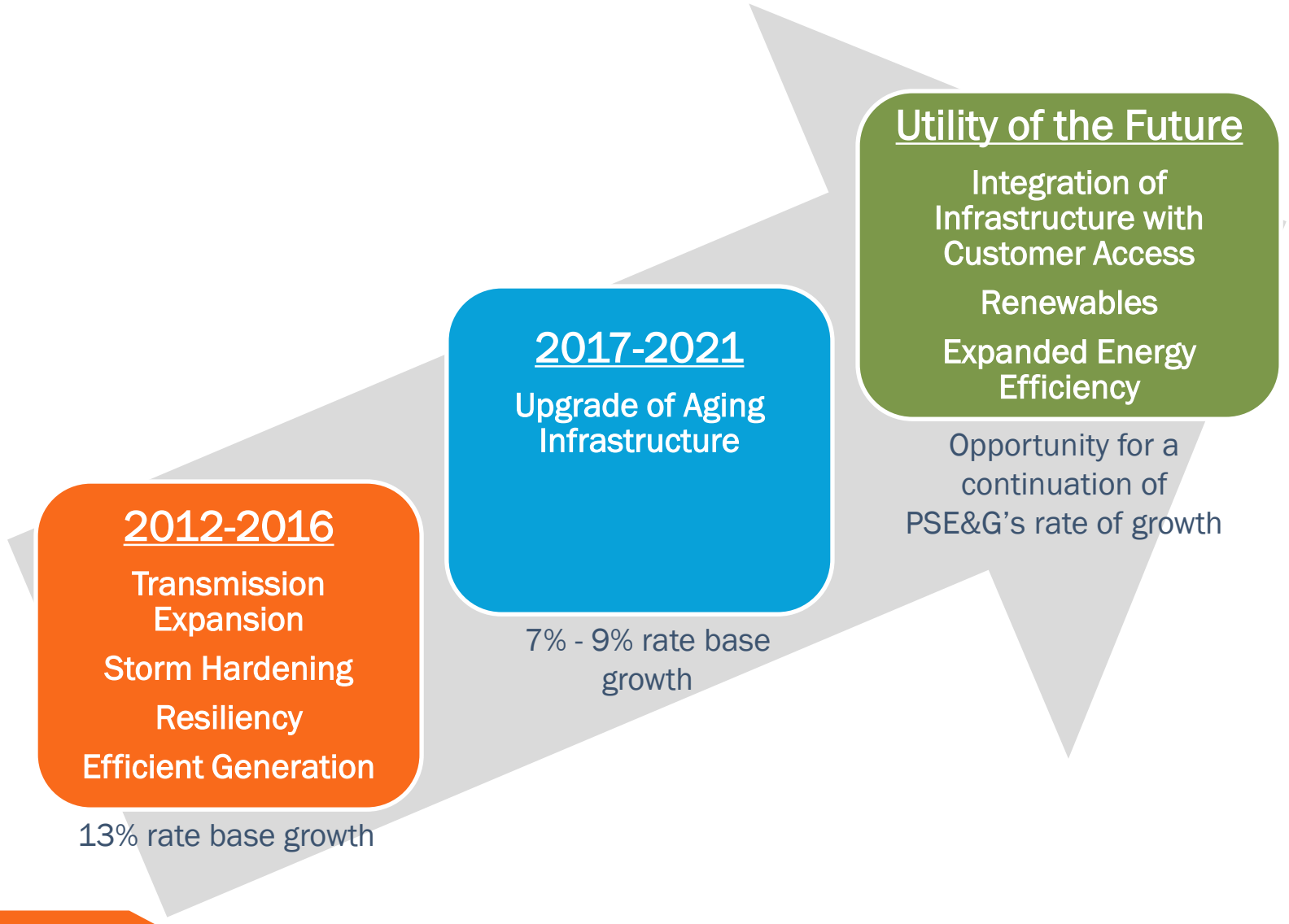
~$2.6B

9% annual growth in rate base with expansion/extension of existing programs

~18% GWh growth from efficient, low cost capacity

*BASED ON THE MIDPOINT OF NON-GAAP OPERATING EARININGS GUIDANCE OF $2.80 TO $3.00 PER SHARE.
**INCLUDES ALL PLANNED AND POTENTIAL SPENDING. E = ESTIMATE. INCLUDES AFUDC AND IDC.

Long-term opportunities to invest in the grid supports performance and enables customer access



Our commitment to customers, community, employees, the environment, innovation and operational excellence is widely recognized

Industry

POWER Top Plant Awards

Linden CCGT for embracing advanced digital monitoring and analytics (2016)

ReliabilityOne™

PA Consulting Mid-Atlantic Region award – for the 15th consecutive year (2016)

ALLIANCE TO SAVE ENERGY
Creating an Energy-Efficient World

Star of Energy Efficiency Award (2015)

ENERGY STAR PARTNER

Partner of the Year Award - PSEGLI (2015)

2016 UTILITY CUSTOMER CHAMPION RESIDENTIAL
COGENT REPORTS™

Utility Customer Champion for Second Year (2016)

ELECTRIC LIGHT & POWER

Utility of the Year (2015)

Employer

MILITARY FRIENDLY EMPLOYERS mF'16

Top 100 military-friendly employers, ranked # 19 (2016)

CIANJ

Commerce & Industry Association of NJ award recognizing commitment to veterans, PSEG Foundation's STEM program, and other volunteer programs (2016)

2015's READERS' CHOICE EQUAL OPPORTUNITY MAGAZINE EQUAL OPPORTUNITY MAGAZINE A TOP 50 EMPLOYER

Equal opportunity employers, ranked # 40 (2015)

Forbes | 2015 AMERICA'S BEST EMPLOYERS POWERED BY STATISTA

America's Best Employers List (2015)

Business

PUBLIC UTILITIES FORTNIGHTLY "In the Public Interest"

PSEG ranked #1 in financial performance (2016)

Dow Jones Sustainability Index

Named to DJSI North America for the 9th consecutive year (2016)

FORTUNE WORLD'S MOST ADMIRED COMPANIES 2013

Ranked 8th among electric and gas companies in the United States (2017)

Forbes JUST 2016

America's 100 Best Corporate Citizens (2016)

PSEG's Value Proposition

- A stable platform with a robust investment pipeline providing opportunity for growth
- PSE&G – Delivering on promise for rate base growth through disciplined investment, customer satisfaction and safety
- PSEG Power – Efficient, low-cost, clean fleet advantaged by asset diversity, fuel mix and location
- Focus on providing strong, sustainable returns of invested capital through operational excellence, regulatory and legislative mechanisms
- Strong balance sheet – Financial strength supported by stable credit rating and investment profile supporting the potential for consistent and sustainable dividend growth

PSEG REGULATORY & POLICY REVIEW

Tamara Linde

EXECUTIVE VICE PRESIDENT AND GENERAL COUNSEL

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Regulatory & Policy Review - Agenda

- PSE&G Investment Program Recap
- PSE&G 2017 Base Rate Case Filing
- Regulatory Reform in NJ
- Preserving Nuclear Generation
- Federal Regulatory Framework
- Summary

PSE&G has received approval for 15 multi-year investment programs that advance state energy goals

2008/ 2009	2011	2013	2014	2015	2016
Selected Accomplishments					
• Capital Infrastructure I • Energy Efficiency • Solar Loan I • Carbon Abatement • Solar Loan II • Solar 4 All • Demand Response	• Energy Efficiency Extension • Capital Infrastructure II	• Solar Loan III • Solar 4 All Extension	• Energy Strong	• Energy Efficiency Extension II • Gas System Modernization	• Solar 4 All Extension II

Infrastructure investment programs with near contemporaneous recovery mechanisms









PSE&G plans to file Distribution Base Rate Case proceeding no later than November 1, 2017

Support

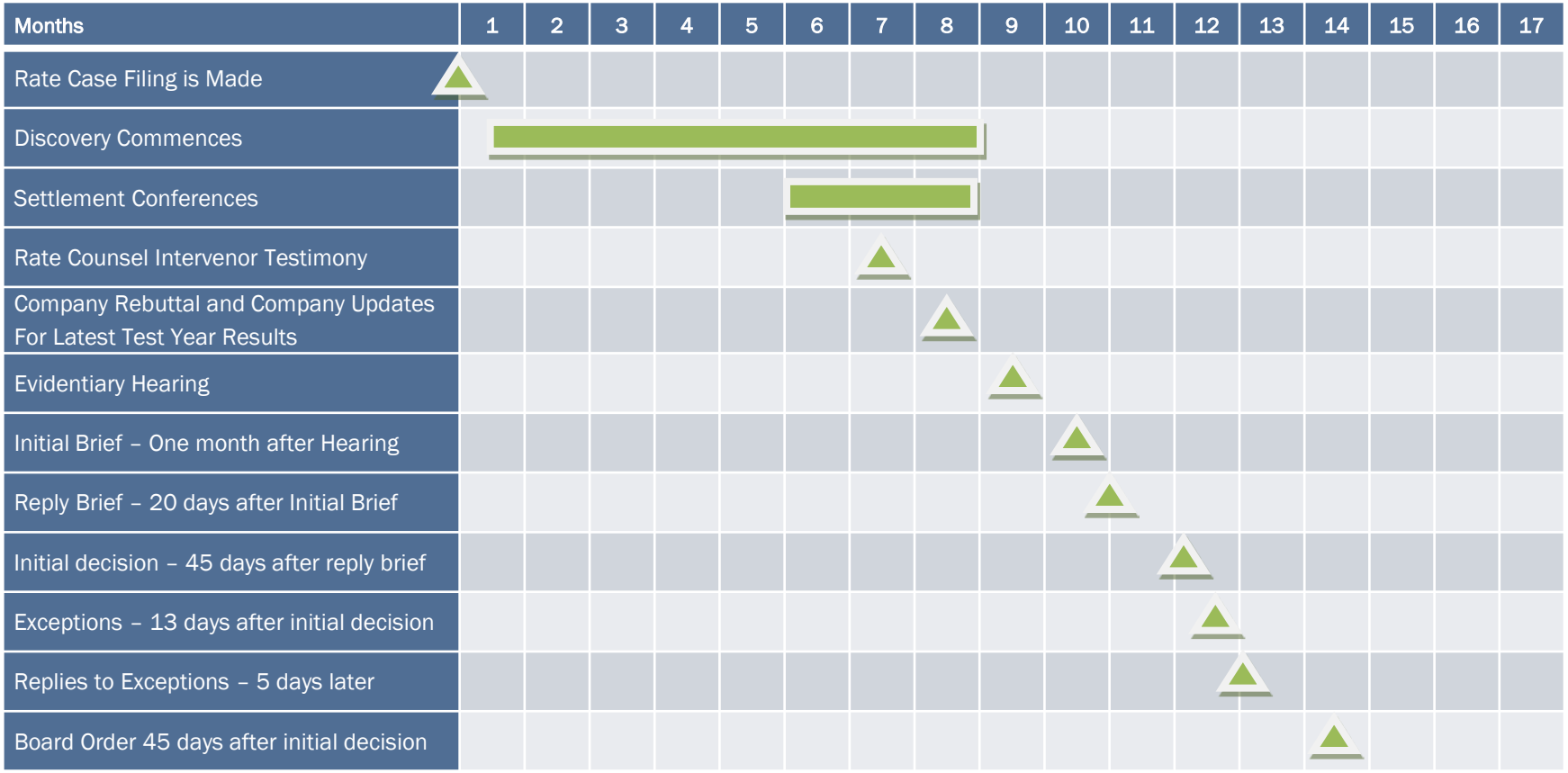
- Requirement of 2014 Energy Strong settlement
- Update for known changes in sales growth forecast, O&M and taxes since 2010 rate case
- Get recovery of distribution investment not covered by clause mechanisms
- Get recovery of approved storm costs

Opportunity

- Establish/update rate design, capital structure and depreciation
- Pursue decoupling
- Pursue interim rates
- Improve alignment with customer
- New E&G rates effective at start of 2019, or earlier

Supports need for moderate base rate increase

NJ Distribution Base Rate Case Timeline



New Jersey – Long-term Infrastructure Regulatory Reform with Customer Focus

Support

- Alignment with community and customer needs
- NJ Energy Master Plan
- Support extension of investment program horizon from 3 to 7 years using review process established by the BPU in Energy Strong and Gas System Modernization Program as template

Opportunity

- PSE&G will be seeking approval of multi-year programs that extend existing efforts to improve our system resiliency and broaden investment focus on Energy Efficiency and Utility of the Future services at the lowest cost to our customers

Preserving Existing Nuclear Power Plants as Part of a Resilient Energy System

Support

- Generation from Power's nuclear units produces ~40% of NJ supply and provides 97% of NJ's carbon free energy
- Preservation of nuclear energy consistent with NJ policy goal: 70% clean resources by 2050
- Competitive wholesale markets not designed to value fuel diversity, resiliency and desirable attributes of nuclear generation

Opportunity

- Preserve highly reliable, clean resources as part of a diverse energy portfolio
- Preserve local jobs and economic base
- Keep prices lower than they otherwise would be, as current replacement options are more expensive
- Maintain system reliability

What are other states doing to preserve at-risk nuclear generation?

New York April 2016	Illinois November 2016	Connecticut 2017?	Ohio 2017?
Clean Energy Standard approved by NYPSC provides support for at-risk nuclear. Zero Emission Credit standard established. Contract payments available for up to 12 years	Future Energy Jobs Bill enacted establishing a Zero Emission Credit (ZEC) portfolio standard. ZEC contract payments available for 10 years	Connecticut Legislature currently debating clean energy procurement process in recognition of nuclear capacity role as provider of clean energy	Legislative action under consideration to preserve at-risk nuclear generation

State Regulatory/Legislative actions recognize value of nuclear energy in meeting clean energy standards and supporting local economy

Federal Regulatory Framework – Ensuring market structures recognize the value of reliable, diverse and clean dispatchable generation

Support

- FERC is driving ISOs to improve market constructs and rules on energy pricing
- Higher payments for enhanced reliability (Capacity Performance); first purely CP capacity auction to be held by PJM in May 2017

Opportunity

- Advocate for market solutions that fairly compensate generators for the cost of meeting demand
- Seek recognition of environmental attributes of existing resources
- Seek integration of state public policy objectives for clean energy with grid reliability and efficient market signals

PSEG Regulatory and Policy focus

on mechanisms that provide customers clean, affordable, resilient energy supply

NJ Distribution Base Rate Proceeding

- True-up data from 2010 base rate case for known changes in customers usage, taxes, O&M and investments

Long-Term Infrastructure Investment Platform

- Seek extension of existing infrastructure programs, e.g., GSMP, and broaden investment platform

Preserve the Value of Nuclear Supply

- Pursuing legislative strategy to recognize the value of nuclear energy under terms and conditions that are affordable for customers and provide the proper incentives for long-term operation

Ensure Federal Regulatory and Policy Framework

- Advocate for rules that preserve benefits of competitive markets while also recognizing the value of clean energy, supply diversity and grid reliability

PSE&G

Ralph LaRossa

PRESIDENT AND CHIEF OPERATING OFFICER
PUBLIC SERVICE ELECTRIC & GAS

PSEG
We make things work for you.

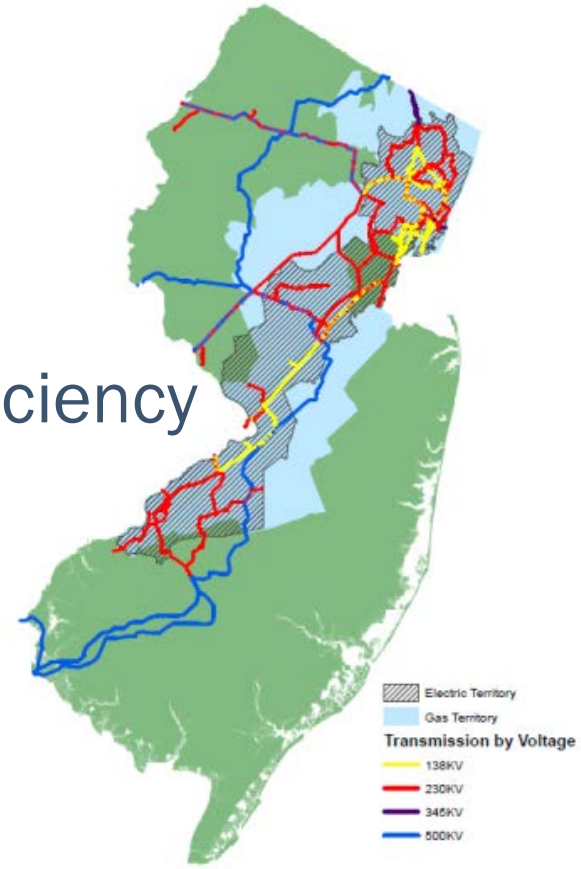
Discussion topics

- Overview of PSE&G - Strategy and delivering results
- Operational excellence
- Capital investment program
- 2017 Distribution rate case filing
- Customer rates

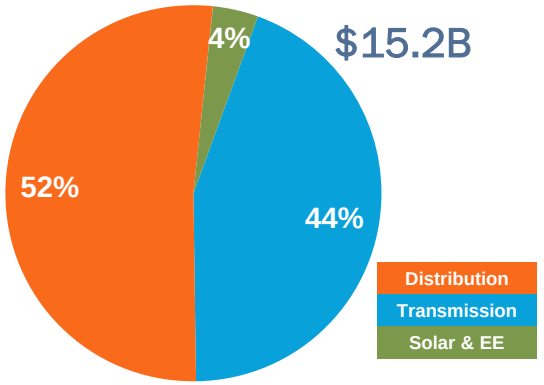
PSE&G –New Jersey's largest:

- Electric and Gas Distribution utility
- Transmission business
- Investor in renewables and energy efficiency
- Appliance service provider

	Electric	Gas
Customers Growth (2012 – 2016)	2.2 Million 0.5%	1.8 Million 0.4%
2016 Electric and Gas Sales	41,580 GWh	2,360M Therms*
Projected Annual Sales Growth (2017 – 2019)**	0.3%	0.7%
Sales Mix (2016)		
Residential	33%	59%
Commercial	58%	37%
Industrial	9%	4%



PSE&G 2016 Rate Base



* GAS FIRM SALES ONLY.
** ESTIMATED ANNUAL GROWTH PER YEAR, ASSUMES NORMAL WEATHER.

PSE&G strategy

Building a sustainable platform that balances reliability, customer rates and public policy to ensure growth at reasonable returns



Delivering on Our Promises

Operational Excellence

- Strong safety, reliability and customer service record
- Cost control efforts have led to flat O&M

Financial Strength

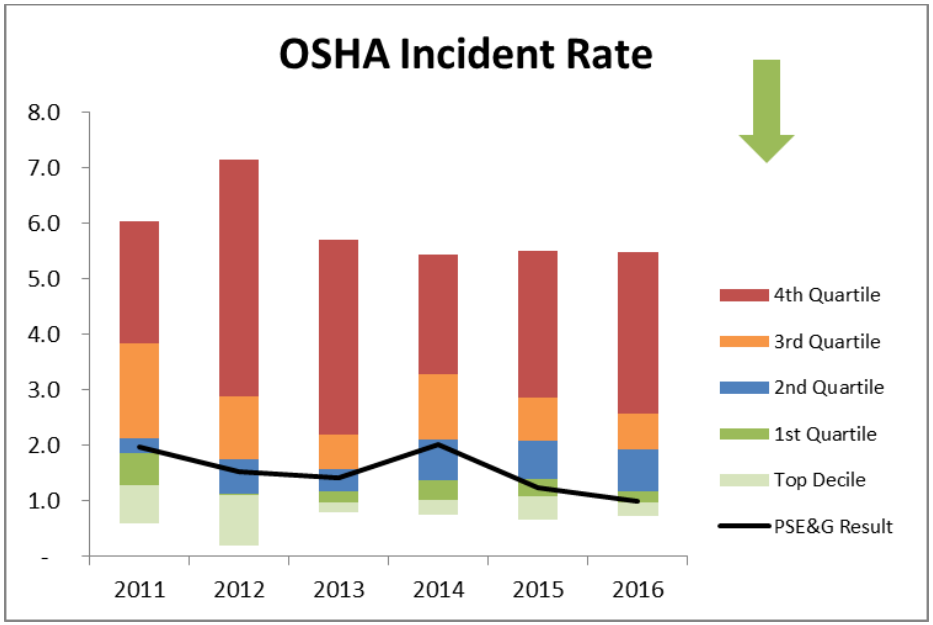
- Achieved 5-year annual growth in net income of 11%
- Achieved 5-year annual growth in rate base of 13%
- Maintaining solid investment grade credit ratings

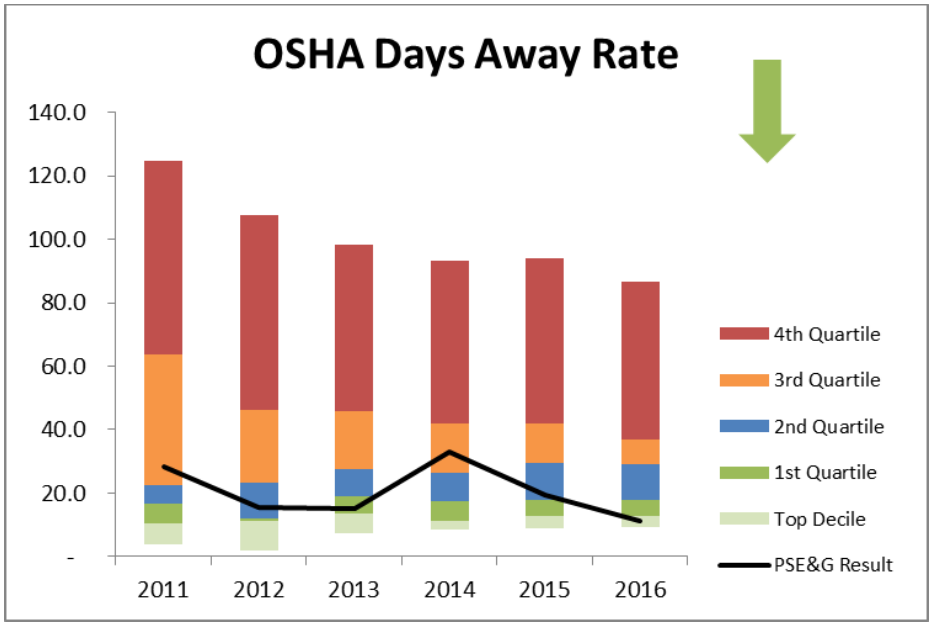
Disciplined Investment

- 15 investment programs approved over past eight years
  - ✓ Infrastructure focused
  - ✓ Supportive regulatory mechanisms providing for clause recovery
  - ✓ Policy alignment – across administrations – Solar and Energy Efficiency
- Programs creating jobs and providing environmental benefits, in a low-rate environment benefiting from low commodity prices and federal tax benefits from current bonus depreciation rules

Operational Excellence - Safety

- Management focus and collaboration with unions resulted in top decile safety performance in 2016

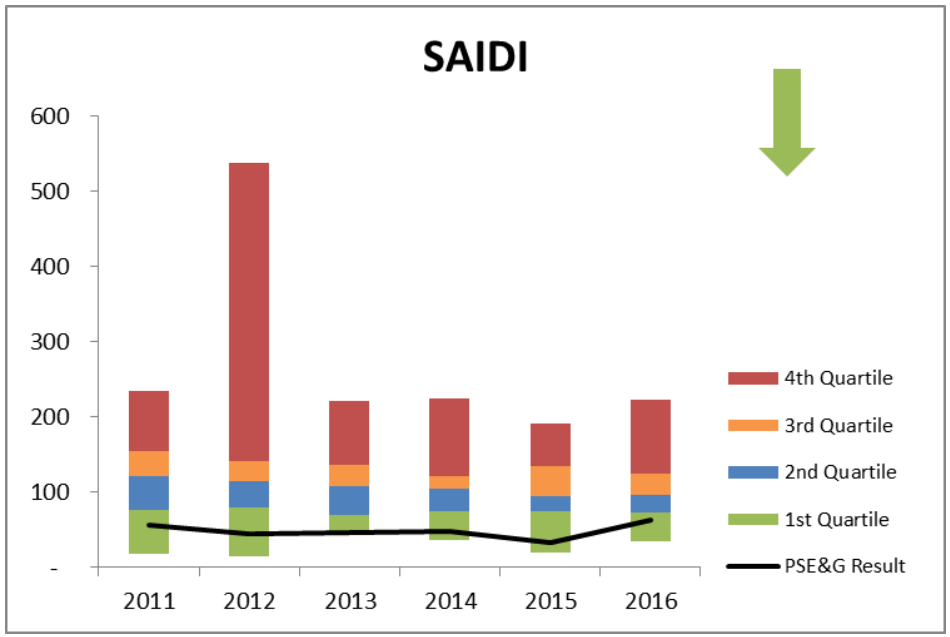




SOURCE: PSE&G

Operational Excellence - Reliability

Consistently recognized for customer reliability





Our system performance, as measured by System Average Interruption Duration Index (SAIDI), has consistently been among the best performers

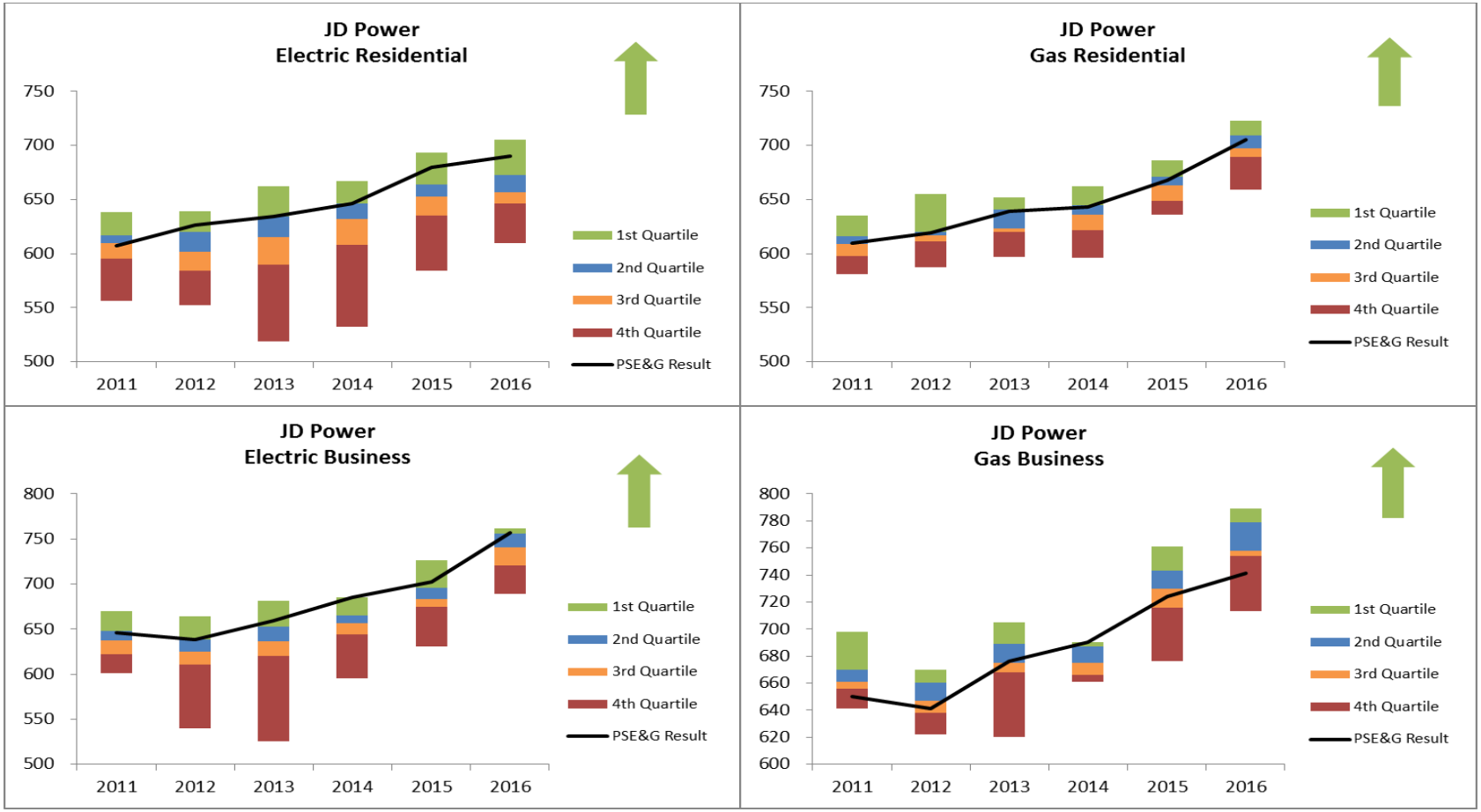
Named most reliable electric utility in the Mid-Atlantic region for **15th consecutive year**

SOURCE: PSE&G

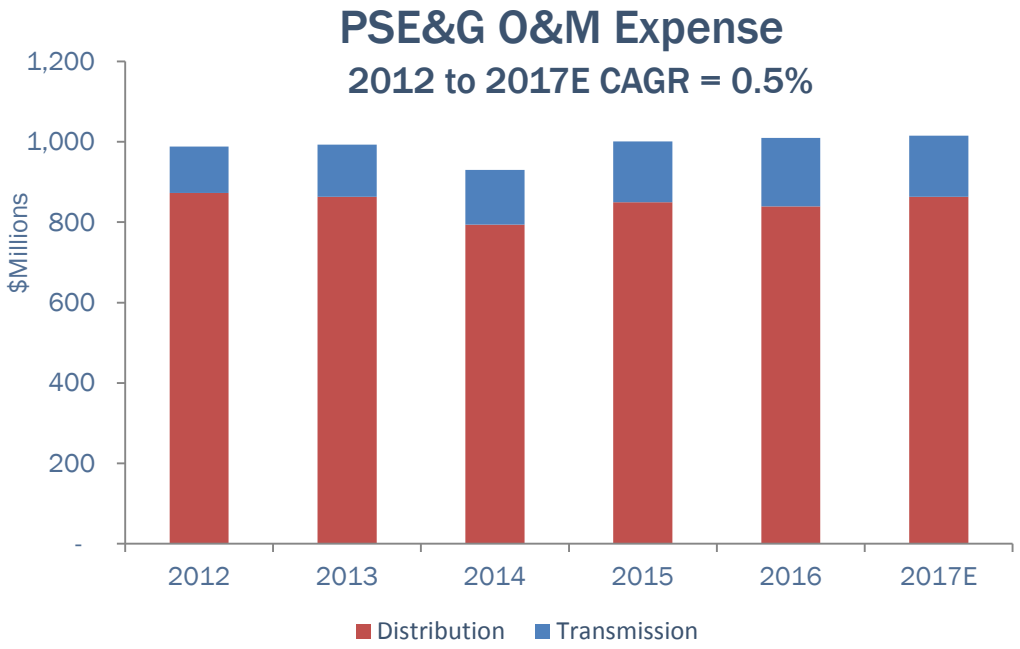
Operational Excellence - Customer satisfaction

PSE&G has improved on an absolute and relative basis compared to its peers over the past five years

JD Power Residential and Business Scores



Operational Excellence – O&M costs



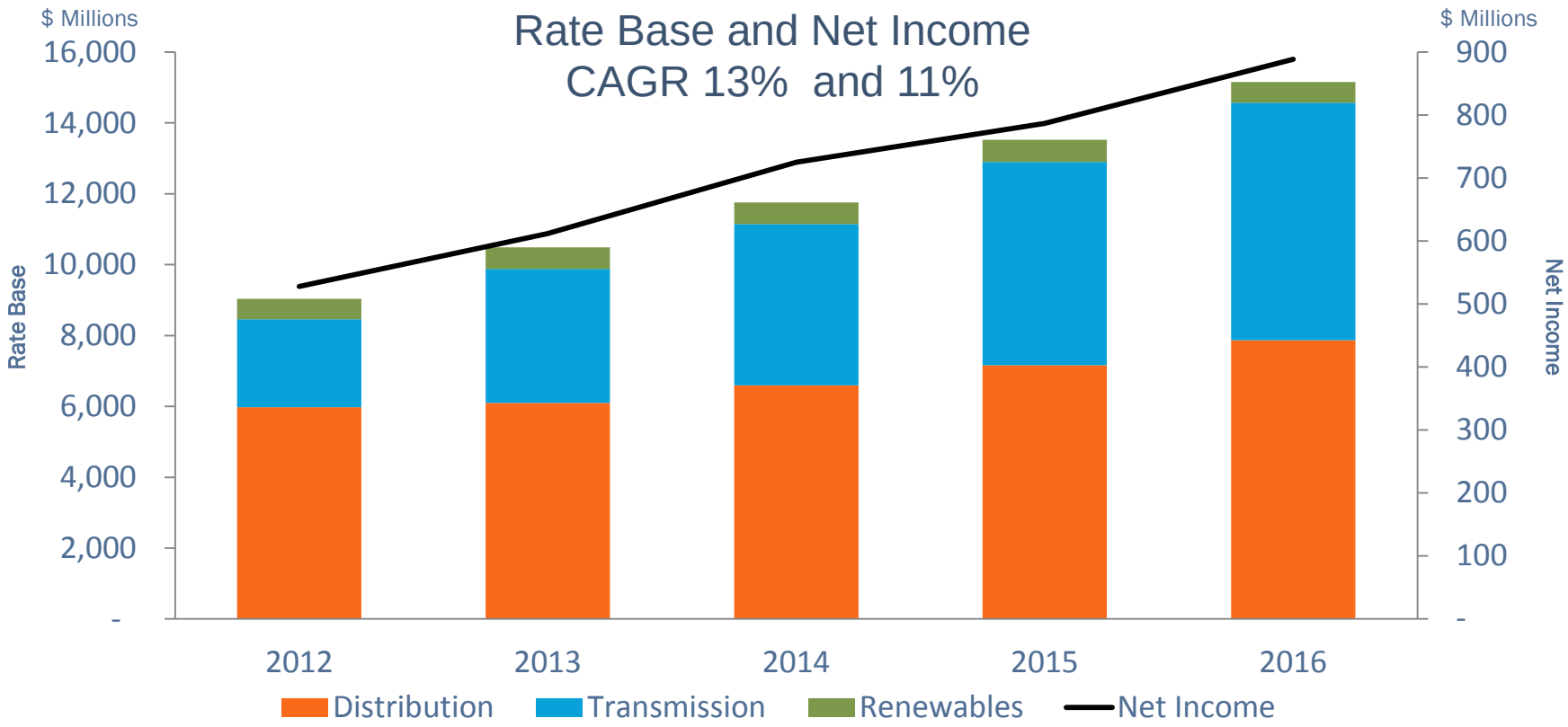
Demonstrated ability to control O&M, preserving earnings and returns in a low sales growth environment

Cost control actions:

- PSE&G is utilizing the Lean Six Sigma discipline to achieve costs savings and process improvements
- Regular organizational refinement to streamline processes
- Continued focus on vendor and inventory practices ensuring maximum value
- Successful management of pension

E = ESTIMATE.

Disciplined Investment – Delivering annual growth

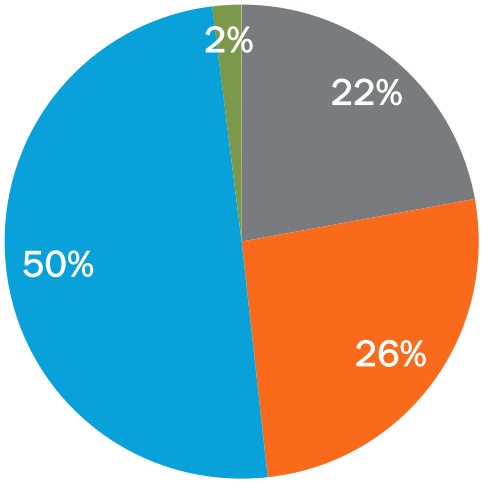


Our rate base is now roughly balanced between federal and state jurisdictions

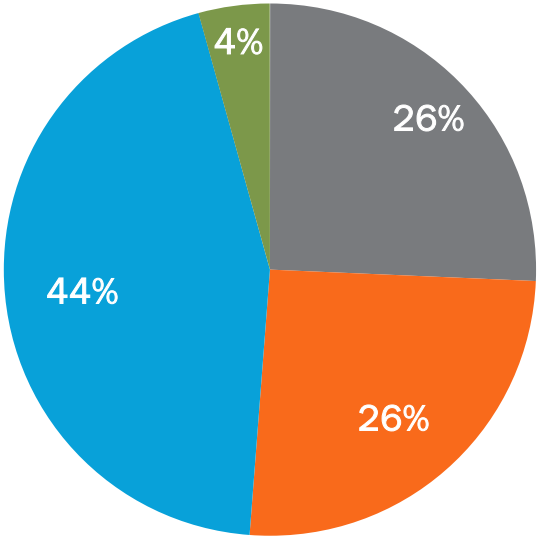
Disciplined Investment – Continued growth in robust capital program

2017-2021E PSE&G Capital Spending

Base Capital,
including GSMP extension
$12.3B
Rate Base CAGR 7%



with extension / expansion of current programs
$13.8B
Rate Base CAGR 9%



Transmission | Gas Distribution | Electric Distribution | Solar and Energy Efficiency

With current returns on ~70% of capital investments

. E = ESTIMATE. INCLUDES AFUDC

Transmission - ~$6 billion, 5-year investment program focusing on reliability and replacing aging infrastructure

- **Formula rate** recovery of capital and expenses
- **PJM's Regional Transmission Expansion Plan** (RTEP) identifies system enhancements needed for reliability
- **Portfolio transitioning –** completing remaining major lines and moving to steady state investments to maintain reliability and stay ahead of asset end of life
  - **69kV system upgrades** improve system reliability and add capacity for future growth
  - **Transmission Lifecycle** to manage asset life and improve system integrity and reliability
  - **Transmission Hardening** projects focus on increasing system resiliency





Electric Distribution – ~$3 billion, 5-year investment program focused on reliability and resiliency

- **Energy Strong** - Completion of currently approved program
- **Future growth efforts**
  - **Hardening** – Extend program for critical system infrastructure
  - **Aging infrastructure** – Life cycle investments to ensure continued top quartile reliability performance
    - Over 65 substations > 60 years old; Over 30 substations > 80 years old
    - ~115 substations 26kV to 4kV
    - Risk assessment model to eliminate/replace
  - **Technology** – Next generation to enhance grid performance





Electric Distribution - Technology

- **Making the grid smarter**
  - Deployment of hundreds of microprocessor relays
  - A new state of the art distribution SCADA system to facilitate full communication and control
  - Ability to integrate Distributed Energy Resources into the grid while enhancing grid reliability and resiliency

- **Improving customer service - continue to enhance delivery of information and communication**







Gas Distribution – ~$3 billion, 5-year investment program focused on modernizing and upgrading cast iron and unprotected steel main

- **Cost efficiency** of broad replacement approach
- **Customer service** – conversion from low pressure to high pressure
- **Environmental Collaboration** with EDF and Google to consider methane leaks in work prioritization
- **Replaced** >200 miles in 2016
  - Exceeding run rate of 30 year program, demonstrating ability to accelerate program
  - ~4,800 miles of cast iron and unprotected steel main remaining in the system
  - More cast iron than any other US utility





Solar and Energy Efficiency – ~$250 million, 5-year investment supports New Jersey policy objectives

- **Solar** –
  - Grid-connected solar on landfills and brownfields provides clean energy for all customers
  - 210 MW installed of the 300 MW total approved programs
- **Energy efficiency** – Continuing programs with a focus on hospitals, multi-family housing and our direct install program which includes municipalities, non-profits and small businesses in Urban Enterprise Zones
- **State Policy** - Programs are aligned with policy goals
- **Opportunity to expand** – Potential for significant opportunity to expand energy efficiency and related customer services in the future

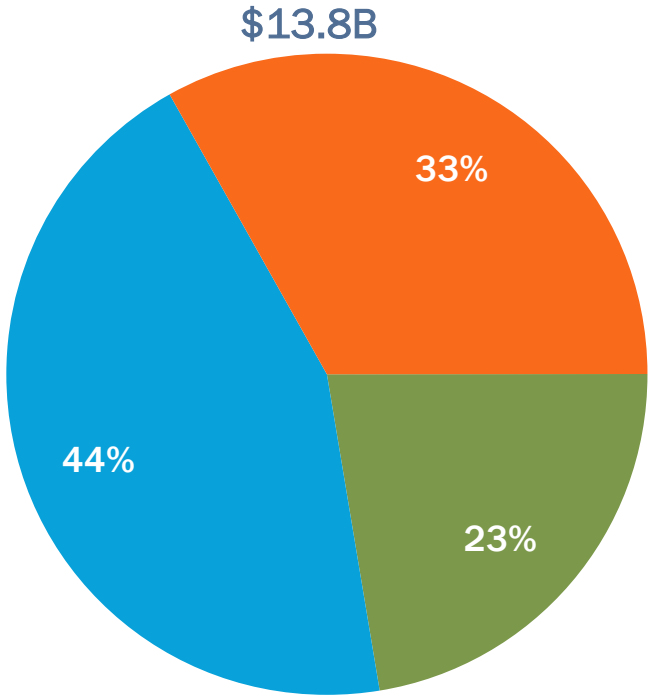






Developing investment opportunities with near-contemporaneous recovery mechanisms

2017-2021E PSE&G Capital with Program extensions by Recovery Method



Plan to increase current five year, $12.3B capital plan by ~$1.5B through program extensions and expansions:

- GSMP acceleration
- Electric distribution – hardening extension and modernization investment program
- Energy Efficiency and Solar programs – extensions and expansion

With broad opportunity set of additional investment potential driven by customer expectations and public policy

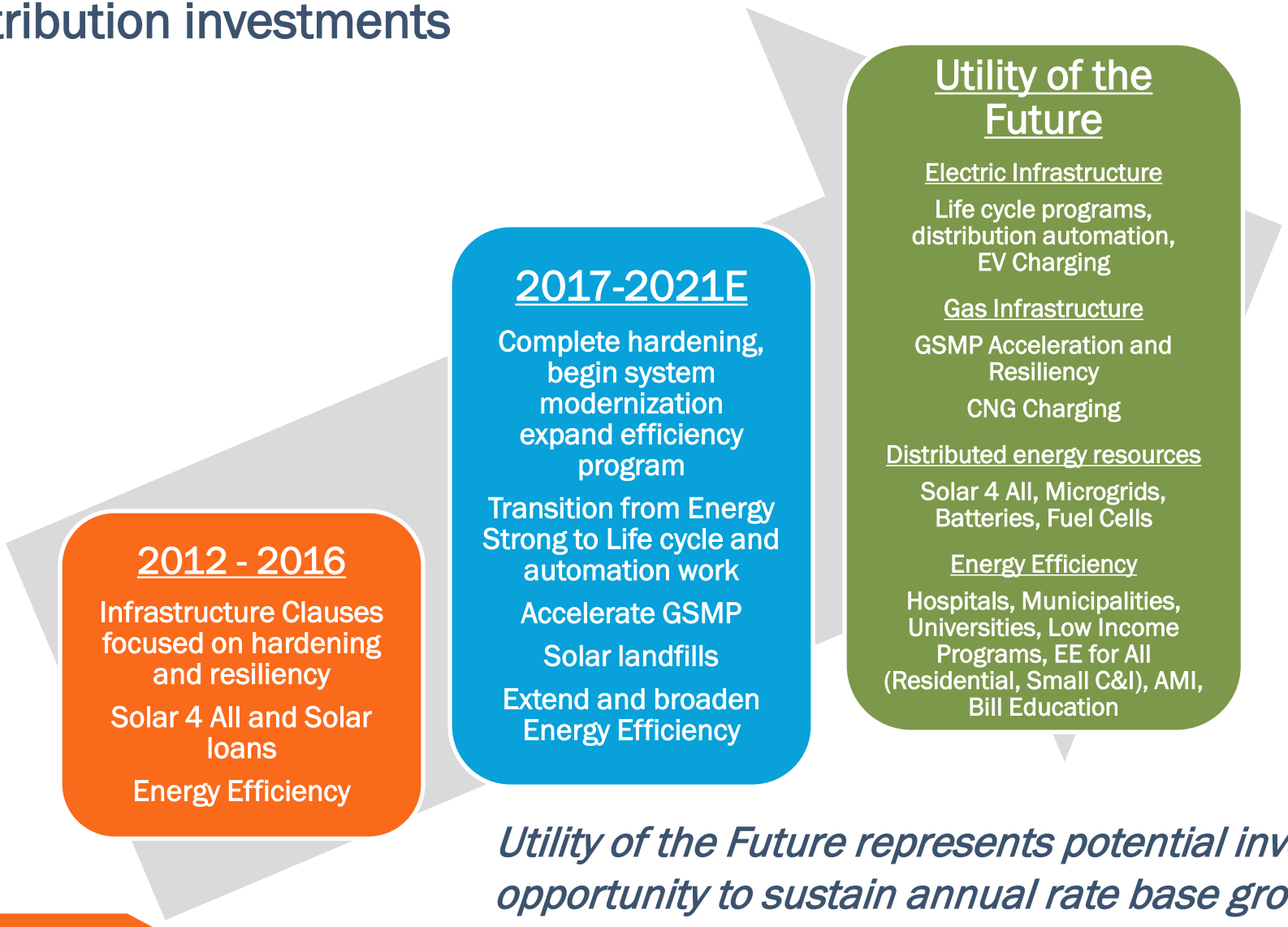
FERC Formula Rates
Transmission

Traditional Recovery Mechanisms
Distribution Base Rates

Clause Recovery Mechanisms
Infrastructure / Solar / Energy Efficiency

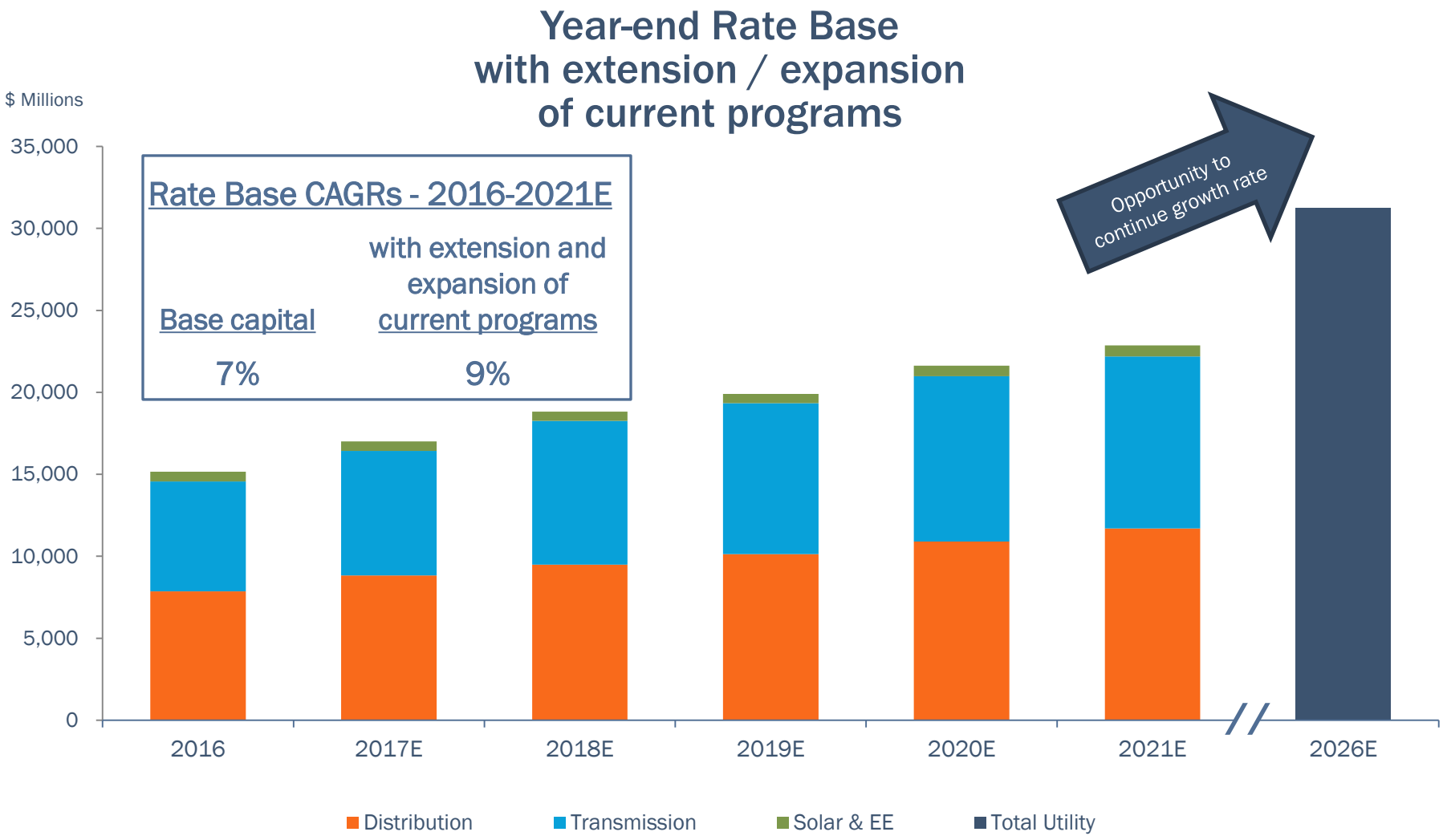
E = ESTIMATE. DATA AS OF MARCH 2017. INCLUDES AFUDC.

PSE&G Investment Evolution: System needs, customer expectations and public policy objectives drive need for continued and increasing Distribution investments



Utility of the Future represents potential investment opportunity to sustain annual rate base growth rate

Investment program supports strong rate base growth – off a higher base



E = ESTIMATE.

Distribution – 2017 base rate case filing

- Obligated to file rate case no later than November 1, 2017
- Last rate case – 2009 test year, settled in 2010

Since last rate case

- **Sales growth** – flat, customer growth offset by energy efficiency
- **O&M** – held flat, with increased regulatory requirements
- **Capital Investments** – Growth in rate base beyond clauses, consists of:
  - GSMP annual stipulated base
  - Energy Strong
  - Other Distribution base investments beyond depreciation levels
- **Customer rates** since last rate case
  - Electric decreased 5%; Gas decreased 46%

Supports need for moderate base rate increase

Optimal time for extension and expansion of investment programs

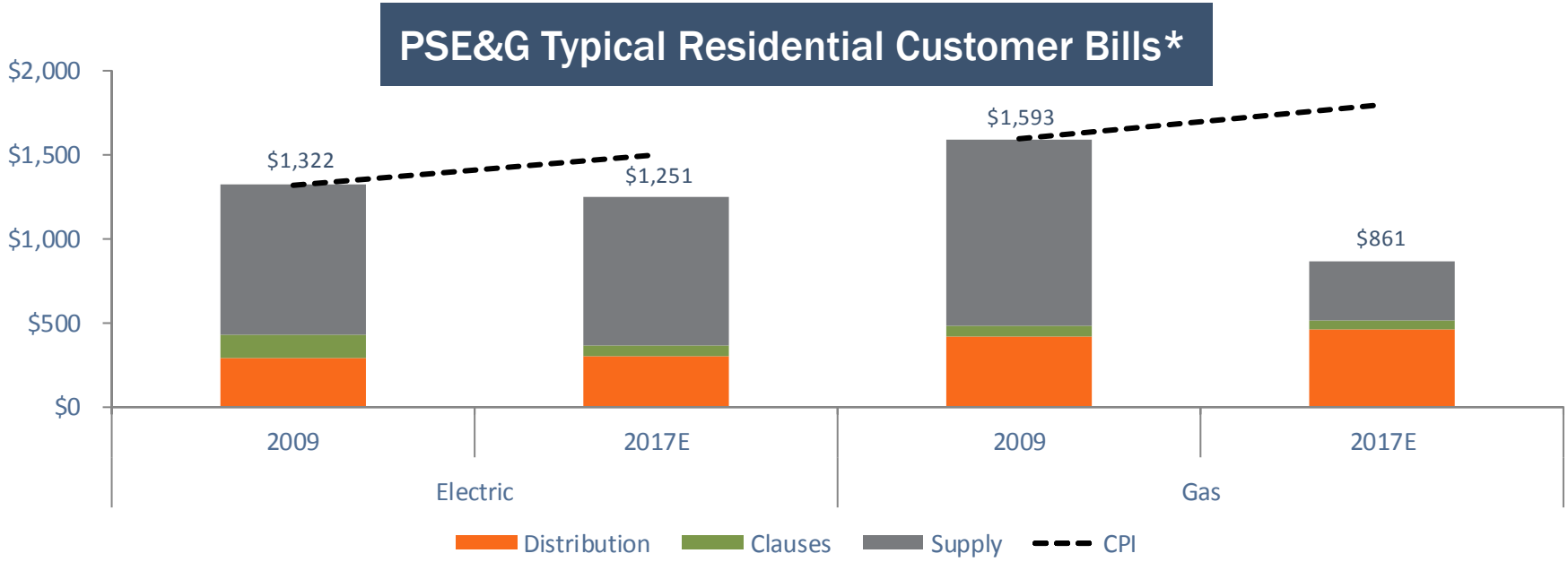
- 2017 investment program filings
  - **GSMP** - extension and acceleration
  - **Electric infrastructure** - resiliency and modernization
  - **Energy efficiency** – extension, potential future expansion
  - Seeking **long-term** programs to optimize planning and cost
- Programs improve system reliability and meet customer expectations
  - System need as infrastructure reaches end of life
  - Increasing customer and public policy expectations
- Optimal timing

Job creation	Environmental benefits	Federal tax benefits	Low commodity prices
√	√	√	√

- Potential rate impact of program extensions - ~2%/year*

*ASSUMES TYPICAL COMBINED RESIDENTIAL CUSTOMER WITH 7,200 KWH FOR ELECTRIC AND 1,010 THERMS FOR GAS ANNUALLY.

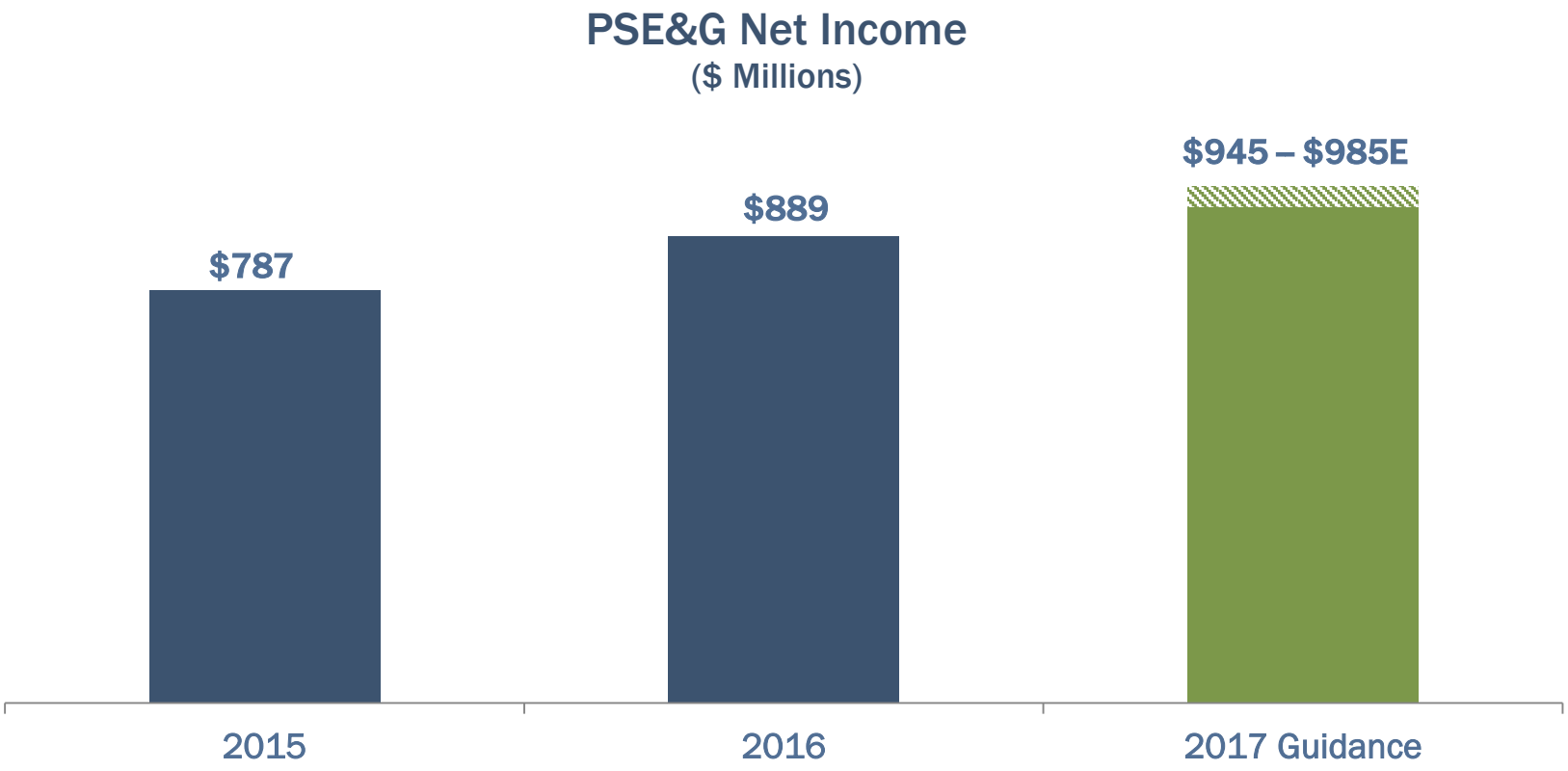
Customer's bills are materially lower, supporting needed investment in the system



- Combined electric and gas bills declined ~28% over the 2009-2017 period
  - Also provided BGSS bill credits totaling ~$590 per customer since 2012
  - Low gas prices and elimination of transition charges drove rate decreases
- Regional price comparison** Gas is 2nd lowest and Electric is lower than average
- Investing at the Utility of the Future level – would take about a decade to equal the 2009 bill rates (adjusted for growth in CPI/disposable income)

*FOR ALL YEARS THE BILLING ASSUMES 7,200 KWH FOR ELECTRIC AND 1,010 THERMS FOR GAS ANNUALLY. E = ESTIMATE
** COMPARED AGAINST 12 REGIONAL UTILITIES AS OF SEPTEMBER 1, 2016, FOR A CUSTOMER THAT USES 500 KILOWATT-HOURS AND 100 THERMS IN A MONTH.

PSE&G's 2017 net income to benefit from investment programs and cost control



E = ESTIMATE.

PSEG LONG ISLAND

PSEG

We make things work for you.

PSEG Long Island - Focused on improving customer service and reliability while managing costs

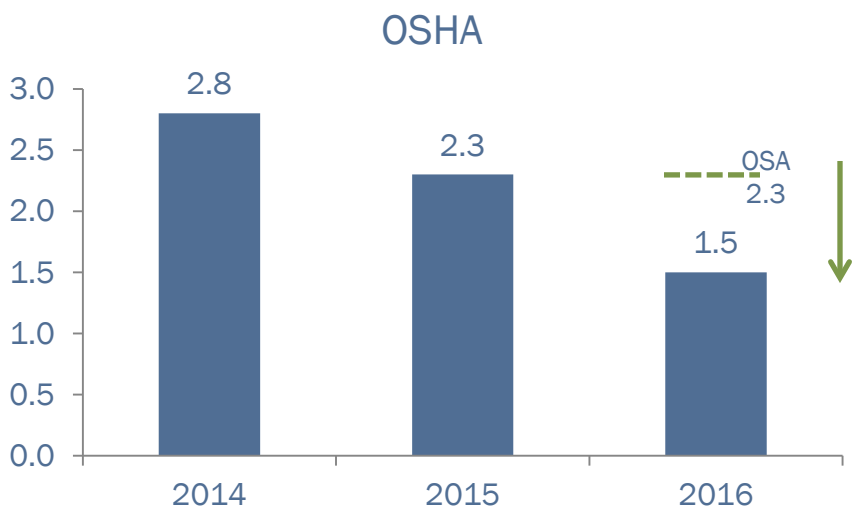
- 4th year of 12 year contract (with option to extend 8 years)
- 2016 - Earned $0.08 per share*
  - Fixed fee of $65 million / year, escalated for CPI
  - Incentive opportunity of 15%
  - Power has $20 million / year energy management and fuel supply contract

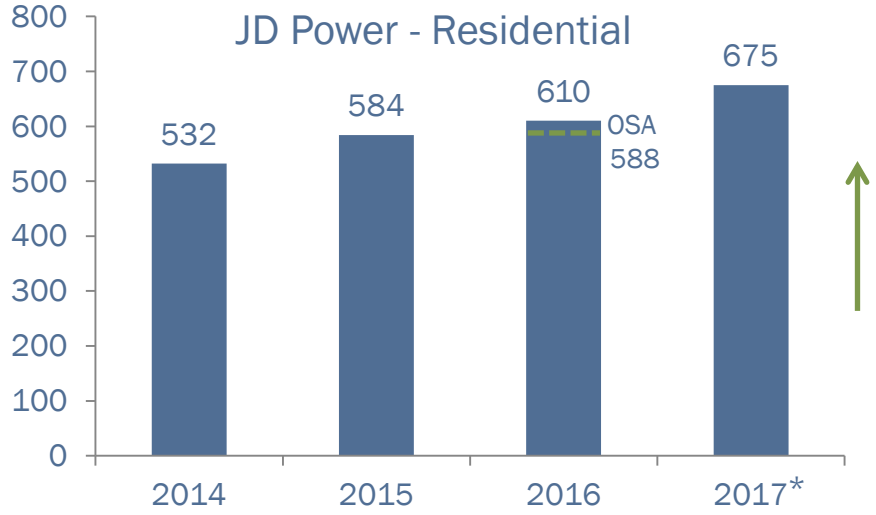


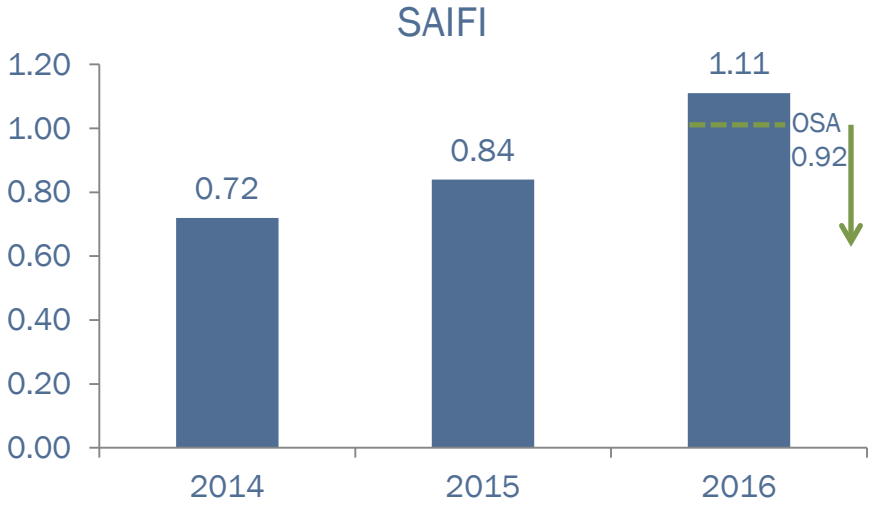
- Focused efforts on safety, reliability, customer satisfaction and stakeholder relationships
- Meeting Operational and Financial expectations
- Realized >95% of incentive payment in 2014, 2015 and 2016

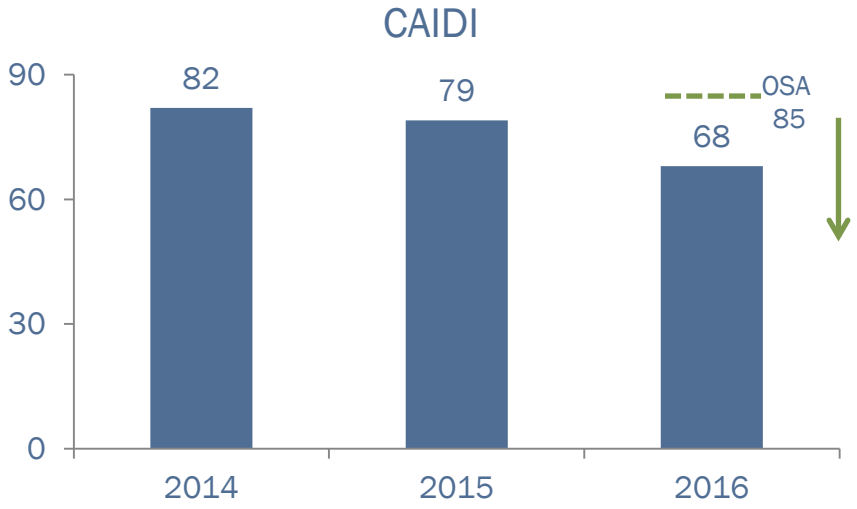
*OVERALL ENTERPRISE IMPACT.

PSEG Long Island continues to drive improvement in performance metrics









OSA = AMENDED OPERATING SERVICES AGREEMENT BETWEEN PSEG-LI AND LIPA SETTING BENCHMARK INCENTIVE LEVELS
* JD POWER 2017 REPRESENTS FIRST WAVE DATA

2017 PSEG Power and ER&T Business Review & Outlook

PSEG

We make things work for you.

We have the
energy
to make things better
... for you, for our investors
and for our stakeholders.

PSEG POWER

William Levis

PRESIDENT AND CHIEF OPERATING OFFICER
PSEG POWER

PSEG
We make things work for you.

PSEG Power strategy

Excellence in operating our units safely, reliably, cost-competitively and in an environmentally responsible manner



Power is transforming its portfolio to be newer, more efficient and flexible



Selected Accomplishments Towards Transformation

Cost Control

2012

- Additional **400** MW of new peaker capacity at Kearny and New Haven

2013

- Bethlehem Energy Center, 2nd gas pipeline connection added

2014

- CCGT Advanced Gas Path (AGP) uprate completed at Linden 1 & 2, **63** MW
- Energy / Fuel management contract for LIPA

2015

- Continued growth with **1,300** MW new CCGT's announced
  - Keys
  - Sewaren 7
- Projects Completed:
  - Peach Bottom EPU, **130** MW
  - Bergen 2 AGP uprate, **31** MW
- Retired HEDD Units
- Solar portfolio reaches **277** MW_{DC}
- Initiated Hope Creek uprate, **18** MW

2016

- Bridgeport Harbor 5 **485** MW CCGT cleared ISO-NE auction
- Hudson & Mercer early retirement announced
- Kearny 13 & 14 uprate, **14.5** MW increased capacity
- Initiated electric & gas retail business in NJ, PA
- Solar reaches ~**326** MW_{DC} in operation

Power has generating assets in three competitive markets

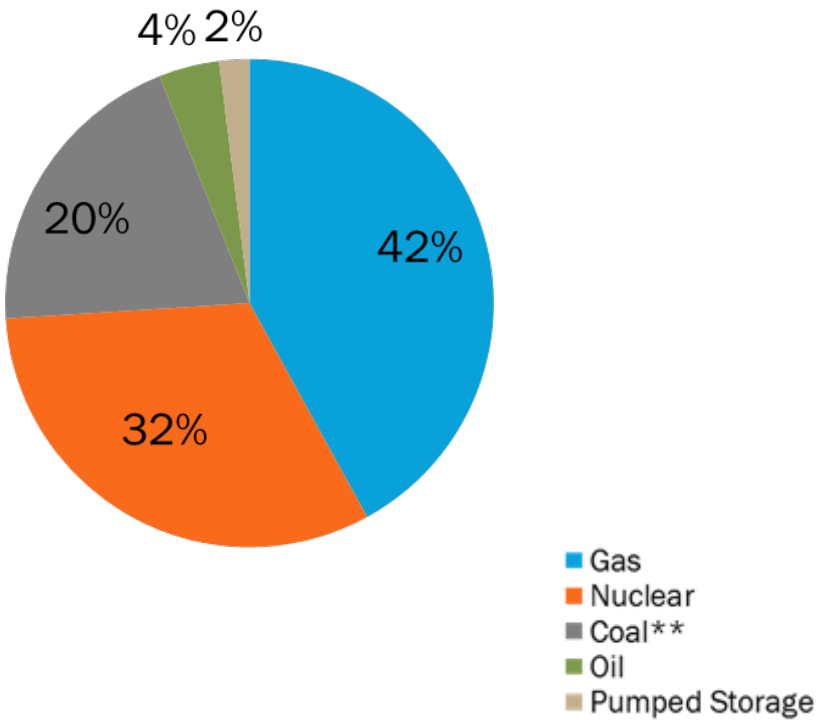


- Major assets located near key load centers
- Constructing three new, efficient combined-cycle units
- Positioned to benefit from market volatility
- Additional generation assets:
  - Solar (326 MW_{DC}/257 MW_{AC})
  - Kalaeloa, HI (104 MW)

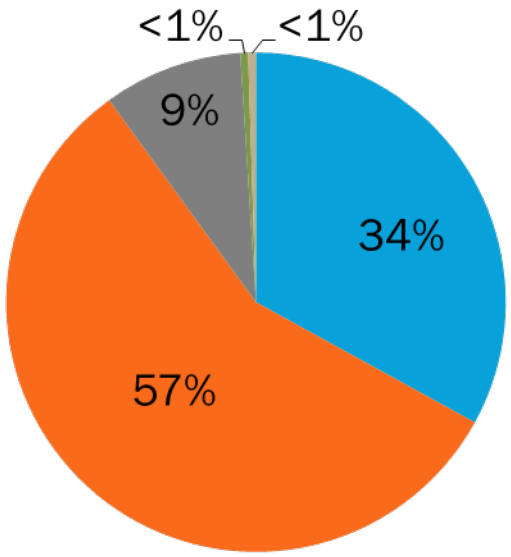
*POWER ANNOUNCED RETIREMENTS OF HUDSON AND MERCER GENERATING STATIONS AS OF JUNE 1, 2017.

Power has a diverse fleet of generating assets which enables it to respond to market needs

Fuel Diversity 2016*
Total MW: 11,577

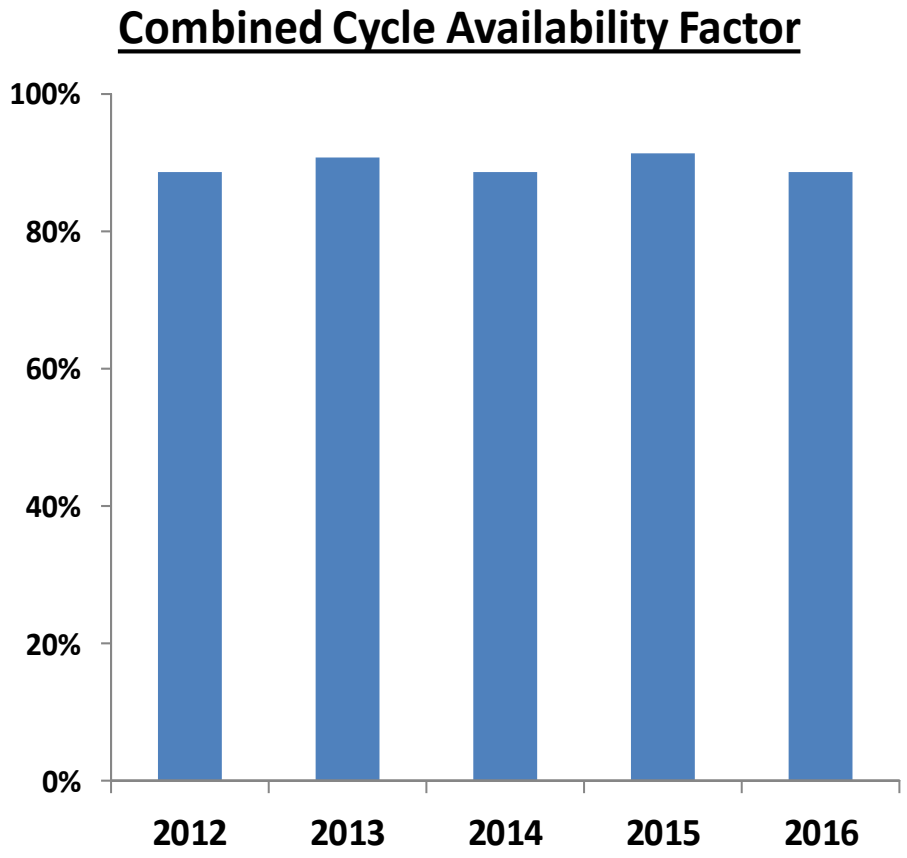


Energy Produced 2016*
Total GWh: 51,510



* EXCLUDES SOLAR (326MW$_{DC}$ /257MW$_{AC}$) AND KALAELOA (104MW).
**INCLUDES NEW JERSEY UNITS THAT FUEL SWITCH TO GAS.

Power's Fossil Fleet maintains solid performance in a challenging environment



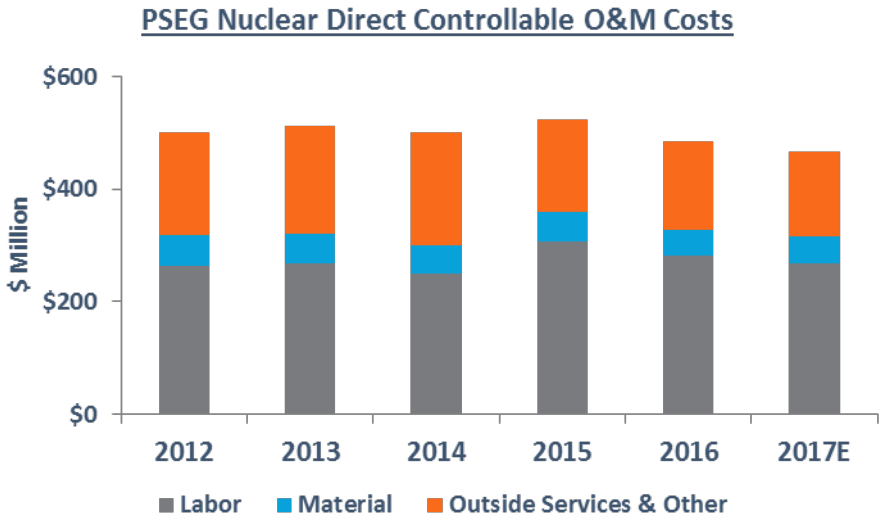
- Generation records at BEC and Bergen 2 combined-cycle units
- Combined-cycle EFORd* and EFORp lowest in five years
- Start Success Rate:
  - Peaking: 99.7%
  - Coal/Steam: 93%

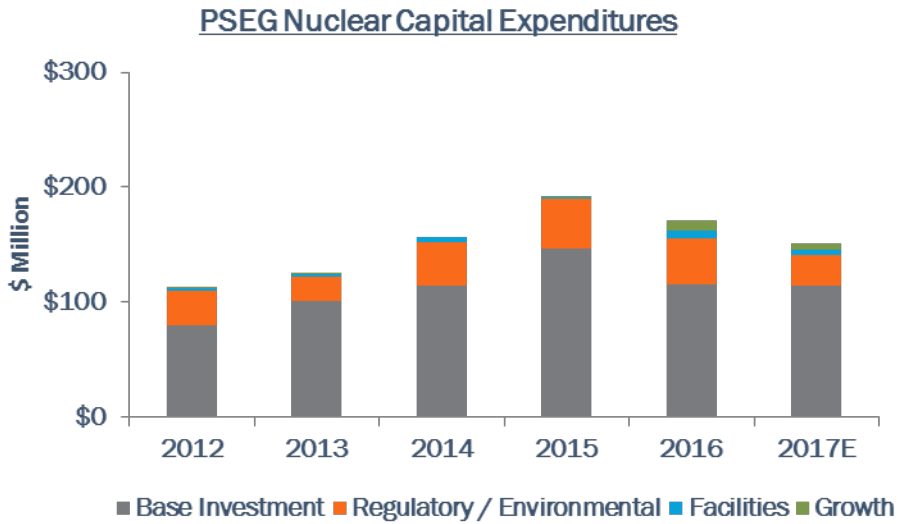
*EFORd EXCLUDES EVENTS OUTSIDE OF MANAGEMENT CONTROL.

Nuclear is vital to New Jersey with Salem and Hope Creek providing ~40% of the State's energy consumption

Hope Creek	Salem Units 1 and 2	Peach Bottom Units 2 and 3
• Operated by PSEG Nuclear • PSEG Ownership: 100% • Boiling Water Reactor • Total Capacity: 1,172 MW • Owned Capacity: 1,172 MW • License Expiration: 2046 • 18 MW Uprate Spring 2018 • Next Scheduled Refueling ➢ Spring 2018	• Operated by PSEG Nuclear • PSEG Ownership: 57% • Pressurized Water Reactor • Total Capacity: 2,296 MW • Owned Capacity: 1,318 MW • License Expiration: 2036 and 2040 • Next Scheduled Refueling ➢ Unit 1 – Fall 2017 ➢ Unit 2 – Spring 2017	• Operated by Exelon • PSEG Ownership: 50% • Boiling Water Reactor • Total Capacity: 2,450 MW • Owned Capacity: 1,225 MW • License Expiration: 2033 and 2034 • Next Scheduled Refueling ➢ Unit 2 – Fall 2018 ➢ Unit 3 – Fall 2017

PSEG Nuclear has been addressing the economic challenges in the current low gas price environment





- 2012 to 2017E CAGR: –1.4%
- The 2015 Labor increase / outside services decrease is due to bringing security force employees in-house
- Material and outside service cost reductions CAGR: – 4%

- Fukushima-related compliance drove $198 M of Regulatory/Environmental spend
- 2016 and 2017E capital driven by Baffle Bolt replacement
- Going forward capital approximately $100M/year to maintain reliability to end of license life

NOTE: LABOR INCLUDES BASE WAGES, OVERTIME AND FRINGE BENEFITS. ALL YEARS EXCLUDE EXPENDITURES FOR NUCLEAR FUEL (APPROXIMATELY $6.50/MWH). E=ESTIMATE

PSEG Nuclear is leading the industry in efforts to ensure economic viability of fleet

Goals

- Industry goal to achieve reductions in O&M, fuel and capital costs by 2018
- The three-year program to examine and implement opportunities to:
  - ✓ Advance safety,
  - ✓ Improve operations, and
  - ✓ Prevent premature reactor closures
- Concurrently, we continue to work with NEI and other industry partners to gain greater compensation for nuclear plants in competitive market policies

PSEG Nuclear progress to date

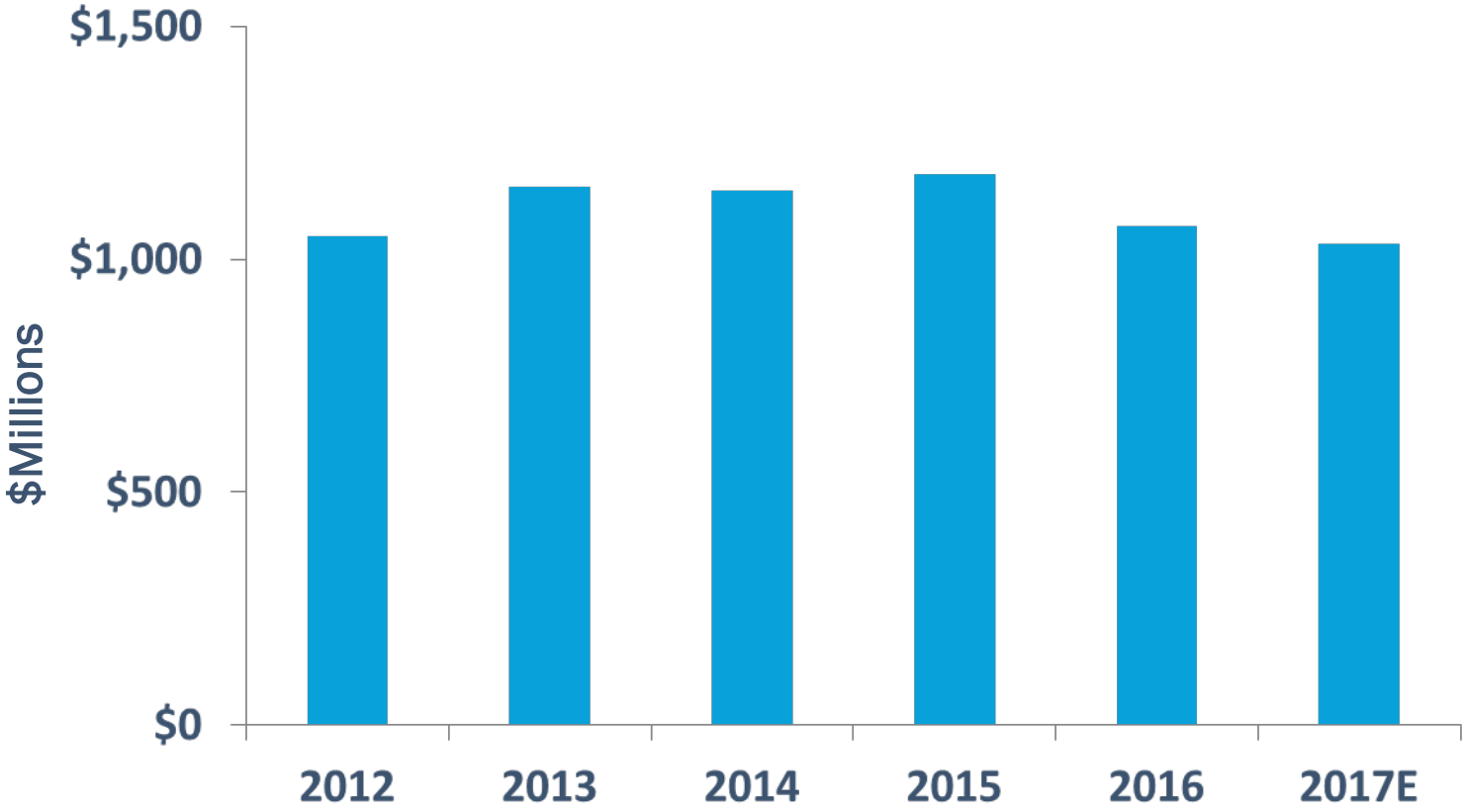
- 46 Efficiency Bulletins issued, 21 implemented to date
- Cost reductions achieved: 185 FTE reduction; 2017 direct O&M reduction of 5% from plan target while funding equipment reliability improvement
- Implemented changes to focus on eliminating vs. mitigating equipment reliability issues to ensure generation is not negatively impacted

PSEG Nuclear is not currently earning its cost of capital

Power has demonstrated its ability to control O&M

Power O&M Expense*

2012 to 2017E CAGR: – 0.3%



*EXCLUDES IMPACTS FROM STORM RECOVERY COSTS AND THE HUDSON/MERCER EARLY RETIREMENT.
E=ESTIMATE

Power is developing ~1,800 MW of new, efficient CCGT capacity in MD, NJ and CT



Growth Project Update - Keys Energy Center

SNC Notice to Proceed 6/18/15	Commence Site Clearing 8/25/15	Full Site Mobilization 3/2/16	Begin HRSG Erection 11/10/16	Back Feed Switchyard 8/3/17(E)	First Fire 2/9/18(E)	Target Substantial Completion 4/30/18(E)	Guaranteed Substantial Completion 5/1/18(E)

- **755 MW plant in Prince George's County, MD**
  - 2x1 natural gas-fired combined cycle
  - Greenfield site
- **Estimated Costs $825 to $870 million**
- **Major Milestones**
  - Combustion turbines and generators, steam turbine and generator and all three generator step-up transformers have been set in place
  - Construction is 35% complete as of February 2017
  - Commence training / start-up support in 2017
  - Expected to be in service in mid-2018
- **Outlook**
  - Expands geographic footprint to the SWMAAC* load pocket



Keys Energy Center – Aerial View



*SWMAAC – SOUTHWEST/EMAAC = EASTERN MID-ATLANTIC AREA COUNCIL
E = ESTIMATE

Growth Project Update – Sewaren 7

Sewaren Clears Auction	Commence Site Clearing	Full Site Mobilization	Begin HRSG Erection	Backfeed Plant Substation	CTG First Fire	Target Substantial Completion	Guaranteed Substantial Completion
8/21/15	11/30/15	3/14/16	1/23/17	8/15/17(E)	12/19/17(E)	4/1/18(E)	6/1/18(E)

- **540 MW plant in Sewaren , New Jersey**
  - 1x1 dual fuel (natural gas & ultra low sulfur diesel) combined cycle
- **Estimated Costs $625 to $675 million**
- **Major Milestones**
  - Combustion steam turbine generator, combustion turbine and main transformers have been set in place
  - Construction is 29% complete as of February 2017
  - Expected to be in service in mid-2018
- **Outlook**
  - Leverages existing infrastructure
  - Existing Sewaren units will retire upon completion
  - Located in the PS Zone load pocket



Sewaren 7 – Aerial View

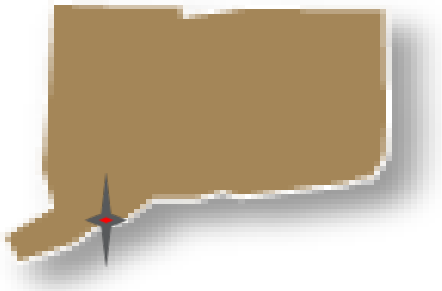


E = ESTIMATE

Growth Project Update – Bridgeport 5

BHS Unit 5 Clears Auction 2/10/16	Commence Site Prep 10/17/16	Full Site Mobilization 4/1/17(E)	Begin HRSG Erection 1/2/18(E)	Backfeed Plant Substation 3/1/18(E)	CTG First Fire 11/15/18(E)	Target Substantial Completion 5/1/19(E)	Plant Commences Operations 6/1/19(E)

- **485 MW plant in Bridgeport, Connecticut**
  - 1x1 dual fuel (natural gas & ultra low sulfur diesel) combined cycle
- **Estimated Costs $525 to $575 million**
- **Major Milestones**
  - New Source Review Air Permit is expected to be issued by April 15, 2017
  - Expected to be in-service in mid-2019
- **Outlook**
  - To be constructed on the existing PSEG Bridgeport Harbor site; Bridgeport Harbor 3 will retire in 2021
  - Located in the SW Connecticut load pocket
  - Seven year capacity price lock



Bridgeport 5 – Aerial View

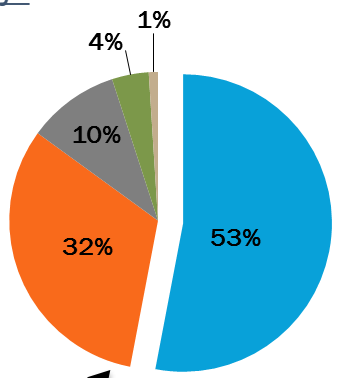


E = ESTIMATE

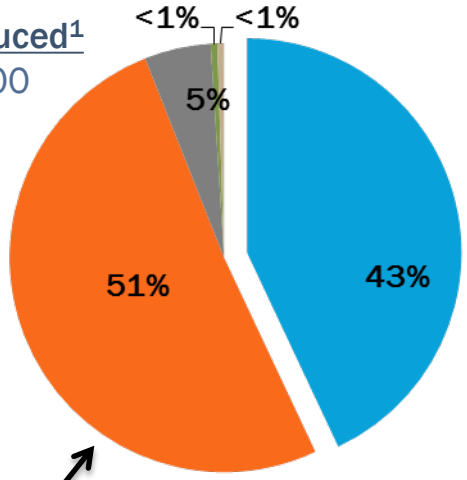
Power's fleet is being **transformed** with focus on improvement in efficiency

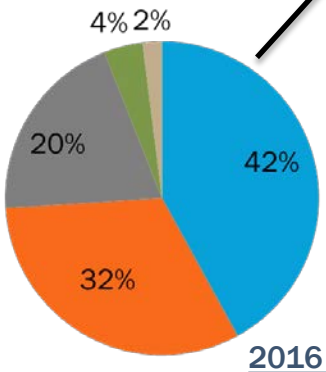
Projected Fleet Comparison 2016 to 2021E

2021E Fuel Diversity[1]
Total MW: 11,900

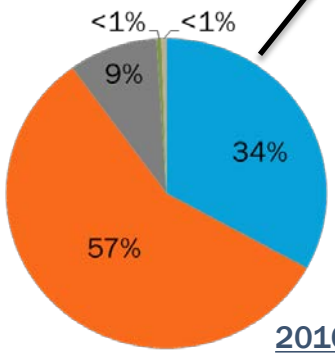


2021E Energy Produced[1]
Total GWh: 61,000





2016 Fuel Diversity
Total MW: 11,577



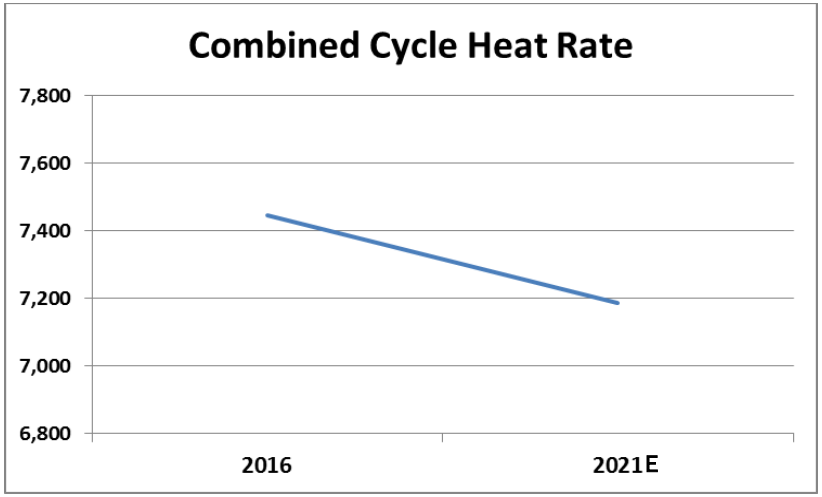
2016 Energy Produced
Total GWh: 51,510

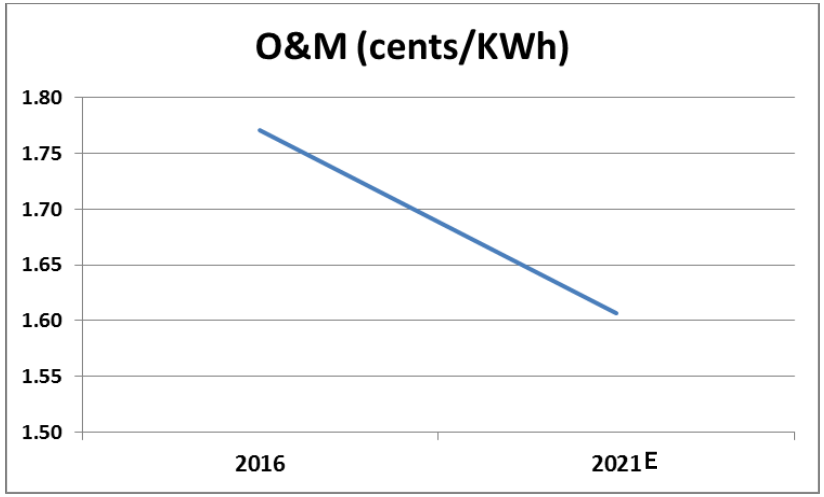
- Gas
- Nuclear
- Coal**
- Oil
- Pumped Storage

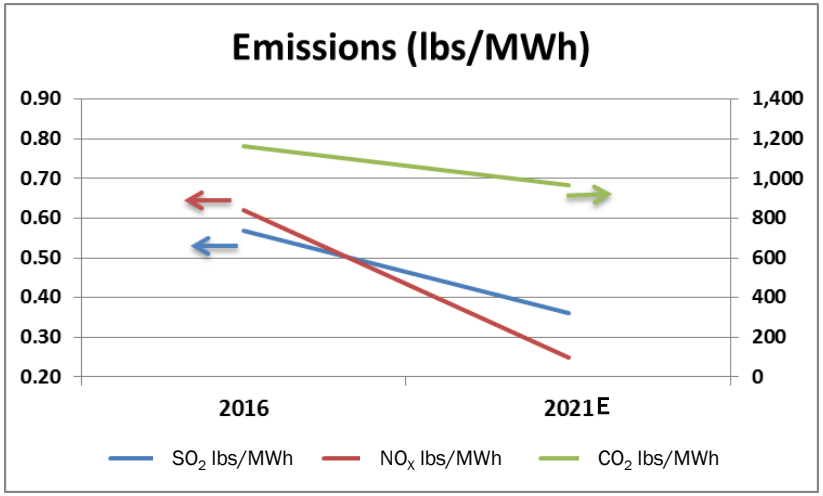
Energy Produced increases by >18%

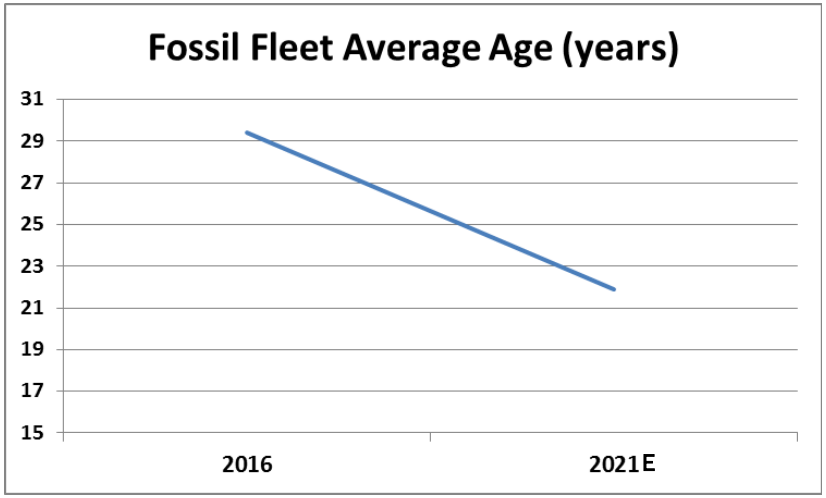
[1] REFLECTS ANNOUNCED EARLY RETIREMENT OF HUDSON AND MERCER UNITS IN MID-2017.
ALL PERIODS EXCLUDE SOLAR (257 MW_{AC}) CAPACITY AND KALAELOA (104 MW) CAPACITY / ENERGY PRODUCED.
**2016 COAL INCLUDES NEW JERSEY UNITS THAT FUEL SWITCH TO GAS. E= ESTIMATE.

Power's fleet is transitioning to become more efficient, productive and clean



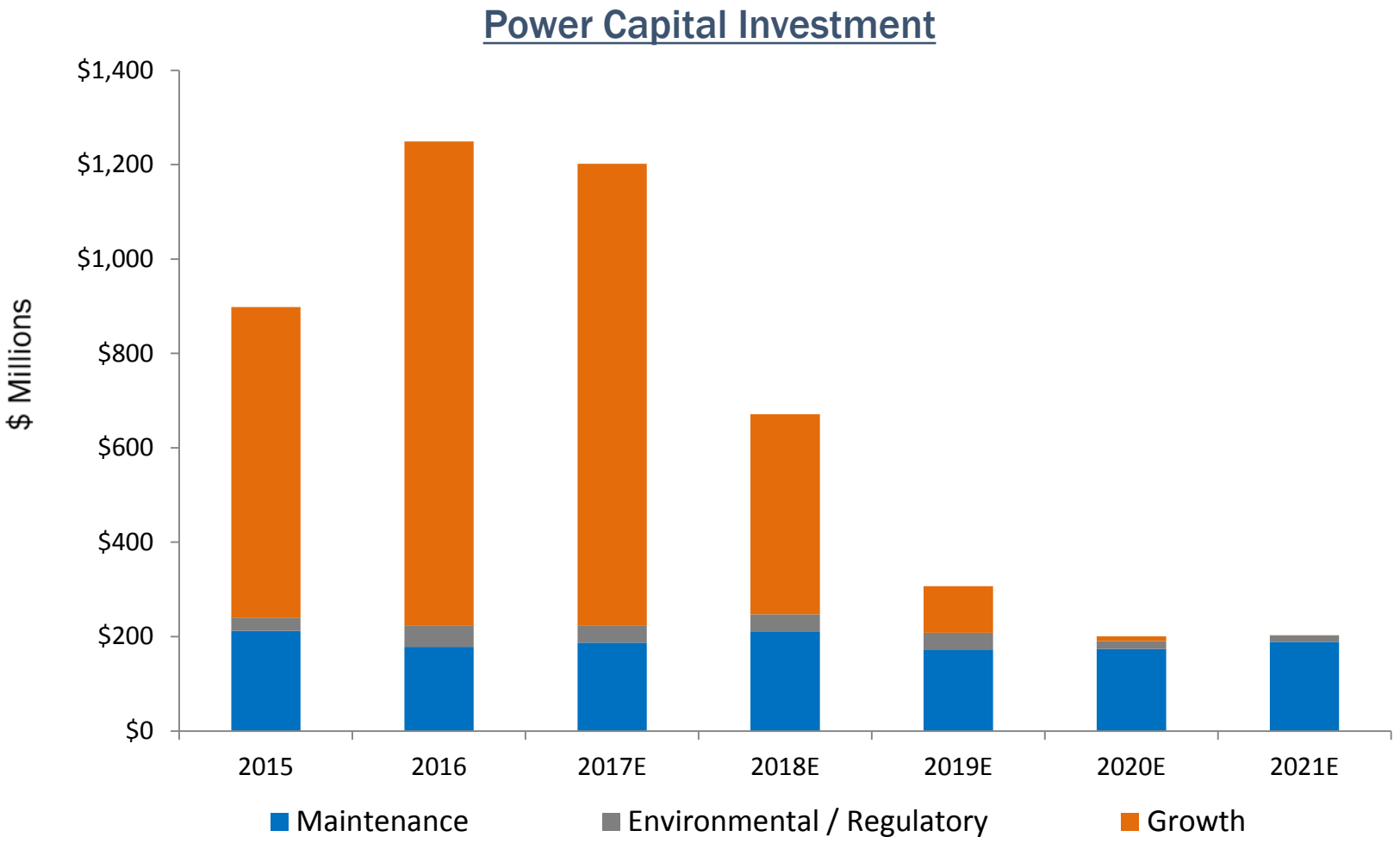






E = ESTIMATE.

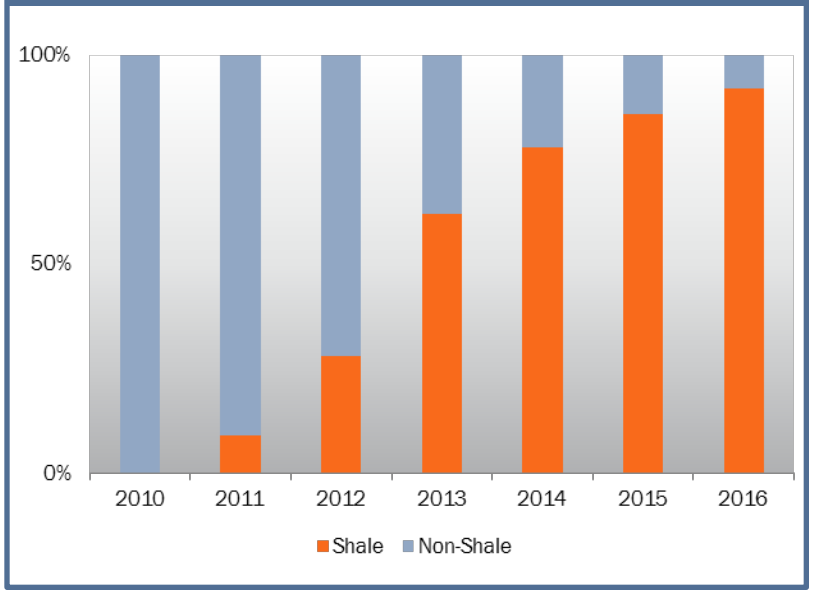
Power's capital needs decline following construction of new capacity, enhancing free cash flow



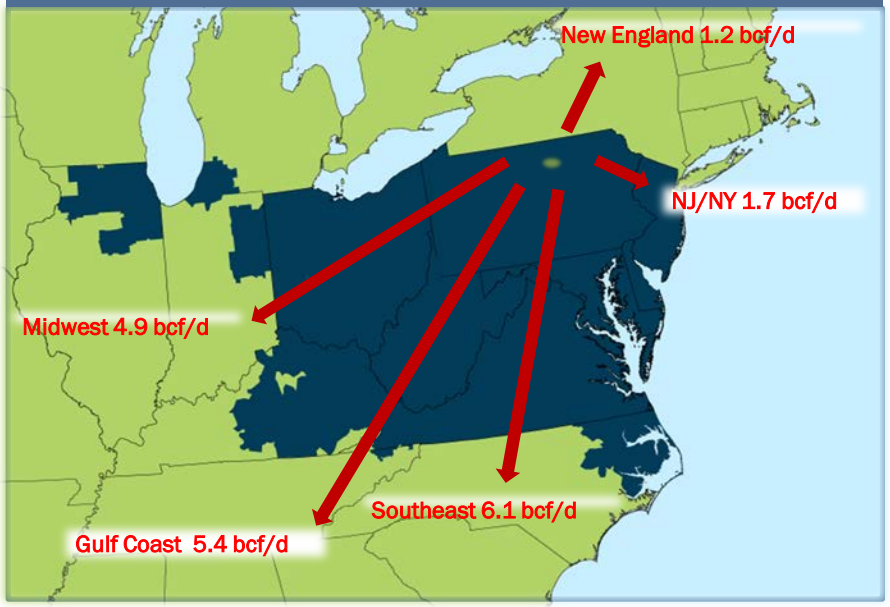
E=ESTIMATE. DATA AS OF FEBRUARY 2017.
EXCLUDES NUCLEAR FUEL. INCLUDES IDC.

Power's fleet is well-located with access to shale gas production

PSEG's Total PJM Gas Procurement



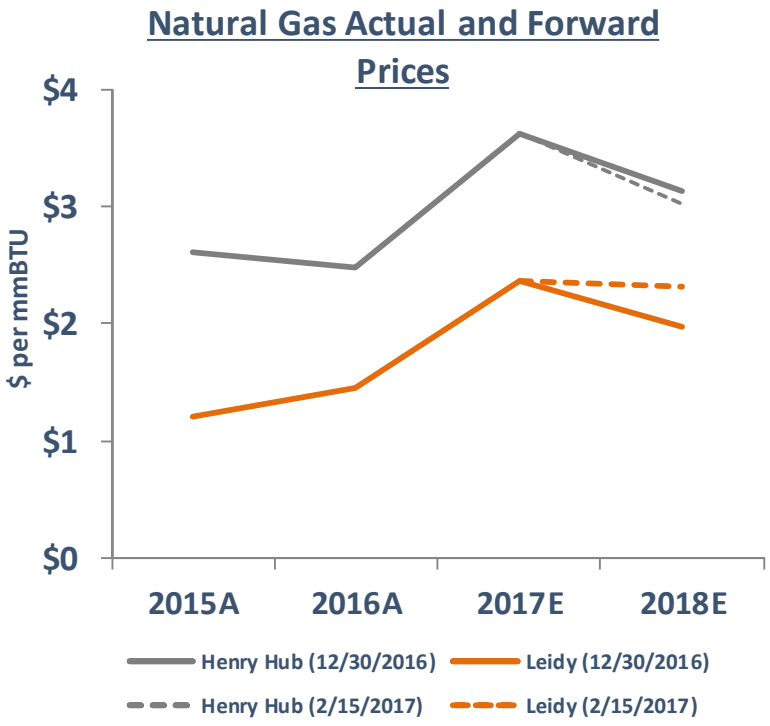
Pipeline capacity grows significantly by 2018

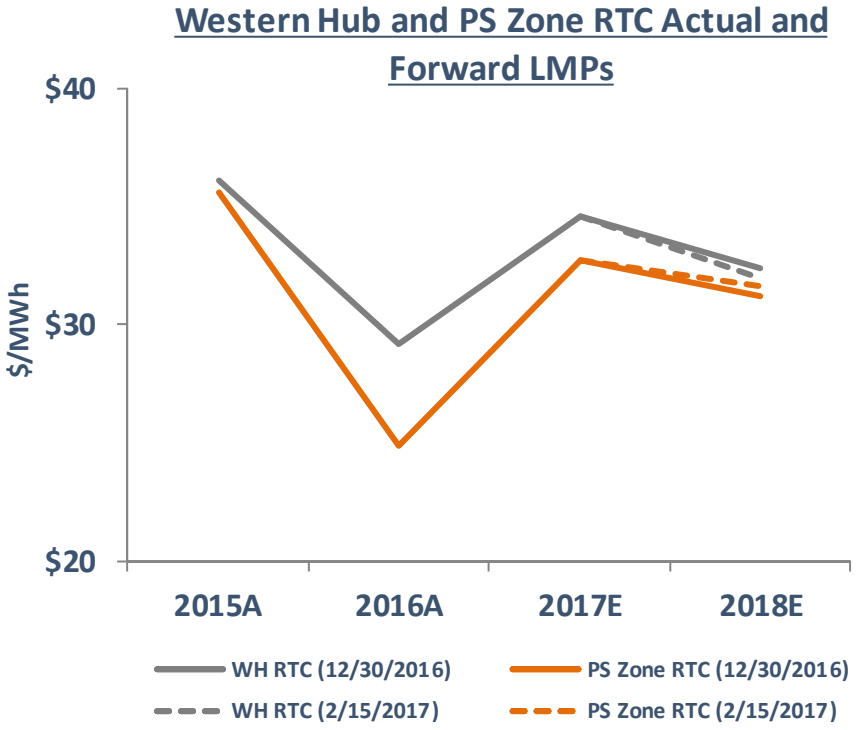


- PSEG Power procured approximately 400 BCF in 2016 with almost 50% going to PSE&G's utility gas customers
- PSEG Power's gas for PJM generation was ~100 BCF in 2016, of which >80% was supplied by Northeast Shale gas

- Significant amount of new pipelines have already been built and more are in construction / development
- Gas production and pipeline takeaway capacity expected to be more balanced in 2018 timeframe

With additional pipeline capacity, some price convergence is beginning to appear in the gas markets

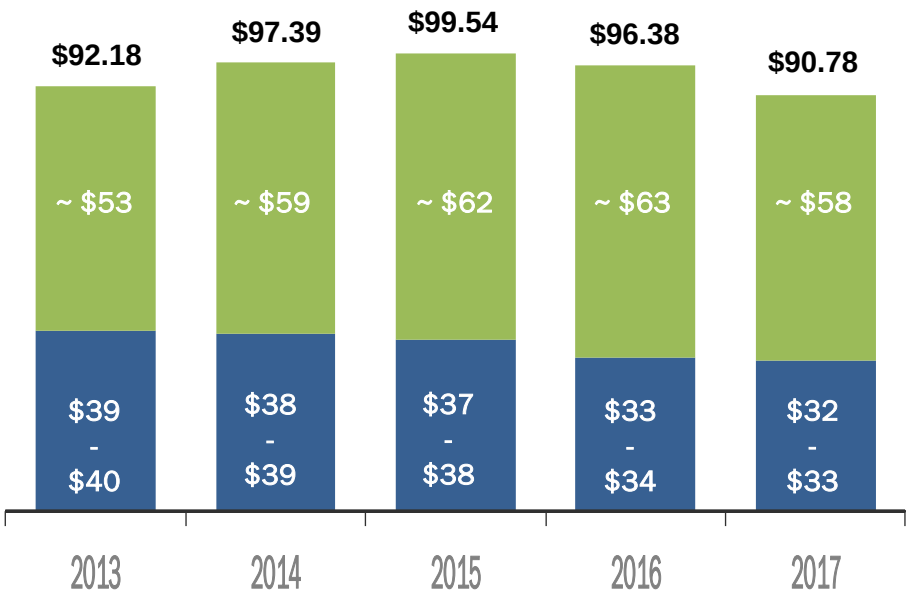




Electric basis for the PSEG Zone is also showing improvement in the forward markets

New Jersey BGS accounts for ~11 TWh of our hedging – Retail marketing will complement BGS

NJ BGS RSCP Supply Pricing

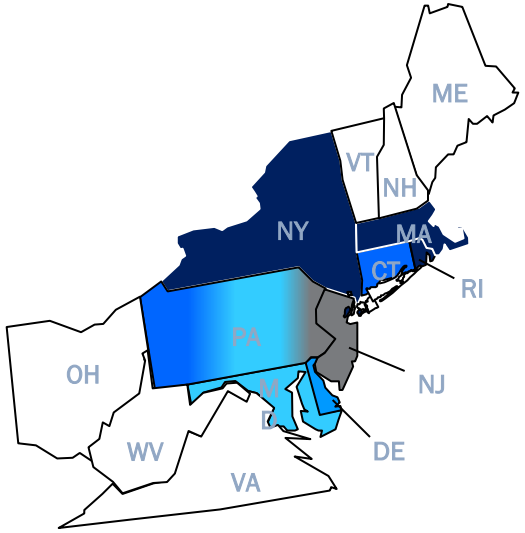


3 Year Average Round the Clock PJM West Forward Energy Price

+

- Capacity
- Load shape
- Transmission
- Congestion
- Ancillary services
- Risk premium
- Green

Retail Electric / Gas Marketing



- Retail sales to support generation
- Focus on Commercial and Industrial customers
- Target:
  - Year 3: ~4 - 5,000 GWh
  - Year 5: ~8 - 10,000 GWh

$/MWH; BGS PRICES REFLECT PSE&G ZONE; RESULTS FOR 2015-2017 WILL BE THE NEW BLENDED PRICES BEGINNING JUNE 1, 2017.

Our Hedging Strategy is designed to secure gross margin while leveraging the portfolio

		2017	2018	2019
Base Load (Nuclear and Base Load Coal)	Volume TWh	34	34	34
	% Hedged	100%	80-85%	35-40%
	Price $/MWh	$46	$43	$43
Intermediate Coal, Combined Cycle, Peaking	Volume TWh	16	21	26
	% Hedged	45-50%	0%	0%
	Price $/MWh	$46	-	-
Total	Volume TWh	49-51	54-56	59-61
	% Hedged	80-85%	50-55%	15-20%
	Price $/MWh	$46	$43	$43

HEDGE PERCENTAGES AND PRICES AS OF FEBRUARY 9, 2017, UPDATED WITH 2017 BGS AUCTION RESULTS. REVENUES OF FULL REQUIREMENT LOAD DEALS BASED ON CONTRACT PRICE, INCLUDING RENEWABLE ENERGY CREDITS, ANCILLARY, AND TRANSMISSION COMPONENTS BUT EXCLUDING CAPACITY. HEDGES INCLUDE POSITIONS WITH MTM ACCOUNTING TREATMENT AND OPTIONS.

Capacity Markets provide a solid and continuing revenue stream

PJM's RPM Auction Results*					
Delivery Year	**2015/2016**	**2016/2017**	**2017/2018**	**2018/2019**	**2019/2020**
Power's Average Prices ($/MW-day)	$168	$172	$177	$215	$116
Rest of Pool Prices ($/MW-day)	$136	$59	$120	$165/$150 (CP/Base)	$100/$80 (CP/Base)
Power's Cleared Capacity (MW)	8,750	8,700	8,700	8,650	8,900

2020 Onward, RPM Auctions include 100% Capacity Performance and will be impacted by changes in:

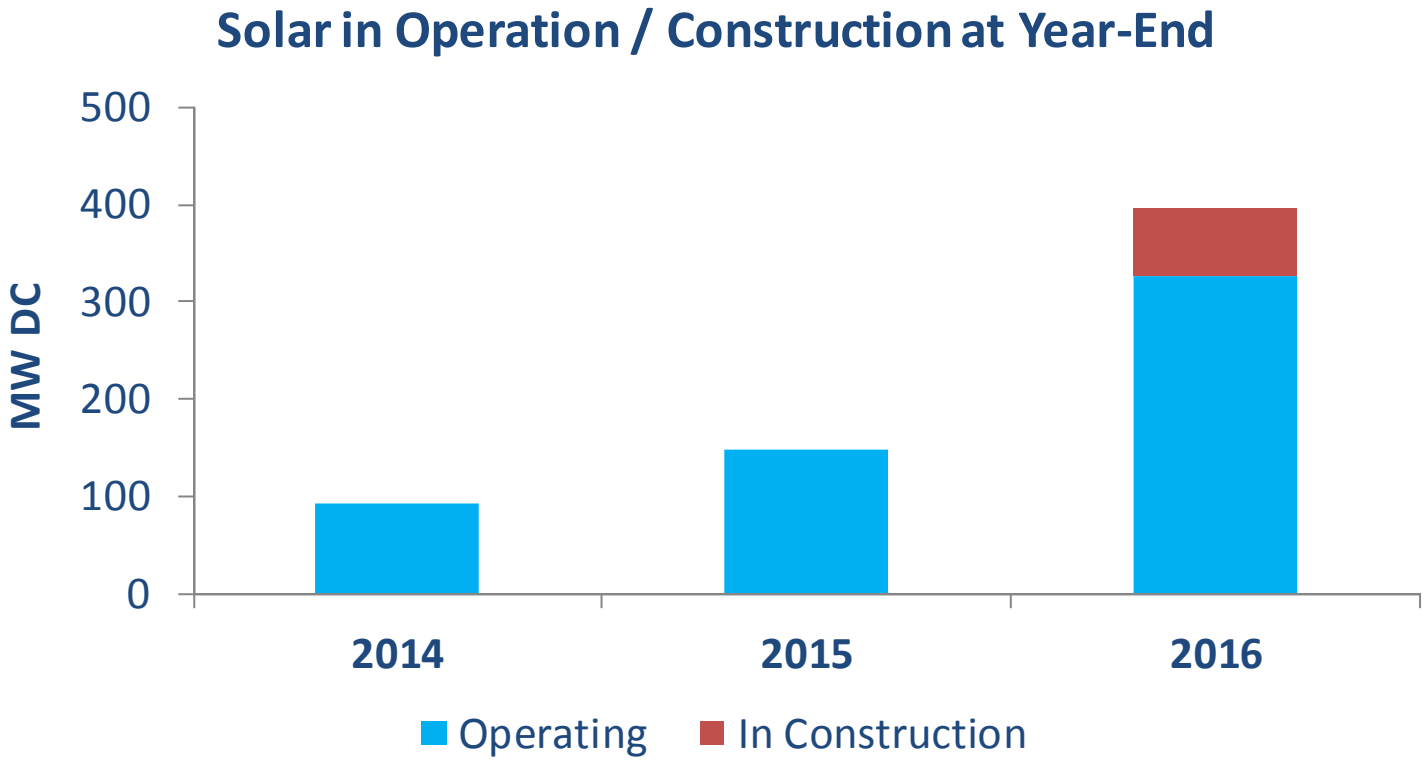
- Net CONE
- PJM Parameters
- Load Forecasts
- Demand Response Rules
- Environmental Retirements

ISO New England's Forward Capacity Market Auction Results						
Delivery Year	**2015/2016**	**2016/2017**	**2017/2018**	**2018/2019**	**2019/2020**	**2020/2021**
Power's Average Prices ($/MW-day)	$113	$104	$232	$315	$231	$195
Power's Cleared Capacity (MW)	773	777	848	831	1,333	1,333

Bridgeport Harbor 5 cleared the 2019/2020 auction and receives $231/MW-day for seven years

*PSEG POWER'S AVERAGE PRICES AND CLEARED CAPACITY (MW) REFLECT BASE AND INCREMENTAL AUCTIONS. DELIVERY YEARS RUN FROM JUNE 1 TO MAY 31 OF THE NEXT CALENDAR YEAR.

Solar has grown to 326 MW_{DC} in operations with 70 MW_{DC} under construction



PORTFOLIO CONSISTs OF 326 MW_{DC} /257 MW_{AC} IN OPERATIONS, 70 MW_{DC} /55 MW_{AC} IN CONSTRUCTION.

Other attractive sources of revenues
round out a robust portfolio

Gas Supply and Asset Optimization

- Wholesale provider to PSE&G and others
  - Storage capacity of approximately 78 Bcf (in the Gulf and market regions)
  - Firm transportation of 1.3 Bcf/day on seven pipelines
- Off-system sales margins shared with residential customers
- Commercial & Industrial gas sales

Ancillary Services – Black start, reactive power, area regulation

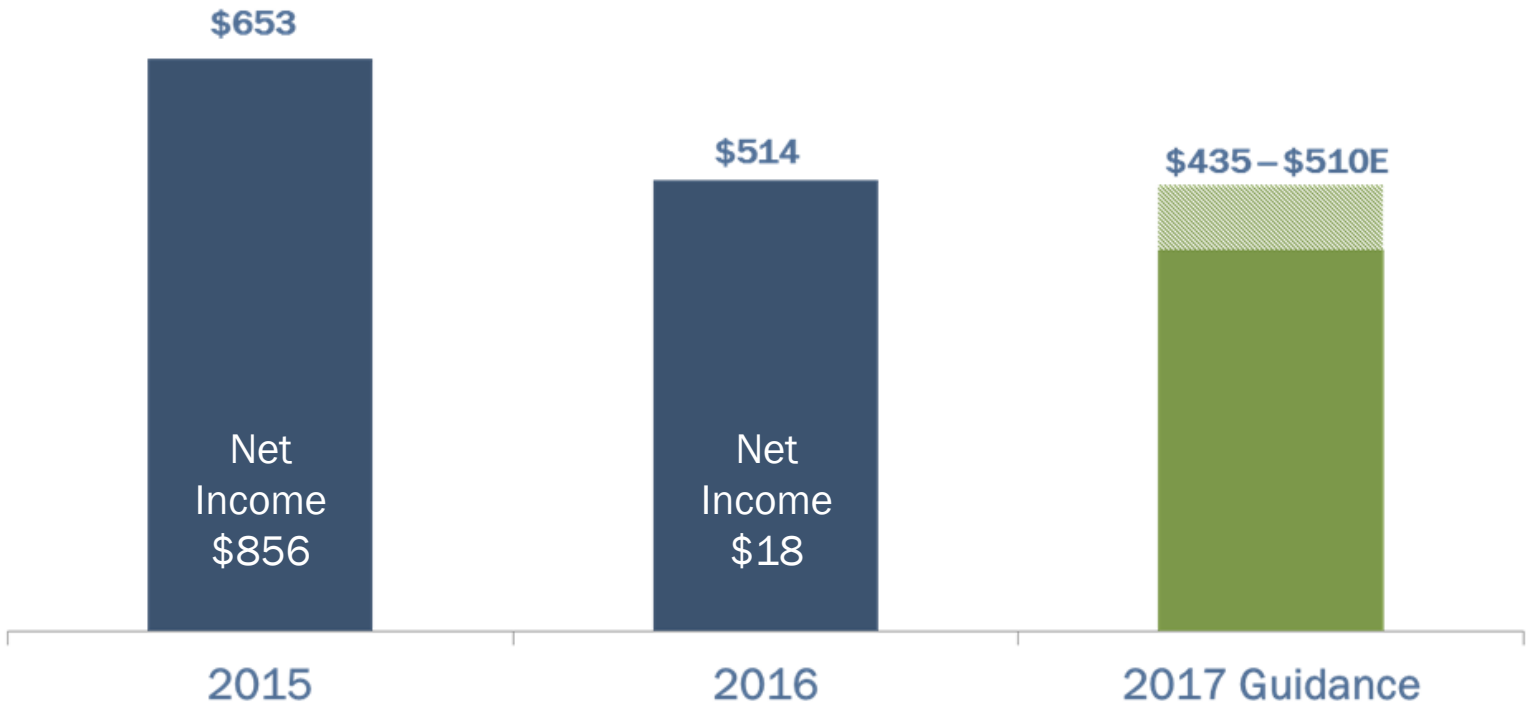
LIPA Fuel and Energy Dispatch Management – contract through 2024

Kalaeloa, HI – 50% equity interest in a 208 MW oil-fired combined cycle unit

Power's 2017 non-GAAP Operating Earnings

reflect efforts being taken in challenging market conditions

PSEG Power non-GAAP Operating Earnings*
($ Millions)



*SEE SLIDE B FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS (NON-GAAP).
E = ESTIMATE.

PSEG Power's Value Proposition



- Well-positioned, well-run fleet of merchant generating assets in competitive markets
- Early retirement of Hudson and Mercer coal stations in mid-2017 improves fleet efficiency and returns
- Addition of 1,800 MWs of new, efficient, flexible CCGTs transforms the portfolio
- Low capital requirements post-construction
- Hedging strategy to protect value of assets in declining price environment and provide stable returns and cash flow

PSEG FINANCIAL REVIEW & OUTLOOK

Dan Cregg

EXECUTIVE VICE PRESIDENT AND
CHIEF FINANCIAL OFFICER

PSEG

We make things work for you.

Strong financial position driven by PSE&G with meaningful contribution from Power

	2016 Financial Position
Earnings	✓ Delivered on 2016 guidance under challenging conditions ✓ Increased PSE&G earnings contribution
Investment	✓ Executed major PSE&G capital program balanced between Transmission and Distribution ✓ Focused on optimizing Power's generation portfolio
Cash Flow and Credit Metrics	✓ Produced stable and strong PSE&G cash from operations ✓ Generated significant cash flow at Power to fund growth investments ✓ Maintained strong credit metrics
Dividends	✓ Increased common dividend by 5% or $0.08 per share

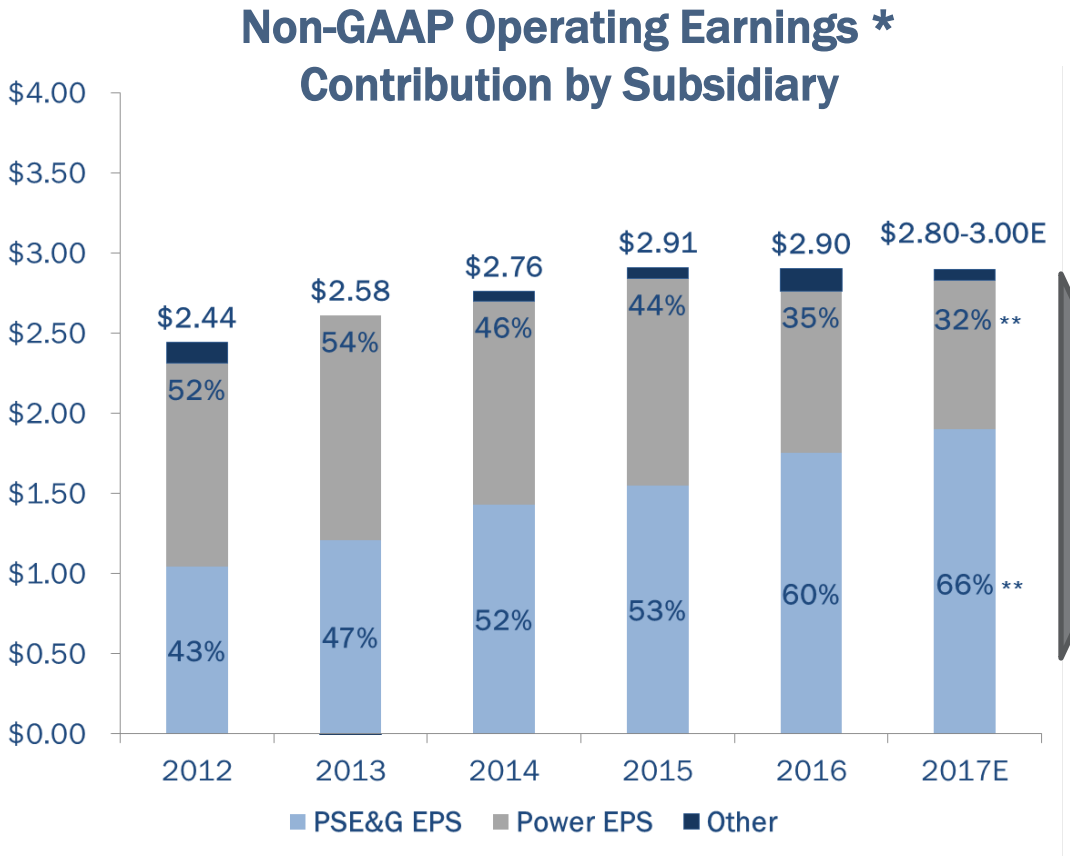
We consistently deliver our earnings guidance by executing our growth plans, managing O&M, and optimizing assets

PSEG Non-GAAP Operating Earnings*					
$ Millions (except EPS)	2012	2013	2014	2015	2016
Initial Operating Earnings Guidance	$2.25 – $2.50	$2.25 – $2.50	$2.55 – $2.75	$2.75 – $2.95	$2.80 – $3.00
*Non-GAAP Operating EPS**	$2.44	$2.58	$2.76	$2.91	$2.90
	Upper End of Guidance	Exceeded Guidance	Exceeded Guidance	Upper End of Guidance	Mid-Point of Guidance

Producing strong results in challenging conditions, including a low commodity price environment and unfavorable weather

*SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO NON-GAAP OPERATING EARNINGS.
E= ESTIMATE.

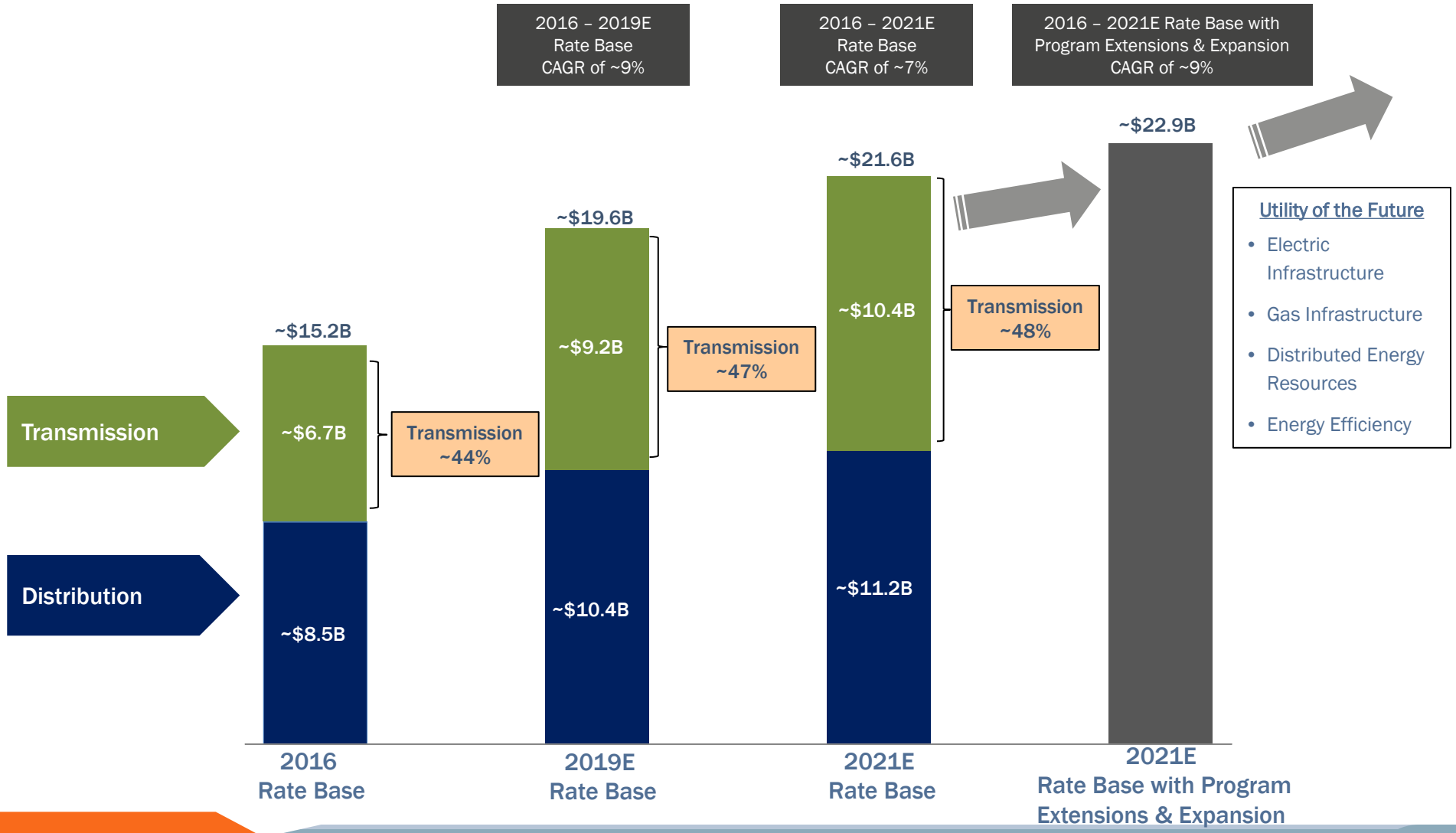
PSE&G forecasted to be 66% of PSEG's 2017 non-GAAP Operating Earnings



PSEG Non-GAAP Operating Earnings	
$ Millions (except EPS)	2017E Guidance
PSE&G	$945 - $985
PSEG Power	$435 - $510
Enterprise/Other	$35
Operating Earnings*	$1,415 - $1,530
*Operating EPS**	$2.80 - $3.00E

*SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO NON-GAAP OPERATING EARNINGS. **BASED ON MIDPOINT OF 2017 NON-GAAP OPERATING EARNINGS GUIDANCE OF $2.80 - $3.00 PER SHARE. E= ESTIMATE.

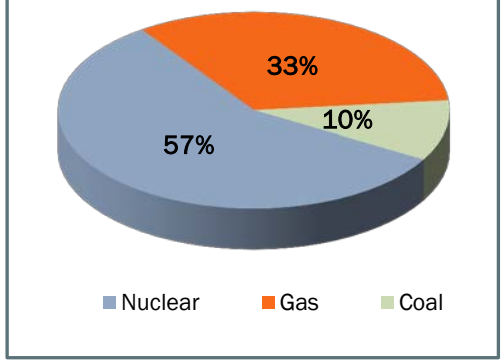
PSE&G's capital spending drives high single-digit growth in rate base



E = ESTIMATE.

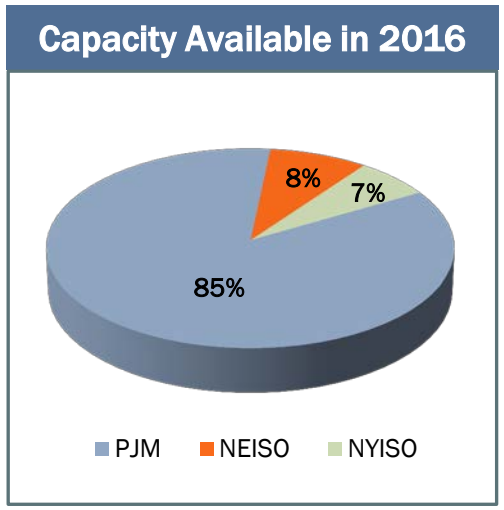
Power's hedging program has secured 55% - 60% of its estimated gross margin for the next 3 years

Energy Produced in 2016



51,510 GWh

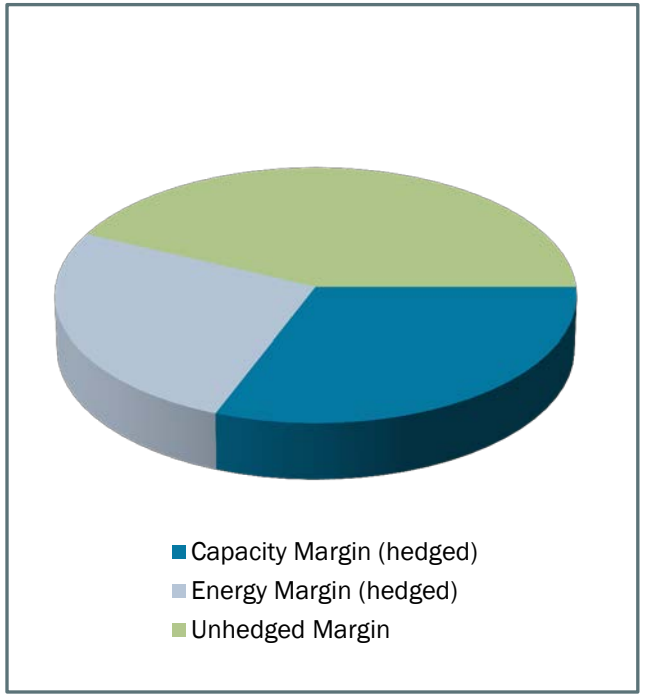
Capacity Available in 2016



11,577 MW

3 Year Average - Gross Margin (%)

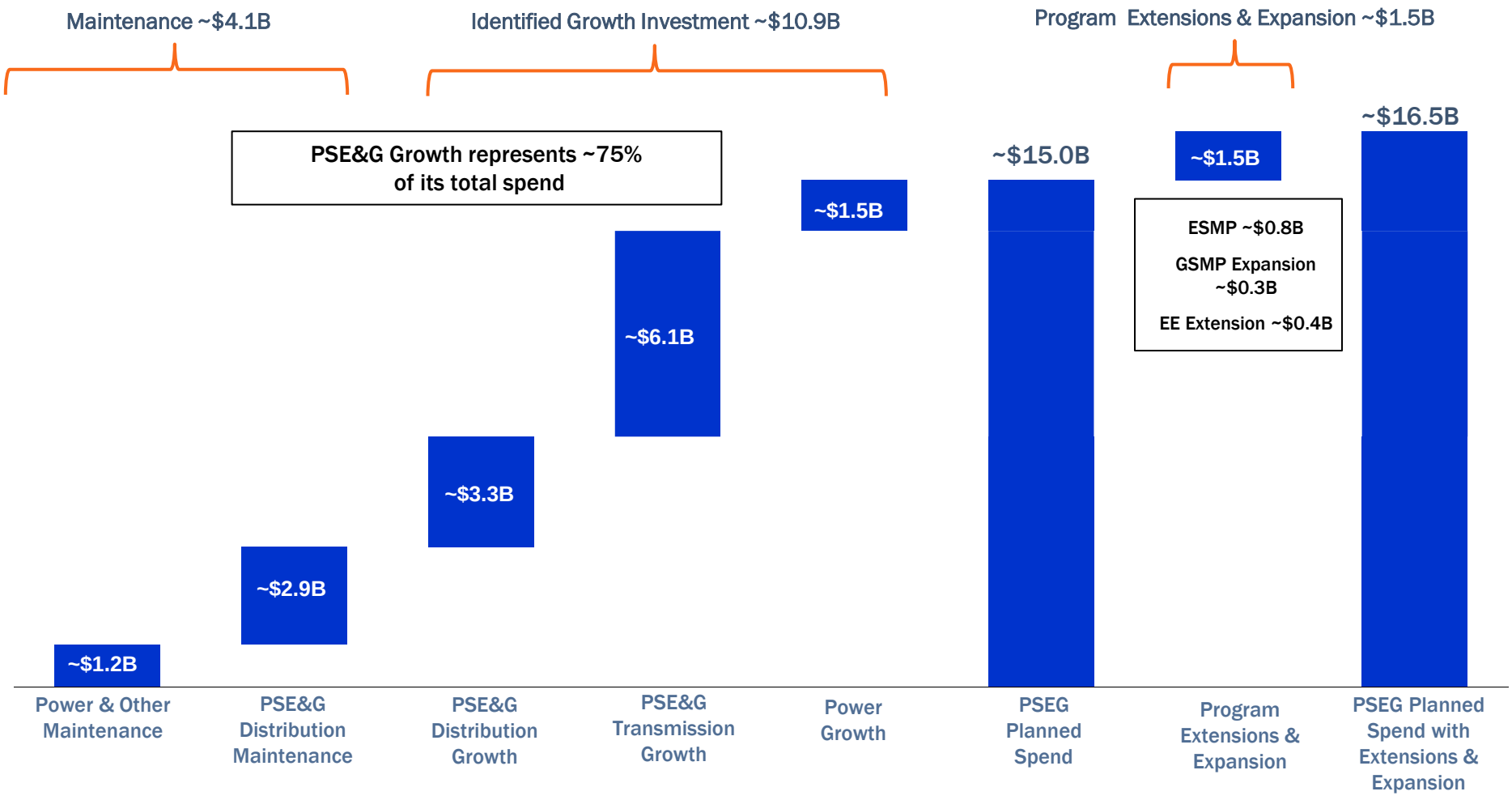
2017E-2019E



. E = ESTIMATE.

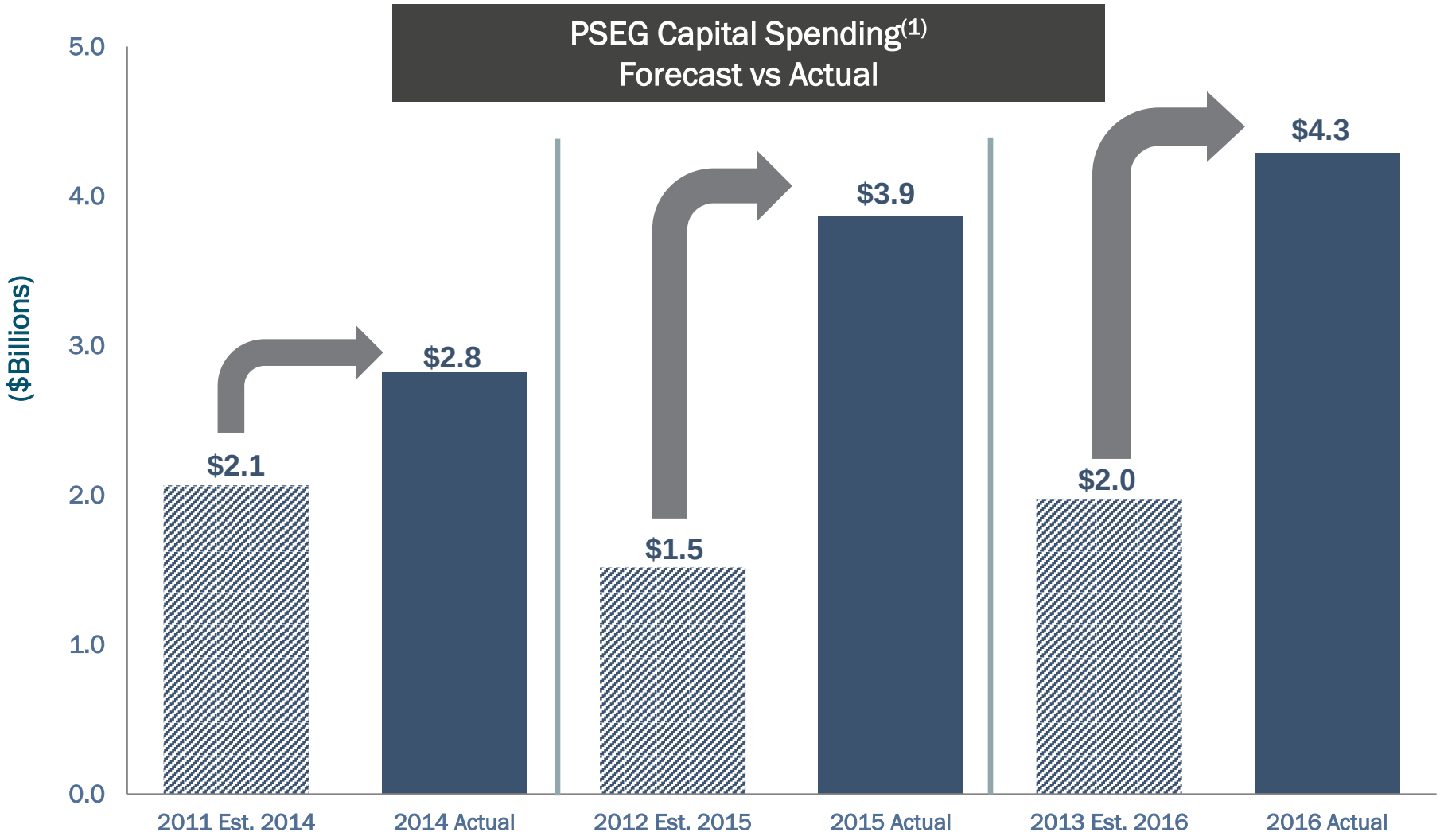
PSEG capital program focused on growth

PSEG 2017E – 2021E Capital Investment



E = ESTIMATE; CAPITAL INCLUDES AFUDC AND IDC

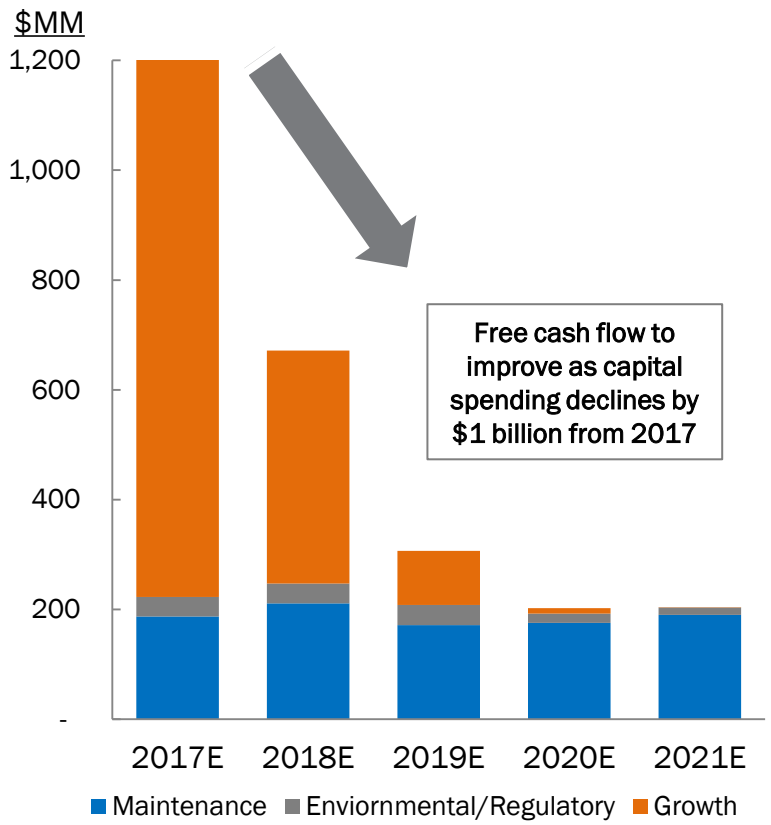
We have demonstrated an ability to identify opportunities to deploy our balance sheet



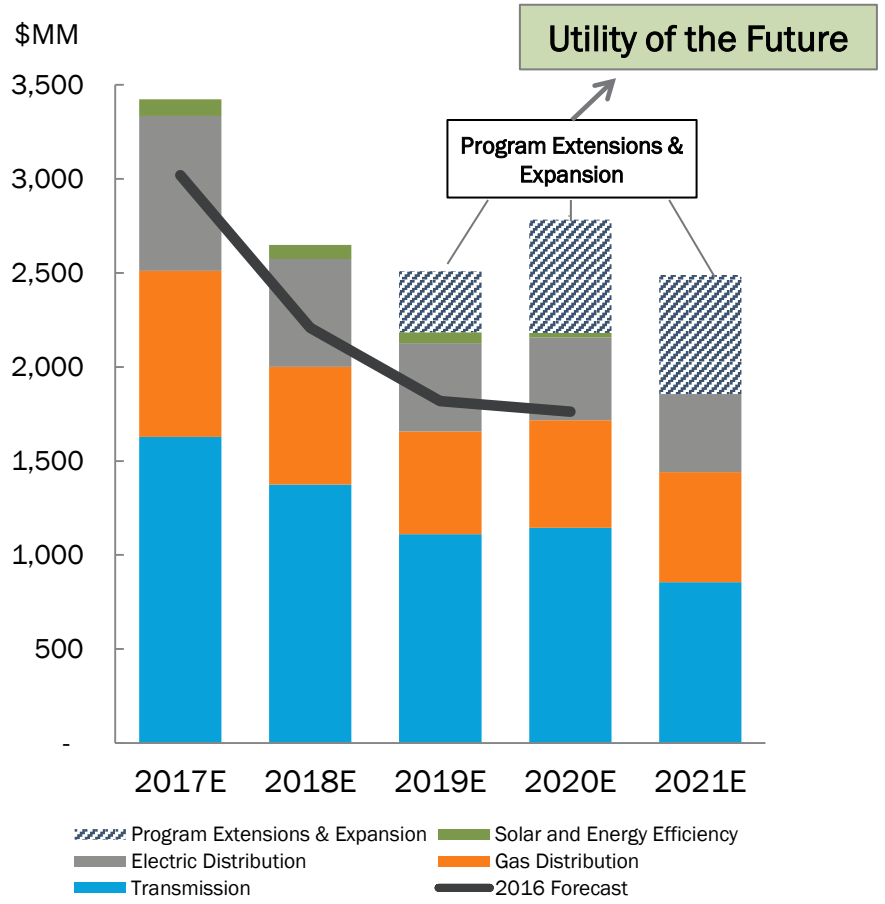
(1) CAPITAL INCLUDES IDC AND AFUDC.

Power's free cash flow improves as construction program ends, providing funding for growth

PSEG Power
2017E – 2021E Capital Spending (1)

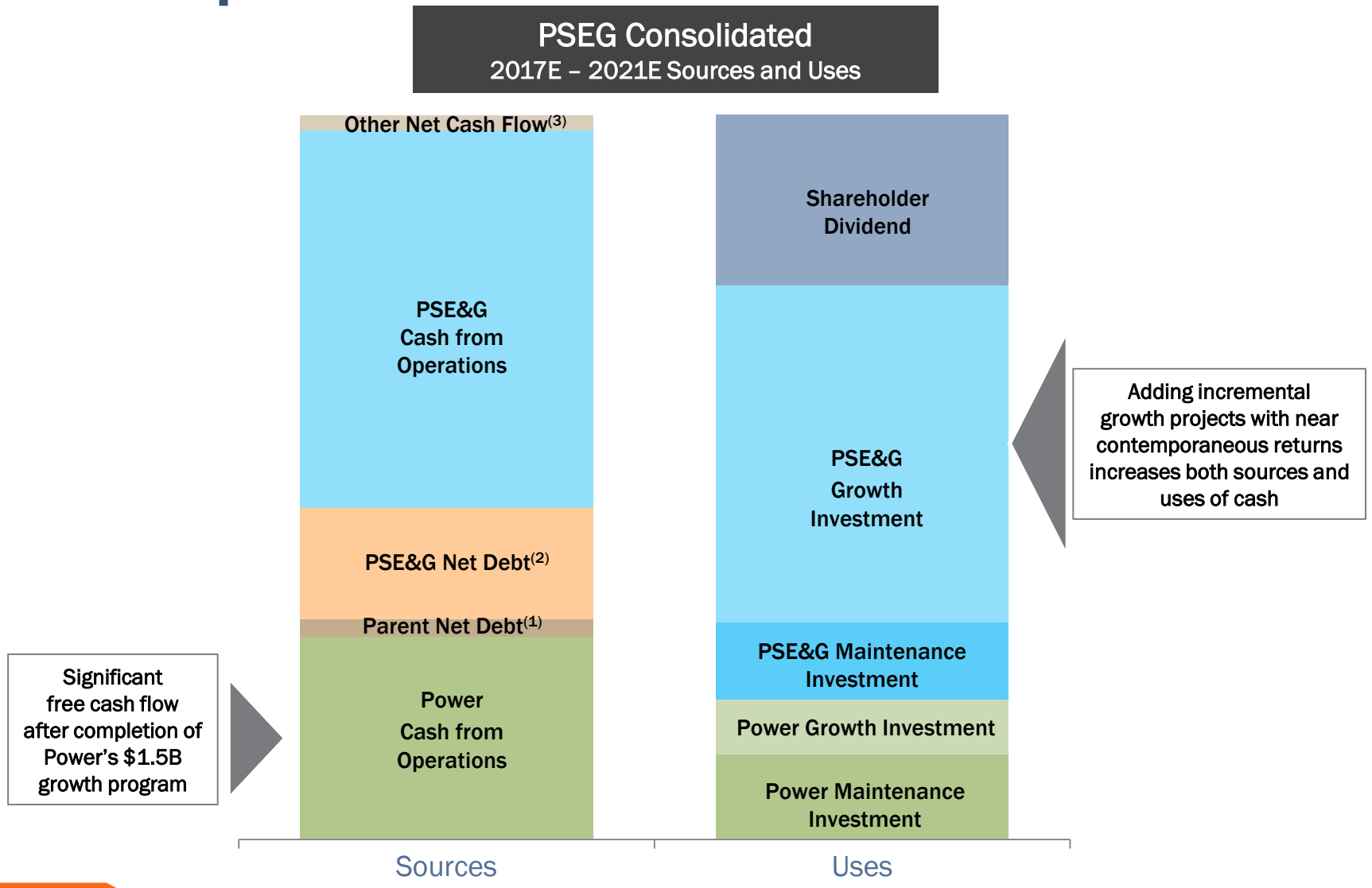


PSE&G
2017E – 2021E Capital Spending (1)



(1) CAPITAL INCLUDES IDC AND AFUDC. E = ESTIMATE.

Growth in PSE&G results in a more regulated cash flow profile



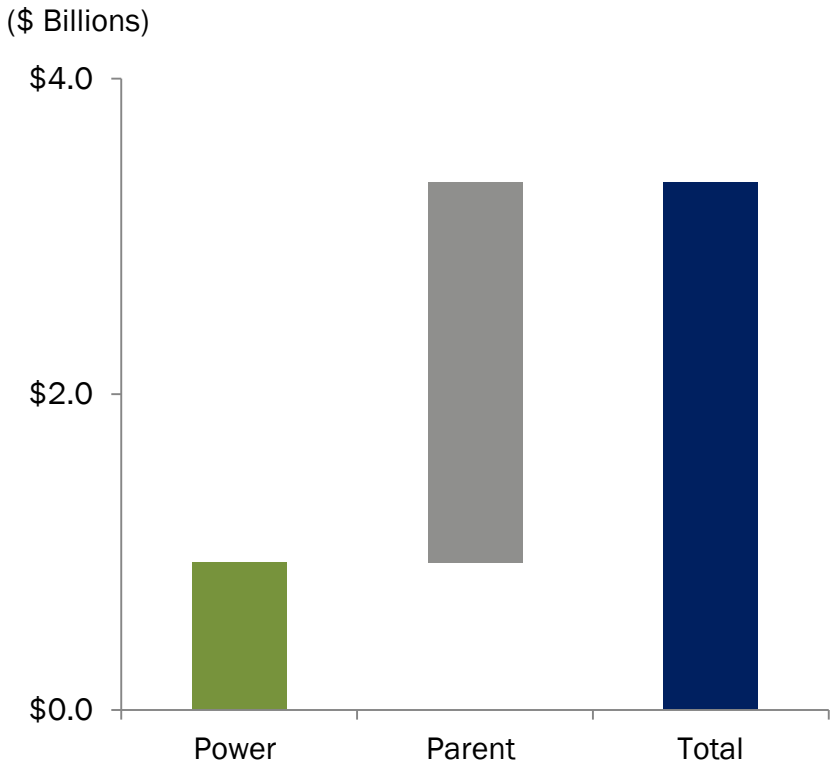
1) INCLUDES ISSUANCES, REDEMPTIONS, INTERCOMPANY LENDING, AND TREASURY SHARES
2) INCLUDES ISSUANCES, REDEMPTIONS, AND CASH POSITION
3) INCLUDES OTHER PSEG NET CASH FLOW E = ESTIMATE

Strong credit metrics provide substantial investment capacity for increased utility investment

Average Funds From Operations / Debt
2017E – 2019E

	Power	PSEG
Estimate	~40%	Low – 20's
Minimum Threshold	30%	High - teens

Total Incremental Investment Capacity

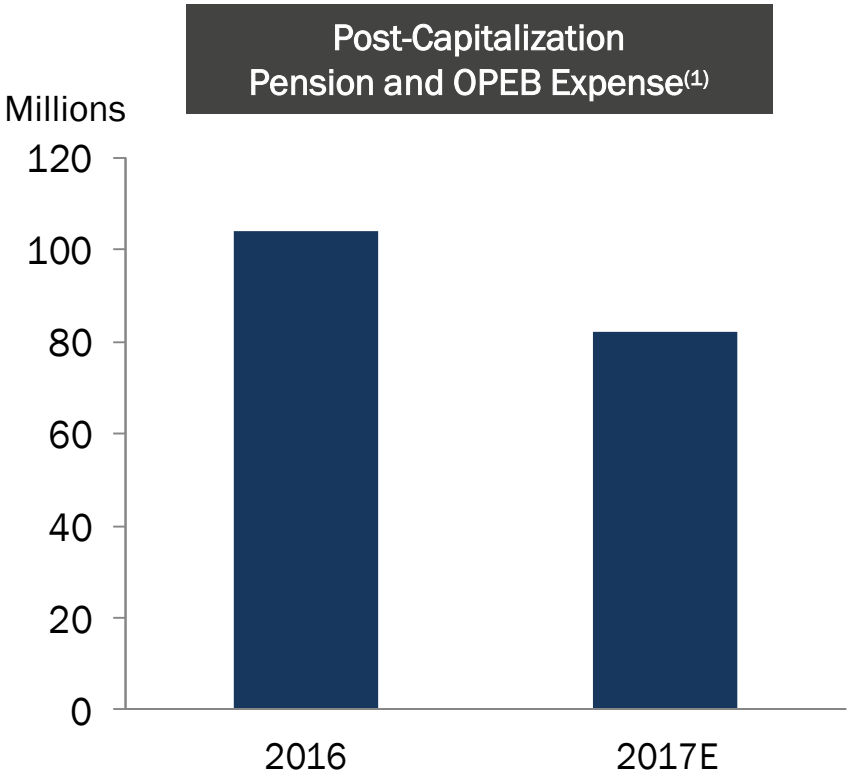


Incremental capacity invested in utility would be matched with utility debt

E=ESTIMATE.

Manageable Pension and OPEB Expense

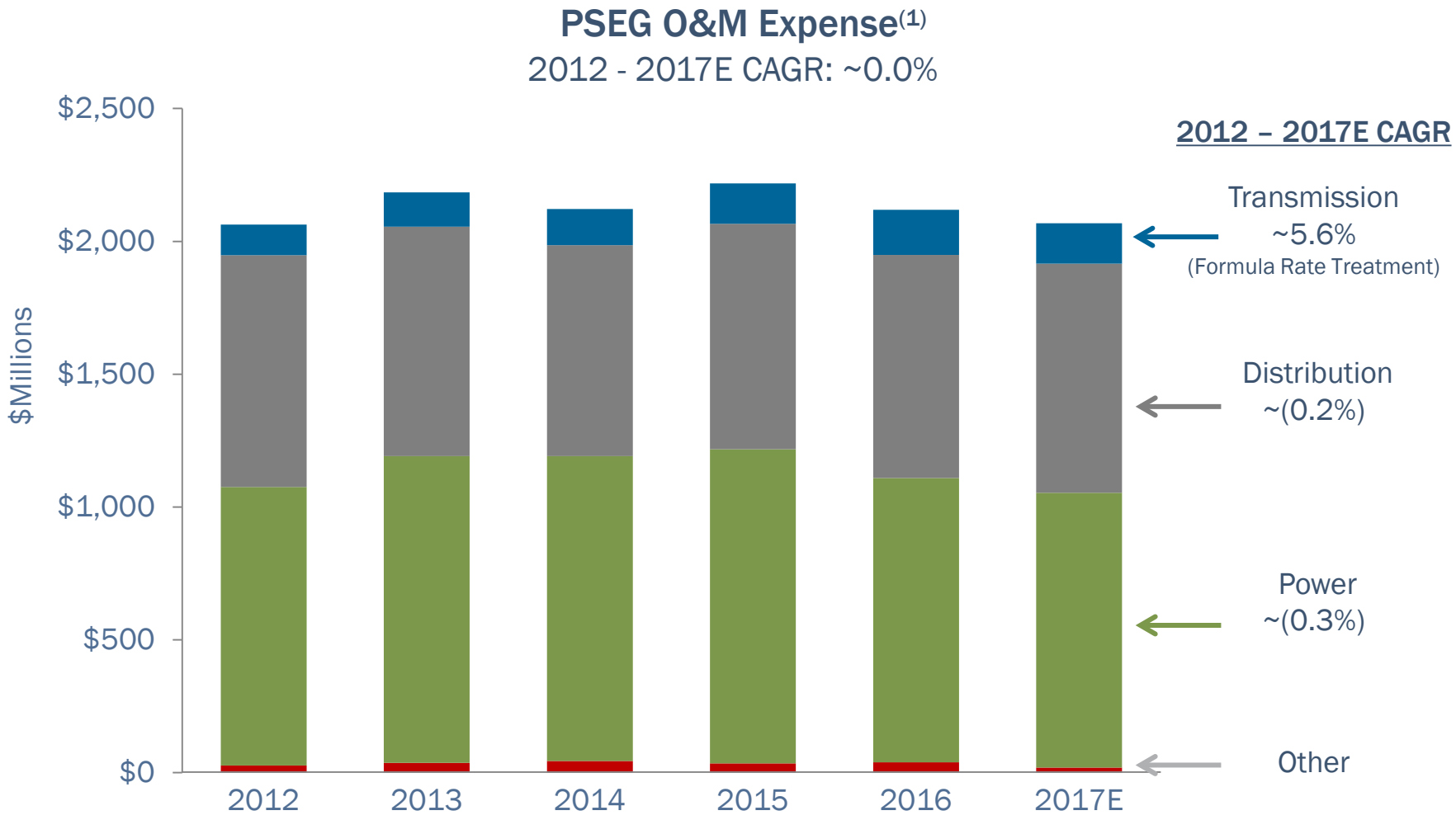
with a reduction of ~$22 million in 2017



- 2016 Pension funded ratio ~90%
- Historical 5-year annualized pension returns exceeded 10%
- No qualified pension contributions planned
- Merger of three pension plans contribute to reduction in pension expense
- Pension expense expected to decline beyond 2017

(1) Post-Capitalization and Pre-tax expense

PSEG has demonstrated an ability to control O&M, with plans to reduce in 2017



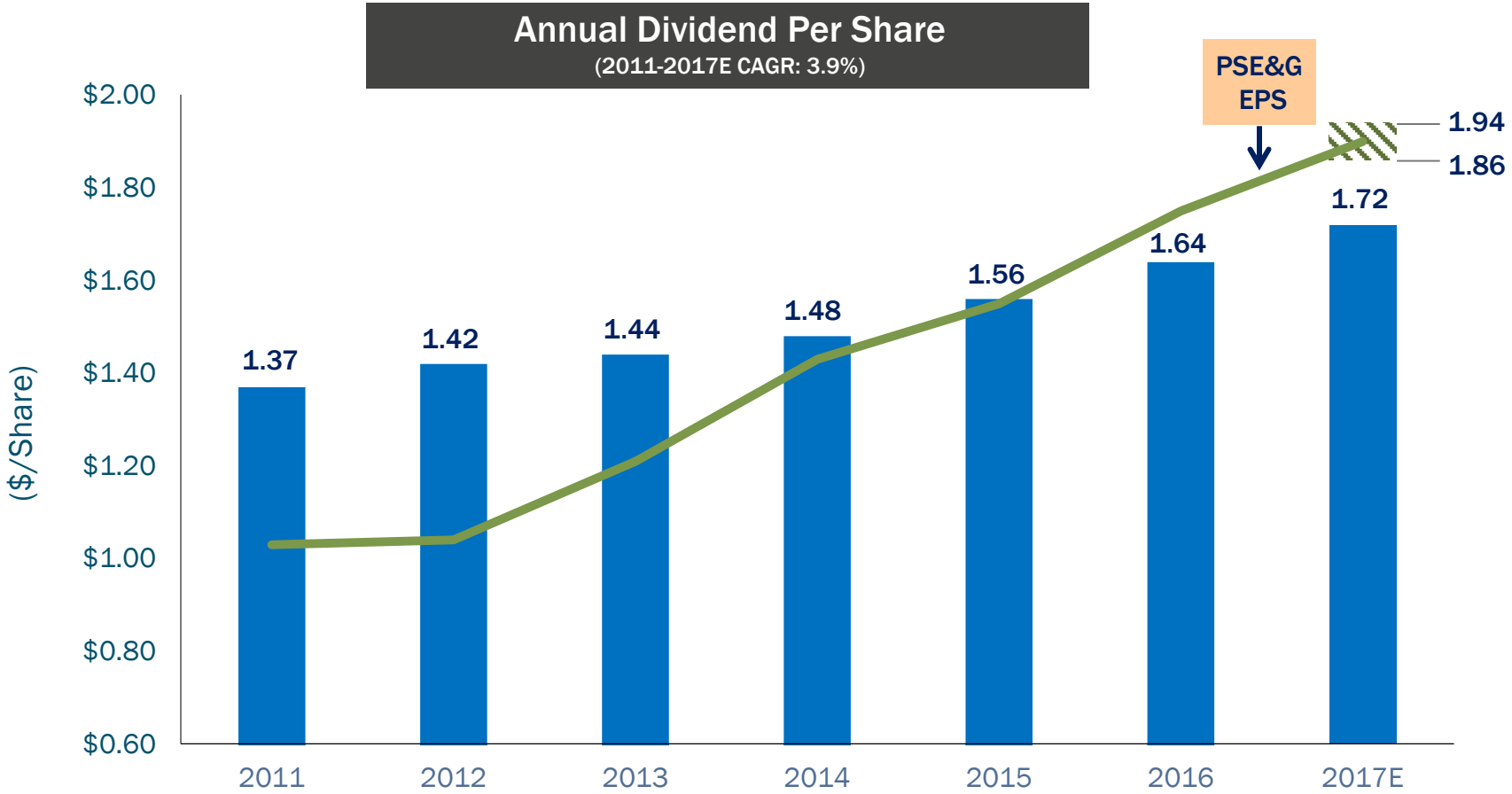
(1) POWER EXCLUDES IMPACTS FROM STORM RECOVERY COSTS AND THE HUDSON / MERCER EARLY RETIREMENT WRITE-DOWN, DISTRIBUTION EXCLUDES ELECTRIC AND GAS BAD DEBT. E = ESTIMATE.

2017 Federal Tax Reform – PSEG is well positioned

Given positive non-utility contribution to earnings and a strong balance sheet, PSEG is well positioned for potential tax reform

Assumption	PSE&G	PSEG Power	PSEG Parent
Reduction of Corporate Tax Rate	Customer rates lowered with reduction in tax rate Return of excess deferred tax liability – impact on cash and rate base growth dependent on payback period	After-tax earnings and cash flow increase One-time non-cash earnings benefit from reduction in deferred tax liability	After-tax earnings and cash flow improve
100% Expensing of Capital Expenditures	Impact on rate base growth comparable to existing bonus depreciation rules	Cash flow improves	
Elimination of Deductibility of Interest Expense and Border Adjustment Tax	Change in cost anticipated to be passed through to customers	Well positioned given low debt balance Uncertainty on Border Adjustment Tax	Well positioned given low debt balance

Opportunity for meaningful and sustainable dividend growth



	2011	2012	2013	2014	2015	2016	2017E
Payout Ratio	50%	58%	56%	54%	54%	57%	59%(1)

(1) THE 2017 PAYOUT RATIO IS BASED ON THE MIDPOINT OF PSEG'S 2017 NON-GAAP OPERATING EARNINGS GUIDANCE OF $2.80-$3.00 PER SHARE. SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS. E=ESTIMATE

PSEG's longer-term outlook is influenced by Power's hedge position and investment at PSE&G

PSEG Power LLC

Sensitivities derived from typical annual market variability

Segment EPS Drivers	2017E	2018E	2019E
Each $0.75/mcf Change in Natural Gas	$0.00 - $0.02	$0.02 - $0.05	$0.08 - $0.12
Each $2/MWh Change in Spark Spread	$0.03	$0.05	$0.06
Each $5/MWh Change in Dark Spread	$0.00	$0.02	$0.02
Each 1% Change in Nuclear Capacity Factor	$0.01	$0.01	$0.01

PSE&G

Each $100 Million of Incremental Investment	$0.01	$0.01	$0.01
Each 1% Change in Sales			
Electric	$0.01	$0.01	$0.01
Gas	$0.01	$0.01	$0.01
Each 1% Change in O&M	$0.01	$0.01	$0.01
Each 20 basis point Change in Distribution ROE	$0.02	$0.02	$0.02
Each 20 basis point Change in Transmission ROE	$0.02	$0.02	$0.02

E = ESTIMATE. POWER EARNINGS SENSITIVITIES UPDATED FOR DECEMBER 31, 2016 PRICE CURVES.
PSE&G DISTRIBUTION ROE SENSITIVITIES EXCLUDE ENERGY STRONG AND GSMP.

PSEG Summary

- 2016 Operating Earnings (non-GAAP) at upper end of revised guidance of $2.80 - $2.95 per share
- 2017 guidance for Operating Earnings (non-GAAP) of $2.80 to $3.00 per share supported by PSE&G growth
- PSE&G capital spending provides high single-digit rate base growth for foreseeable future balanced between Transmission and Distribution
- Power expected to generate significant free cash flow following CCGT construction program and transformation to a more efficient generation fleet
- Strong balance sheet and cash flow support current capital program and new investment opportunities without the need for equity
- Our indicative $0.08 dividend per share increase for 2017 demonstrates meaningful and sustainable dividend growth given significant contribution from PSE&G earnings and Power's strong financial profile

PSEG EXECUTIVE PROFILES

PSEG

We make things work for you.



Ralph Izzo

CHAIRMAN, PRESIDENT AND CHIEF EXECUTIVE OFFICER

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED

Ralph Izzo was elected chairman and chief executive officer of Public Service Enterprise Group Incorporated (PSEG) in April 2007. He was named as the company's president and chief operating officer and a member of the board of directors of PSEG in October 2006. Previously, Mr. Izzo was president and chief operating officer of Public Service Electric and Gas Company (PSE&G).

Since joining PSE&G in 1992, Mr. Izzo was elected to several executive positions within PSEG's family of companies, including PSE&G senior vice president – utility operations; PSE&G vice president – appliance service; PSEG vice president - corporate planning; and PSE&G vice president - electric ventures. In these capacities he broadened his experience in the areas of general management, strategic planning and finance.

Mr. Izzo is a well-known leader within the utility industry, as well as the public policy arena. He is frequently asked to testify before Congress and speak to organizations on matters pertaining to national energy policy.

Mr. Izzo's career began as a research scientist at the Princeton Plasma Physics Laboratory, performing numerical simulations of fusion energy experiments. He has published or presented over 35 papers on magnetohydrodynamic modeling. Mr. Izzo received his Bachelor of Science and Master of Science degrees in mechanical engineering and his Doctor of Philosophy degree in applied physics from Columbia University.

He also received a Master of Business Administration degree, with a concentration in finance from the Rutgers Graduate School of Management. He is listed in numerous editions of Who's Who and has been the recipient of national fellowships and awards. Mr. Izzo has received honorary degrees from the New Jersey Institute of Technology (Doctor of Science), Thomas Edison State University (Doctor of Humane Letters), Bloomfield College (Doctor of Humane Letters), Rutgers University (Doctor of Humane Letters), and Raritan Valley Community College (Associate of Science).

Mr. Izzo serves as nominating committee chairman of the New Jersey Chamber of Commerce, and is on the board of directors for the New Jersey Utilities Association, the Edison Electric Institute (EEI), and the Nuclear Energy Institute (NEI). He is also a member of the Board of Trustees of Peddie School, Columbia University School of Engineering Board of Visitors and the Princeton University Andlinger Center for Energy and the Environment Advisory Council, as well as a member of the Visiting Committee for the Department of Nuclear Engineering at MIT. Mr. Izzo is a former member of the board of directors of The Williams Companies. In addition, he is a former chair of the Rutgers University Board of Governors and the New Jersey Chamber of Commerce.



Tamara L. Linde

EXECUTIVE VICE PRESIDENT AND GENERAL COUNSEL

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED, PUBLIC SERVICE ELECTRIC AND GAS COMPANY, PSEG POWER, PSEG SERVICES CORPORATION

Tamara Linde was named executive vice president and general counsel for Public Service Enterprise Group Incorporated (PSEG) in July 2014. She is also the executive vice president and general counsel of Public Service Electric and Gas Company (PSE&G), PSEG Power and PSEG Services Corporation.

As PSEG's chief legal officer, Ms. Linde has responsibility for all legal and regulatory functions, and has general supervisory responsibilities for the office of corporate secretary, business assurance and resilience and federal affairs and sustainability. Ms. Linde is a member of PSEG's Executive Officer Group.

Previously Ms. Linde was vice president – regulatory, PSEG. She has led the company's federal and state regulatory functions, as well as managed corporate, environmental and labor/employment practices within the company. Ms. Linde has served as regulatory counsel on many of the company's most important initiatives in recent years.

Ms. Linde joined the law department of Public Service Electric and Gas Company (PSE&G), as an attorney in 1990 handling a variety of natural gas and electric regulatory and transactional matters. After holding several other legal positions at PSE&G she became general solicitor, in 2000. In that position she was responsible for the regulatory affairs of the PSEG companies including electric, gas and nuclear matters.

She has had significant experience working on regulatory matters before various state and federal regulatory agencies on industry issues relating to electric transmission and distribution and energy markets.

Ms. Linde is a member of the New Jersey, New York, District of Columbia and Texas bars. She currently serves on the Board of the PSEG Foundation, the Community Foundation of New Jersey and the Mater Dei Prep High School Board. In addition, Ms. Linde is a member of the General Counsel Steering Committee of the National Association of Corporate Directors (NACD). She is past President of the Northeast Chapter of the Energy Bar Association and served as chair of the Energy Bar Association Electricity Regulation and Compliance Committee. Ms. Linde graduated from Seton Hall University School of Law with a Juris Doctorate and from Seton Hall University with a bachelor's degree.



Ralph A. LaRossa

PRESIDENT AND CHIEF OPERATING OFFICER

PUBLIC SERVICE ELECTRIC AND GAS COMPANY

Ralph A. LaRossa was named president and chief operating officer of Public Service Electric and Gas Company (PSE&G) in October 2006. PSE&G is New Jersey's oldest and largest regulated gas and electric delivery utility, serving approximately 2.4 million customers, nearly three-quarters of the state's population. Prior to this position he was vice president - electric delivery for PSE&G.

In addition, on January 1, 2014, Mr. LaRossa became Chairman of the Board of PSEG Long Island, a subsidiary of Public Service Enterprise Group (PSEG), which manages the electric transmission and distribution systems on Long Island and in the Rockaways. PSEG Long Island serves 1.1 million customers.

Mr. LaRossa joined PSE&G in 1985 as an associate engineer and advanced through a variety of management positions in the utility's gas and electric operations. In 1998, he received Gas Industry Magazine's Outstanding Manager of the Year Award.

He is a graduate of Stevens Institute of Technology and has completed the Harvard Business School's Program for Management Development.

Mr. LaRossa is Chairman of Choose New Jersey, Inc. and serves on its board of directors. In addition, he is a member of the board of directors for the New Jersey Utilities Association (NJUA), New Jersey Performing Arts Center (NJPAC) and Montclair State University, for which he is past chair of the university. Mr. LaRossa is also the immediate past chair of the American Gas Association (AGA).



William Levis

PRESIDENT AND CHIEF OPERATING OFFICER

PSEG POWER

William Levis is president and chief operating officer of PSEG Power, a position he's held since June 2007. PSEG Power is a major, unregulated independent power producer in the U.S. with four main subsidiaries: PSEG Nuclear, PSEG Fossil, PSEG Energy Resources and Trade (ER&T) and PSEG Power Ventures.

PSEG Power operates one of the most balanced portfolios in the country, both in terms of fuel mix and market segment (based load units, load following units and peaking units). Its low-cost, load following fleet is geographically well positioned in competitive markets. Its 11,681 MWs represent a diverse fuel mix with different plant types.

Before coming to PSEG, Mr. Levis was Exelon Nuclear's vice-president – Mid-Atlantic operations. Prior to joining Exelon, Mr. Levis worked at Ontario Hydro's Pickering Plant and held several positions over a five-year period with Carolina Power and Light's Brunswick facility.

Mr. Levis has a Bachelor of Science degree in marine engineering from the U.S. Naval Academy and holds an SRO (senior reactor operator) certification. He retired as a commander in the Naval Reserves and attained his professional engineer license in 1985.

Mr. Levis is a member of the Executive Committee of Nuclear Energy Institute's (NEI) Board of Directors, the Nuclear Electric Insurance Limited (NEIL) Board of Directors, and serves as a member of the Institute of Nuclear Power Operations (INPO) National Nuclear Accrediting Board. He is a member of the Philadelphia Archdiocese Catholic Charities Appeals Board and is a member of the CEO Council for Growth based in Philadelphia.

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Daniel Cregg

EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED, PUBLIC SERVICE ELECTRIC AND GAS COMPANY, PSEG POWER LLC AND PSEG SERVICES CORPORATION

Daniel J. Cregg was named executive vice president and chief financial officer for Public Service Enterprise Group Incorporated (PSEG) and its subsidiaries in October 2015.

Mr. Cregg is responsible for all financial functions, including Internal Audit Services, Investor Relations and Corporate Development. Given the array of financial instruments which serve as the primary means of selling wholesale energy to customers, Mr. Cregg also has responsibility for the Risk Management function, which provides independent oversight of the PSEG Power trading organization. In addition to finance, Mr. Cregg is responsible for the Strategy and Planning function. He is a member of PSEG's Executive Officer Group.

Prior to his current position, Mr. Cregg was vice president – finance for PSE&G, a role he assumed in June 2013. In 2006, Mr. Cregg was named vice president – finance for PSEG Power. In that capacity and in previous financial roles for Power, Mr. Cregg held leadership positions related to financial reporting and forecasting, investor communications, financings, rating agency interactions, external reporting, cash forecasting, financial valuations, competitive intelligence, and fundamental market modeling, with critical responsibilities in Power's development and strategic planning activities.

Previously, Mr. Cregg was director of PSEG corporate development. He joined PSEG in 1991 with overall responsibility for tax planning, strategy and compliance for PSEG Energy Holdings, including domestic and international tax structuring work for PSEG Global and PSEG Resources.

Before joining PSEG, Mr. Cregg spent five years with the accounting and consulting firm of Deloitte and Touche, providing consulting services to a wide range of clients with an emphasis on the energy industry.

Mr. Cregg holds a Master of Business Administration degree from the Wharton School of the University of Pennsylvania and is a graduate of Lehigh University, where he received a bachelor's degree in accounting.



Derek M. Di Risio

PRESIDENT

PSEG SERVICES CORPORATION

Derek M. Di Risio was named President, PSEG Services Corporation, in July 2014. He is responsible for the coordination and delivery of several centralized services currently residing within PSEG Services Corporation including corporate communications, corporate citizenship, corporate real estate, information technology, procurement, payroll and other transactional services.

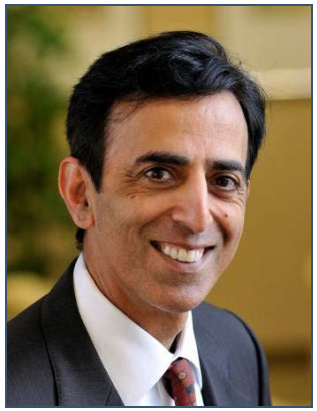
Prior to his current role, Mr. Di Risio was vice president and controller of Public Service Enterprise Group (PSEG), Public Service Electric and Gas Company (PSE&G), PSEG Services Corporation, PSEG Energy Holdings (Holdings) and PSEG Power, a position he assumed in December 2006. He was previously vice president and assistant controller, since July 2004.

Mr. Di Risio had been vice president – planning and analysis of Holdings since March 2004, and vice president – controller for Holdings since July 1998. Prior to that he was director – accounting services and responsible for several accounting and planning functions for Holdings, including overall coordination of the business planning process, accounting research and policy development, financial forecasts and analysis.

Mr. Di Risio was also responsible for the budgeting, analysis and reporting process for PSE&G.

Mr. Di Risio joined PSE&G in September 1991 and has held a variety of positions, including assignments with the internal auditing, electric business, and corporate planning departments. He was instrumental in reengineering the Enterprise business planning process, and advancing the use of performance metrics and balanced scorecard measures to improve business results. Prior to joining PSE&G he worked for several firms, including Chase Manhattan Bank.

Mr. Di Risio graduated from Rutgers University with a degree in accounting/computer science, and received a Master of Business Administration degree from the same university. He is a certified public accountant (inactive). Mr. Di Risio also completed the Program for Management Development at the Graduate School of Business Administration of Harvard University. He serves on the Drumthwacket Foundation Board of Trustees, the Board of the Military Park Partnership and is currently a co-chairman of the Board of Directors of the New Jersey All Stars Project Inc. In addition, Mr. Di Risio previously served on the Drew University Board of Trustees.



Shahid Malik

PRESIDENT
PSEG ENERGY RESOURCES & TRADE

Shahid Malik was appointed President of PSEG Energy Resources & Trade (ER&T) in 2011. PSEG operates one of the most balanced generation and marketing portfolios in the country, both in terms of fuel mix and market segment (base load units, load following units and peaking units), and Mr. Malik is essentially responsible for managing these assets and taking them to market. He oversees PSEG's generation portfolio and the purchase, sale and risk management of all energy commodities. He is also responsible for Business Development of new power generation projects.

Mr. Malik has an extensive background in the energy industry across the oil, gas, electric and renewable energy sectors in Europe and the United States. Previously, he was with Pittiglio, Rabin, Todd & McGrath (PRTM) in Pittsburgh, PA and was responsible for all aspects of the global energy business, with a primary focus on the North American utility sector. Prior to that he served as President & CEO of Strategic Energy, Great Plains Energy's retail marketing subsidiary and a provider of energy and services to business clients in North America. He was accountable for the company's strategy and operations and led a successful turnaround of the company, achieving significant growth in products and services while reducing costs.

Mr. Malik's career has included Executive Leadership positions with several energy companies in the US and Europe. In addition, he served on the Board of Directors of South Jersey Industries (NYSE: SJI) immediately prior to joining PSEG.

Mr. Malik has been in the energy business for more than 20 years, since receiving his Economics degree from Manchester University in England and an MBA from Rice University, Houston. He sits on the Executive Committee of the Board of Trustees of Newark Museum.



Margaret M. Pego, SPHR

SENIOR VICE PRESIDENT – HUMAN RESOURCES AND
CHIEF HUMAN RESOURCES OFFICER

PSEG SERVICES CORPORATION

Margaret M. Pego was named senior vice president – human resources and chief human resources officer of PSEG Services Corporation in December 2006. Prior, she had been vice president – human resources. Ms. Pego joined PSEG in 1974, and has held a variety of management positions in the human resources department.

Ms. Pego holds a Bachelor of Arts degree in business administration from William Paterson College, and a Master of Business Administration degree with a concentration in management and labor relations from Seton Hall University. In addition, she holds a certificate in EEO studies from Cornell University, and has completed the Human Resources Executive Program at the University of Michigan. She is also certified as a senior professional in human resources.

Ms. Pego was named one of 2013's HR Top 10 Breakaway Leaders by Evanta, a leading organization that fosters leadership development and collaborative exchange among North America's top executives.

Ms. Pego is active in several local and national organizations, including the EEI Chief HR Executive Advisory Committee; the American Gas Association HR Policy Committee; the Conference Board Advisory Council of HR Management – Council of HR Executives; and the Society for Human Resources Management. In addition, she is immediate past chair of the Children's Specialized Hospital Board, a former member of the Children's Specialized Hospital Foundation Board and RWJ Health Care Corporation Board. She is the former Chair of the Center for Energy Workforce Development (CEWD) Executive Council and is currently a board member. She is a former member of the Supreme Court of New Jersey Attorney Ethics Committee. Ms. Pego is a 2002 Leadership New Jersey fellow, 1997 TWIN Honoree, 2006 Executive Woman of New Jersey Honoree and 2008 NJ Best 50 Women in Business Honoree.



Peter P. Sena III

PRESIDENT &
CHIEF NUCLEAR
OFFICER

PSEG NUCLEAR

Peter P. Sena III was named president of PSEG Nuclear (Nuclear) in February 2016 and Chief Nuclear Officer in July 2016. Most recently, he was Senior Vice President of Operations, Chief Operating Officer at NextEra Energy.

Mr. Sena was named Chief Nuclear Officer of First Energy in 2012, having held a variety of leadership roles at First Energy nuclear operations spanning 15 years. Mr. Sena joined First Energy in 1996 as a control room supervisor and obtained his first SRO license at Beaver Valley Power Station Unit 2. His second SRO license was obtained in 1999 for Beaver Valley Unit 1. Following a rotational assignment with the Institute of Nuclear Power Operations, Mr. Sena was named the Operations Manager and helped lead the station to the "Most Improved Plant" Award in 2003. In 2005, he was named the Director of Engineering and the station completed the first extended power uprate for a Westinghouse 3 Loop Pressurized Water Reactor. As the Site Vice President of Beaver Valley, Mr. Sena led the station to its first INPO Excellence Award in 2009. The Davis Besse Nuclear Power Plant returned to the Excellence category under Mr. Sena's watch as the Chief Operating Officer in 2011.

Prior to joining FirstEnergy, Mr. Sena was employed by the Nuclear Regulatory Commission as a resident inspector in Region 1. Mr. Sena's nuclear training began as an officer with the US Naval Nuclear Propulsion program and he served on board a ballistic missile submarine during the Cold War.

Mr. Sena earned a Bachelor of Science degree with high honors in Fuel Science from the Pennsylvania State University in 1985. He currently serves on the advisory board for the Penn State Nuclear Engineering Program and is a member of EPRI's research advisory committee. He currently serves on the Auburn University's Advisory Board. In addition, he has recently served on the INPO Executive Advisory Committee and the Nuclear Energy Institute (NEI) Nuclear Strategic Issues Advisory Committee where he was the Industry Executive Sponsor of the NEI post Fukushima flooding response initiative.

Reconciliation of Non-GAAP Operating Earnings

Public Service Enterprise Group Incorporated -- Consolidated Operating Earnings (non-GAAP) Reconciliation

Reconciling Items	Year Ended December 31,				
	2016	2015	2014	2013	2012
	($ millions, Unaudited)				
Net Income (Loss)	$ 887	$ 1,679	$ 1,518	$ 1,243	$ 1,275
(Gain) Loss on Nuclear Decommissioning Trust (NDT) Fund Related Activity, pre-tax (PSEG Power)	(5)	(24)	(138)	(86)	(104)
(Gain) Loss on Mark-to-Market (MTM), pre-tax[(a)] (PSEG Power)	168	(157)	(111)	125	18
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	-	(172)	27	54	66
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	669	-	-	-	-
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	147	-	-	-	(61)
Income Taxes related to Operating Earnings (non-GAAP) reconciling items[(b)]	(391)	150	104	(27)	42
Operating Earnings (non-GAAP)	$ 1,475	$ 1,476	$ 1,400	$ 1,309	$ 1,236
Fully Diluted Average Shares Outstanding (in millions)	508	508	508	508	507
	($ Per Share Impact - Diluted, Unaudited)				
Net Income (Loss)	$ 1.75	$ 3.30	$ 2.99	$ 2.45	$ 2.51
(Gain) Loss on NDT Fund Related Activity, pre-tax (PSEG Power)	(0.01)	(0.05)	(0.27)	(0.17)	(0.21)
(Gain) Loss on MTM, pre-tax[(a)] (PSEG Power)	0.33	(0.31)	(0.22)	0.25	0.04
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	-	(0.34)	0.05	0.11	0.13
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	1.32	-	-	-	-
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	0.29	-	-	-	(0.12)
Income Taxes related to Operating Earnings (non-GAAP) reconciling items[(b)]	(0.78)	0.31	0.21	(0.06)	0.09
Operating Earnings (non-GAAP)	$ 2.90	$ 2.91	$ 2.76	$ 2.58	$ 2.44

(a) Includes the financial impact from positions with forward delivery months.

(b) Income tax effect calculated at 40.85% statutory rate, except for lease related activity which is calculated at a combined leveraged lease effective tax rate and NDT related activity which is calculated at the 40.85% statutory rate plus a 20% tax on income (losses) from qualified NDT funds.

Reconciliation of non-GAAP Operating Earnings for PSEG Power and Enterprise/Other

PSEG Power Reconciliation

Reconciling Items	Year Ended December 31,				
	2016	2015	2014	2013	2012
	($ millions, Unaudited)				
Net Income (Loss)	$ 18	$ 856	$ 760	$ 644	$ 666
(Gain) Loss on Nuclear Decommissioning Trust (NDT) Fund Related Activity, pre-tax (PSEG Power)	(5)	(24)	(138)	(86)	(104)
(Gain) Loss on Mark-to-Market (MTM), pre-tax[(a)] (PSEG Power)	168	(157)	(111)	125	18
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	-	(172)	27	54	66
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	669	-	-	-	-
Income Taxes related to Operating Earnings (non-GAAP) reconciling items[(b)]	(336)	150	104	(27)	17
Operating Earnings (non-GAAP)	$ 514	$ 653	$ 642	$ 710	$ 663
PSEG Fully Diluted Average Shares Outstanding (in millions)	508	508	508	508	507

(a) Includes the financial impact from positions with forward delivery months.

(b) Income tax effect calculated at 40.85% statutory rate, except for NDT related activity which is calculated at the 40.85% statutory rate plus a 20% tax on income (losses) from qualified NDT funds.

PSEG Enterprise/Other Reconciliation

Reconciling Items	Year Ended December 31,				
	2016	2015	2014	2013	2012
	($ millions, Unaudited)				
Net Income (Loss)	$ (20)	$ 36	$ 33	$ (13)	$ 81
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	147	-	-	-	(61)
Income Taxes related to Operating Earnings (non-GAAP) reconciling items[(a)]	(55)	-	-	-	25
Operating Earnings (non-GAAP)	$ 72	$ 36	$ 33	$ (13)	$ 45
PSEG Fully Diluted Average Shares Outstanding (in millions)	508	508	508	508	507

(a) Income tax effect calculated at a combined leveraged lease effective tax rate.