# Public Service Enterprise Group

PSEG Earnings Conference Call

1st Quarter 2016

April 29, 2016

# Forward-Looking Statements

Certain of the matters discussed in this report 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:

- adverse changes in the demand for or ongoing low pricing of the capacity and energy that we sell into wholesale electricity markets,
- adverse changes in energy industry law, policies and regulations, including market structures and transmission planning,
- any inability of our transmission and distribution businesses to obtain adequate and timely rate relief and regulatory approvals from federal and state regulators, including prudency reviews and disallowances,
- any deterioration in our credit quality or the credit quality of our counterparties,
- changes in federal and state environmental regulations and enforcement that could increase our costs or limit our operations,
- adverse outcomes of any legal, regulatory or other proceeding, settlement, investigation or claim applicable to us and/or the energy industry,
- changes in nuclear regulation and/or general developments in the nuclear power industry, including various impacts from any accidents or incidents experienced at our facilities or by others in the industry, that could limit operations or increase the cost of our nuclear generating units,
- actions or activities at one of our nuclear units located on a multi-unit site that might adversely affect our ability to continue to operate that unit or other units located at the same site,
- any inability to manage our energy obligations, available supply and risks,
- delays or unforeseen cost escalations in our construction and development activities, or the inability to recover the carrying amount of our assets,
- availability of capital and credit at commercially reasonable terms and conditions and our ability to meet cash needs,
- increases in competition in energy supply markets as well as for transmission projects,
- changes in technology, such as distributed generation and micro grids, and greater reliance on these technologies,
- changes in customer behaviors, including increases in energy efficiency, net-metering and demand response,
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements,
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers, and any inability to obtain sufficient insurance coverage or recover proceeds of insurance with respect to such events,
- acts of terrorism, cybersecurity attacks or intrusions that could adversely impact our businesses,
- delays in receipt of necessary permits and approvals for our construction and development activities,
- any inability to achieve, or continue to sustain, our expected levels of operating performance,
- changes in the cost of, or interruption in the supply of, fuel and other commodities necessary to the operation of our generating units,
- an extended economic recession,
- an inability to realize anticipated tax benefits or retain tax credits,
- challenges associated with recruitment and/or retention of a qualified workforce, and
- changes in the credit quality and the ability of lessees to meet their obligations under our domestic leveraged leases.

All of the forward-looking statements made in this report 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 or results of operations. Readers are cautioned not to place undue reliance on these forward-looking statements in making any investment decision. Forward-looking statements made in this report apply only as of the date of this report. While we may elect to update forward-looking statements from time to time, we specifically disclaim any obligation to do so, even if internal estimates change, unless otherwise required by applicable securities laws. The forward-looking statements contained in this report 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. Operating Earnings exclude gains or losses associated with Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting, and other material one-time items. PSEG presents Operating Earnings because management believes that it is appropriate for investors to consider results excluding these items in addition to the results reported in accordance with GAAP. PSEG believes that the non-GAAP financial measure of Operating Earnings provides a consistent and comparable measure of performance of its businesses to help shareholders understand performance trends.

PSEG is presenting Adjusted EBITDA because it provides investors with additional information to compare our business performance to other companies and understand performance trends. Adjusted EBITDA excludes the same items as our Operating Earnings measure as well as income tax expense, interest expense, depreciation and amortization and major maintenance expense costs at Power's fossil generation facilities. This information is not intended to be viewed as an alternative to GAAP information. The last two slides in this presentation (Slides A and B) include a list of items excluded from Net Income to reconcile to Operating Earnings and Adjusted EBITDA with a reference to that slide included on each of the slides where the non-GAAP information appears.

These materials and other financial releases can be found on the pseg.com website under the investor tab, or at http://investor.pseg.com/

# PSEG
# 2016 Q1 Review

**Ralph Izzo**

**Chairman, President and Chief Executive Officer**

# Q1 Earnings Summary – Solid Operating Performance, Results Impacted by Extreme Weather Comparisons

Quarter ended March 31

| $ Millions (except EPS) | 2016 | 2015 |
|---|---|---|
| **Operating Earnings*** | $ 463 | $ 529 |
| **Reconciling Items, Net of Tax** | 8 | 57 |
| **Net Income** | $ 471 | $ 586 |
| ***EPS from Operating Earnings**** | $ 0.91 | $ 1.04 |

* See Slide A for Items excluded from Net Income to reconcile to Operating Earnings.

# PSEG – Q1 2016 Highlights

## Solid Operating Earnings – Maintaining Guidance for 2016

- ✓ Operating Earnings* of $0.91 per share vs. $1.04 per share in Q1 2015
- ✓ Power results impacted by extremes in weather comparisons and low prices
- ✓ PSE&G's expanded investment in transmission and distribution drives improvement in earnings

## Operational Excellence

- ✓ PSEG Power operations performed well in Q1: Nuclear output up 7.5% on improvement in fleet capacity factor to 99.7%
- ✓ CCGT units improved fleet availability

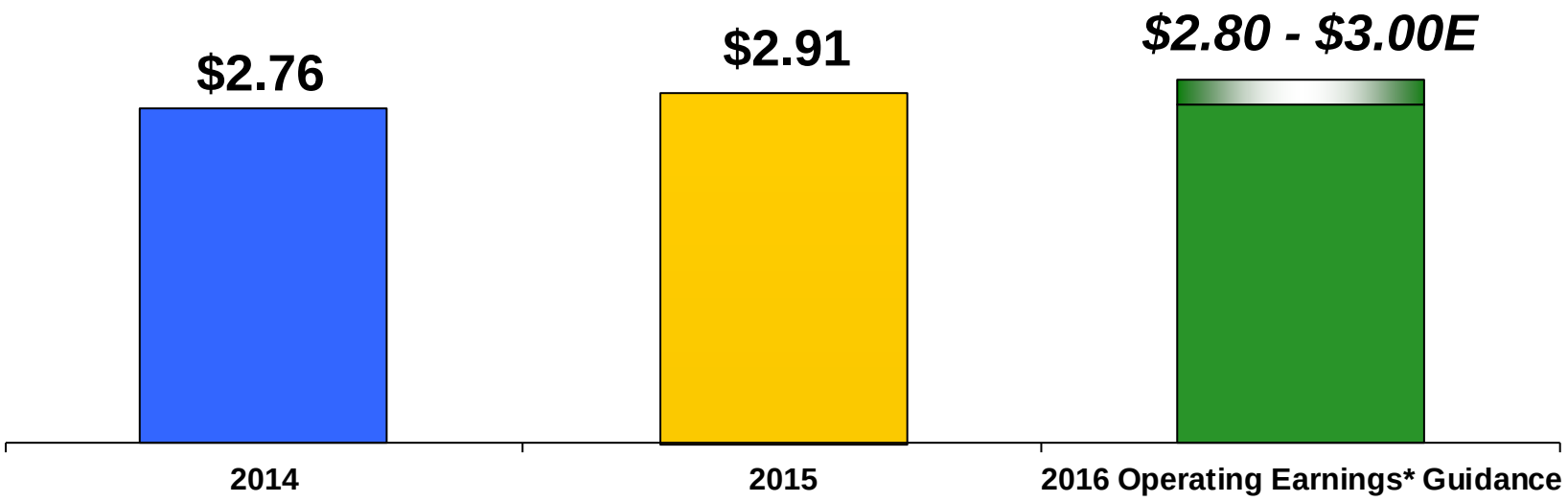
## PSEG Disciplined Capital Investment

- ✓ Increased common dividend 5.1% to indicative annual rate of $1.64 per share
- ✓ Executing on our $16 billion capital program with ~75% directed toward PSE&G infrastructure investments in reliability/resiliency/replacement programs
- ✓ Construction commenced on Keys and Sewaren CCGTs for targeted commercial operation in 2018
- ✓ Power pursuing permits on new 485 MW CCGT plant at Bridgeport Harbor site

* See Slide A for Items excluded from Net Income to reconcile to Operating Earnings.

# Maintaining 2016 Earnings Guidance

*Guidance assumes normal weather and unit operations*




* See Slide A for Items excluded from Net Income to reconcile to Operating Earnings. E = Estimate.

# PSEG
# 2016 Q1 Operating Company Review

**Dan Cregg**
**EVP and Chief Financial Officer**

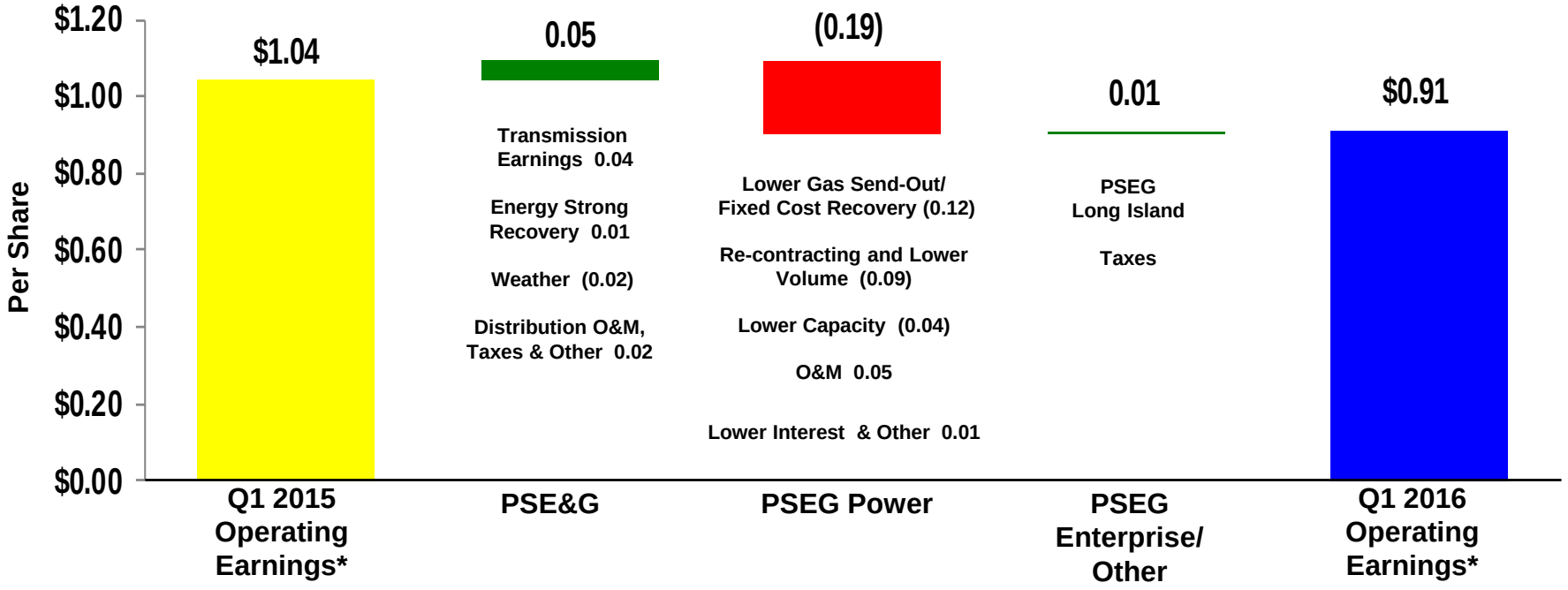
# Q1 Operating Earnings by Subsidiary

Quarter ended March 31

| $ Millions (except EPS) | Operating Earnings | | Earnings per Share | |
|---|---|---|---|---|
| | **2016** | **2015** | **2016** | **2015** |
| **PSE&G** | $ 262 | $ 242 | $ 0.52 | $ 0.47 |
| **PSEG Power** | 184 | 278 | 0.36 | 0.55 |
| **PSEG Enterprise/Other** | 17 | 9 | 0.03 | 0.02 |
| ***Operating Earnings**** | $ 463 | $ 529 | $ 0.91 | $ 1.04 |

* See Slide A for Items excluded from Net Income to reconcile to Operating Earnings.

# PSEG EPS Reconciliation – Q1 2016 versus Q1 2015



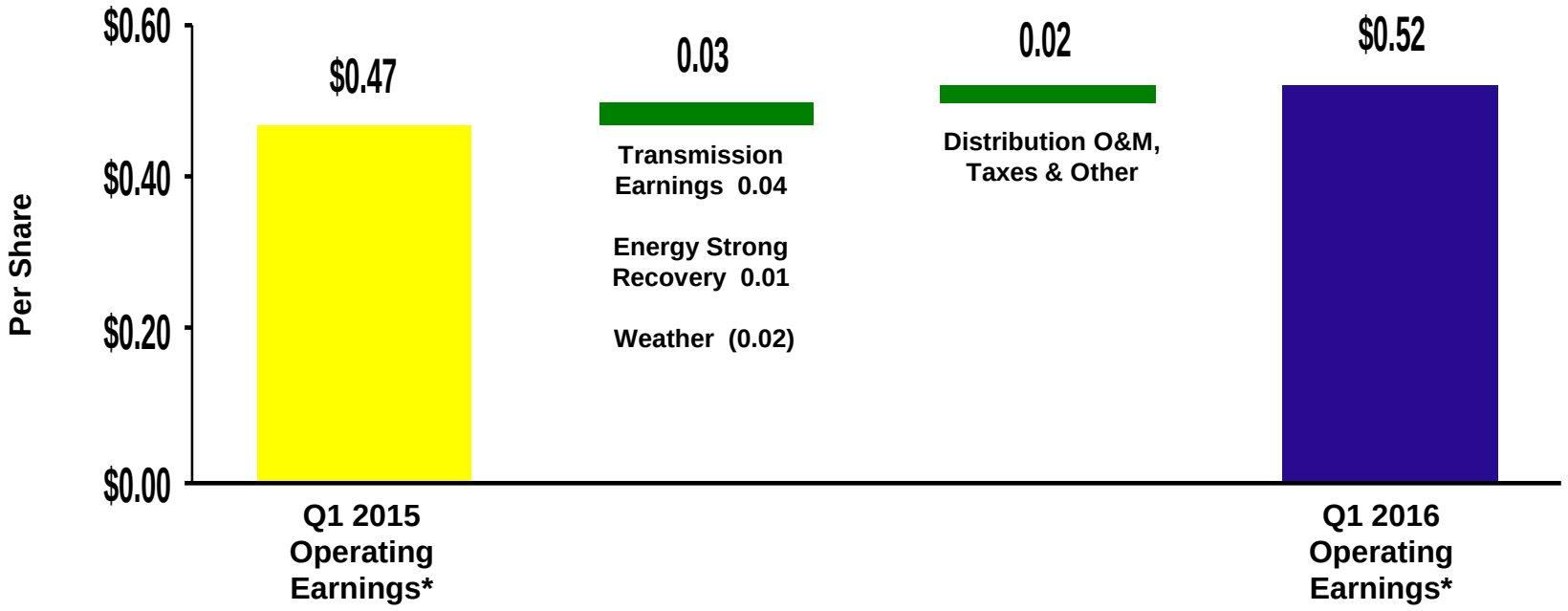

* See Slide A for Items excluded from Net Income to reconcile to Operating Earnings.

# PSE&G
# 2016 Q1 Review

# PSE&G – Q1 EPS Summary

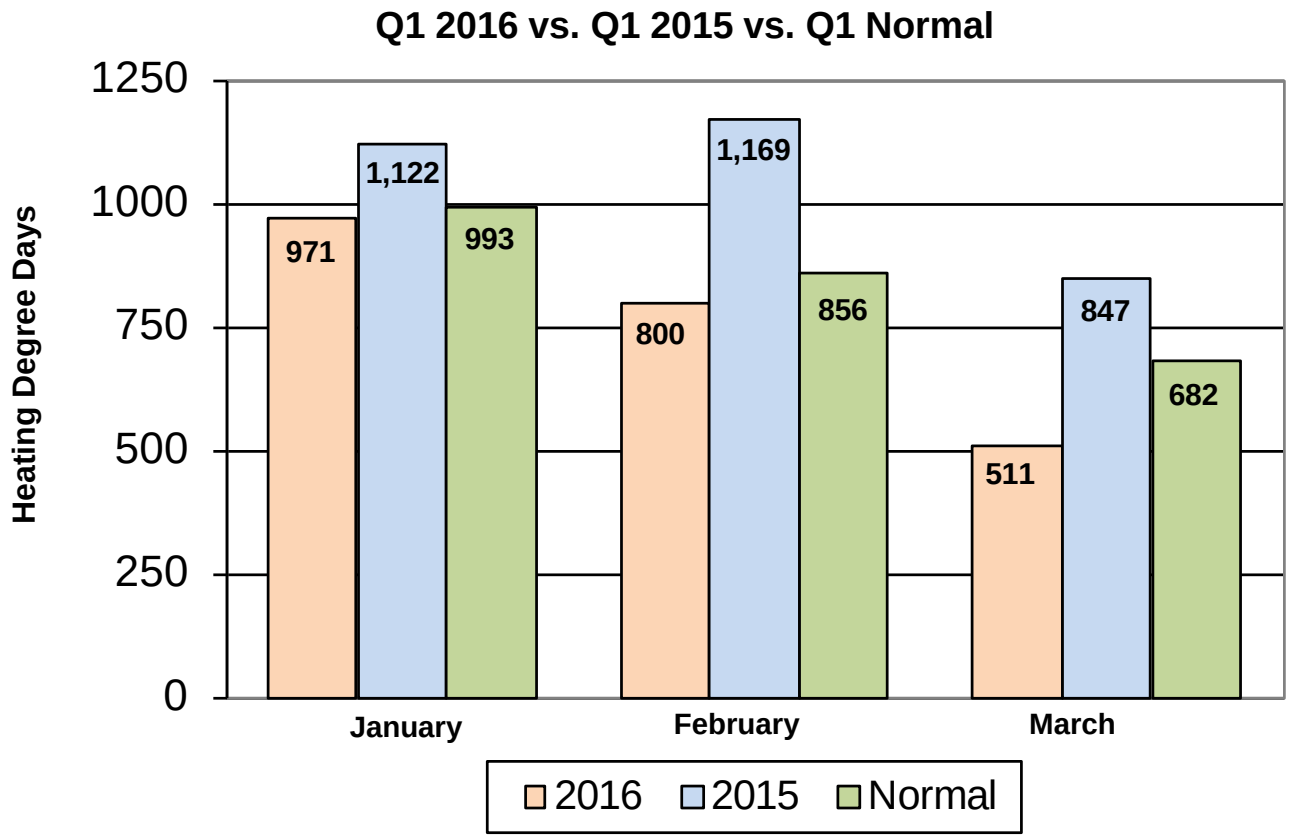
| $ Millions (except EPS) | Q1 2016 | Q1 2015 | Variance |
|---|---|---|---|
| **Operating Revenues** | $ 1,712 | $ 2,002 | $ (290) |
| **Operating Expenses** | | | |
| **Energy Costs** | 729 | 892 | (163) |
| **Operation & Maintenance** | 382 | 412 | (30) |
| **Depreciation & Amortization** | 139 | 247 | (108) |
| **Total Operating Expenses** | 1,250 | 1,551 | (301) |
| **Operating Earnings/Net Income** | $ 262 | $ 242 | 20 |
| ***EPS from Operating Earnings/Net Income*** | $ 0.52 | $ 0.47 | $ 0.05 |

# PSE&G EPS Reconciliation – Q1 2016 versus Q1 2015




* Operating Earnings is equal to Net Income.

# PSE&G – Monthly Heating Degree Days




Q1 2016 Winter weather, as defined by heating degree days, was ~27% warmer than Q1 2015 (the coldest winter in 45 years) and ~10% warmer than normal

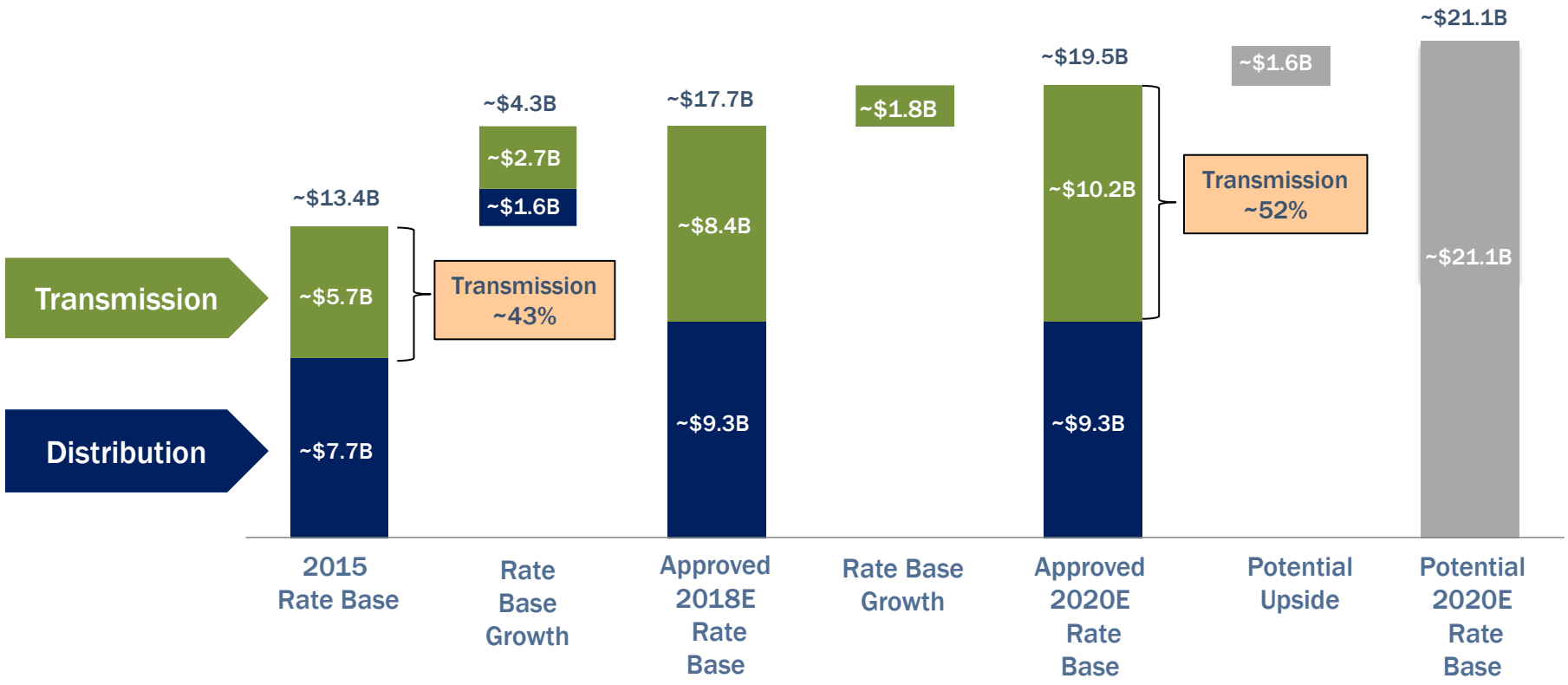
Source: New Jersey State Climatologist.

# PSE&G's spending drives high single-digit growth in rate base through 2020 with known investments

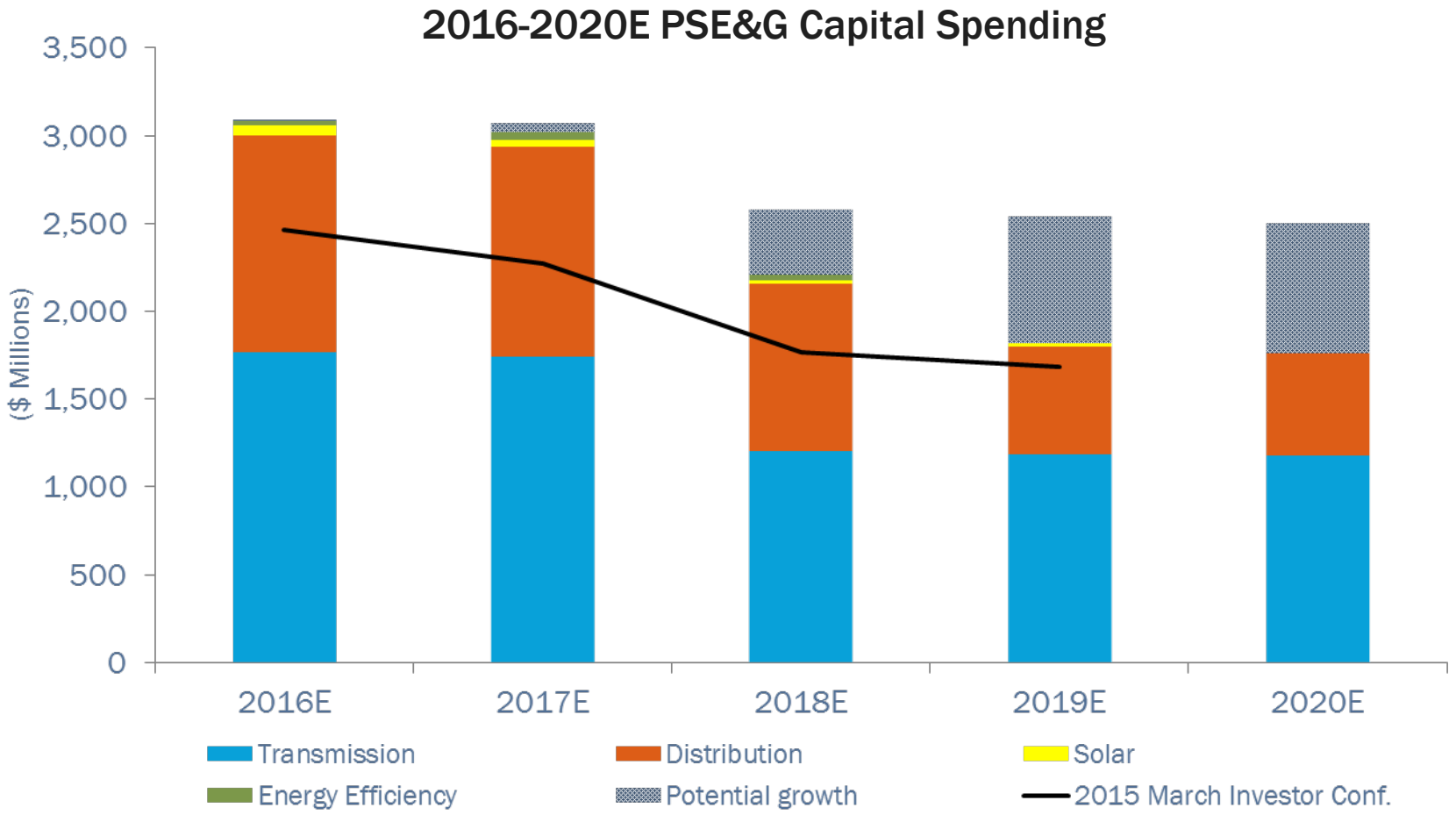
2015 – 2018E Rate Base CAGR Growth of ~10%

2015 – 2020E Rate Base CAGR Growth of ~8%

2015 – 2020E Potential Rate Base CAGR Growth of ~10%



# Continued identification of investment opportunities focused on improving reliability for our customers




E = Estimate. Data as of March 2016.

# PSE&G – Q1 2016 Operating Highlights

## Operations

- ✓ Q1 2016 was the 5th warmest in our records vs. Q1 2015 – the coldest winter in 45 years
- ✓ Heating degree days were 27% below Q1 2015 and 10% below normal
- ✓ Weather normalized electric sales were lower by 1.8% for Q1 but flat on a trailing 12 month basis
- ✓ Weather normalized gas sales were lower by 0.3% for the quarter, led by a 1.5% decline in heating demand from residential segment (influenced by large weather adjustment quarter over quarter); For the trailing 12 months, gas sales have increased by 1.8%
- ✓ O&M remains well controlled

## Regulatory and Market Environment

- ✓ Implemented annual increase in transmission revenue of $146 million in January 2016
- ✓ Energy Strong programs continue on-schedule
- ✓ GSMP investment program beginning

## Financial

- ✓ PSE&G invested ~$725 million during Q1 as part of its full-year, $3 billion investment program to upgrade the electric and gas transmission and distribution system
- ✓ PSE&G issued $850 million of Medium Term Notes consisting of $300 million of 5-year notes at 1.9% and $550 million of 30 year notes at 3.8%, and retired $171 million of 6.75% long-term debt at maturity
- ✓ PSE&G Operating Earnings* forecast for full-year 2016 is unchanged at $875 million to $925 million

* Operating Earnings is equal to Net Income.

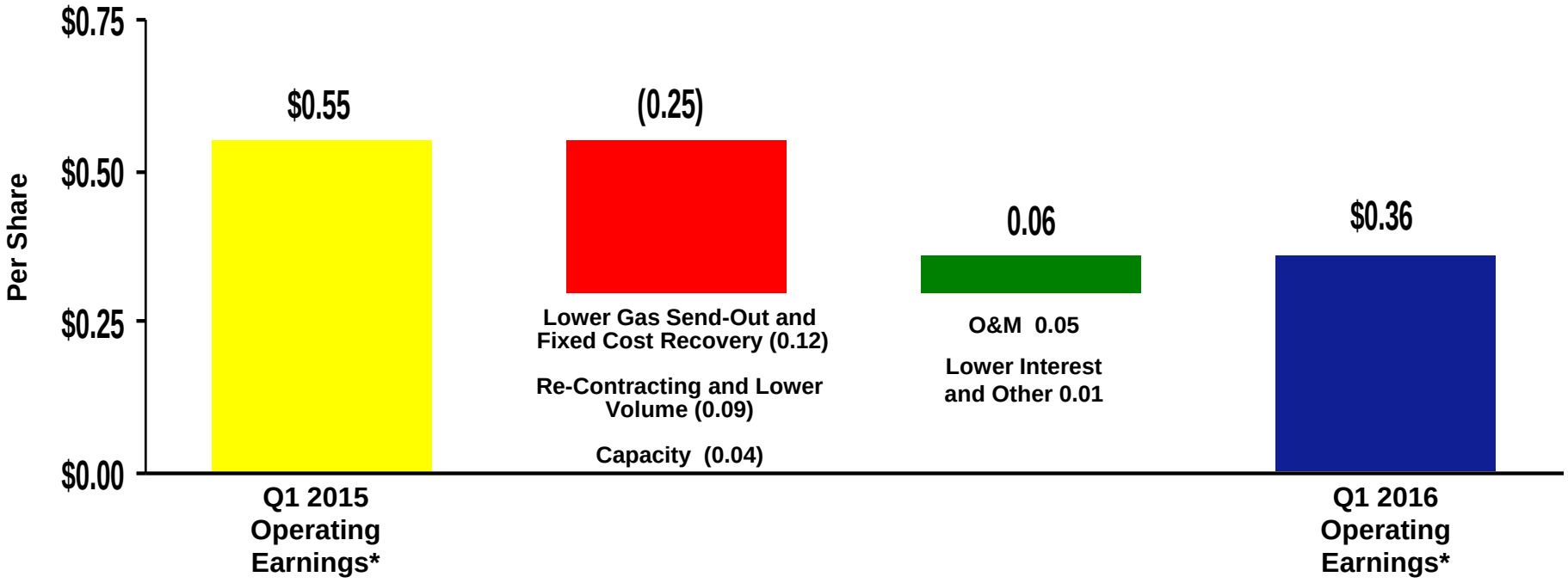
# PSEG Power
# 2016 Q1 Review

# PSEG Power – Q1 Earnings Summary

| $ Millions (except EPS) | Q1 2016 | Q1 2015 | Variance |
|---|---|---|---|
| **Operating Revenues** | $ 1,313 | $ 1,725 | $ (412) |
| **Operating Earnings*** | $ 184 | $ 278 | $ (94) |
| **Reconciling Items, Net of Tax*** | 8 | 57 | (49) |
| **Net Income** | $ 192 | $ 335 | $ (143) |
| ***EPS from Operating Earnings**** | $ 0.36 | $ 0.55 | $ (0.19) |
| ***Adjusted EBITDA*** ** | $ 416 | $ 626 | $ (210) |

* See Slide A for Items excluded from Net Income to reconcile to Operating Earnings; Includes the financial impact from Mark-to-Market positions with forward delivery months.
** See Slide B for a reconciliation of Adjusted EBITDA to Operating Earnings and Net Income. E = Estimate.

# PSEG Power EPS Reconciliation – Q1 2016 versus Q1 2015




* See Slide A for Items excluded from Net Income to reconcile to Operating Earnings.

# PSEG Power's Q1 2016 and Full-Year 2016 Guidance for Adjusted EBITDA

## PSEG Power - Adjusted EBITDA*

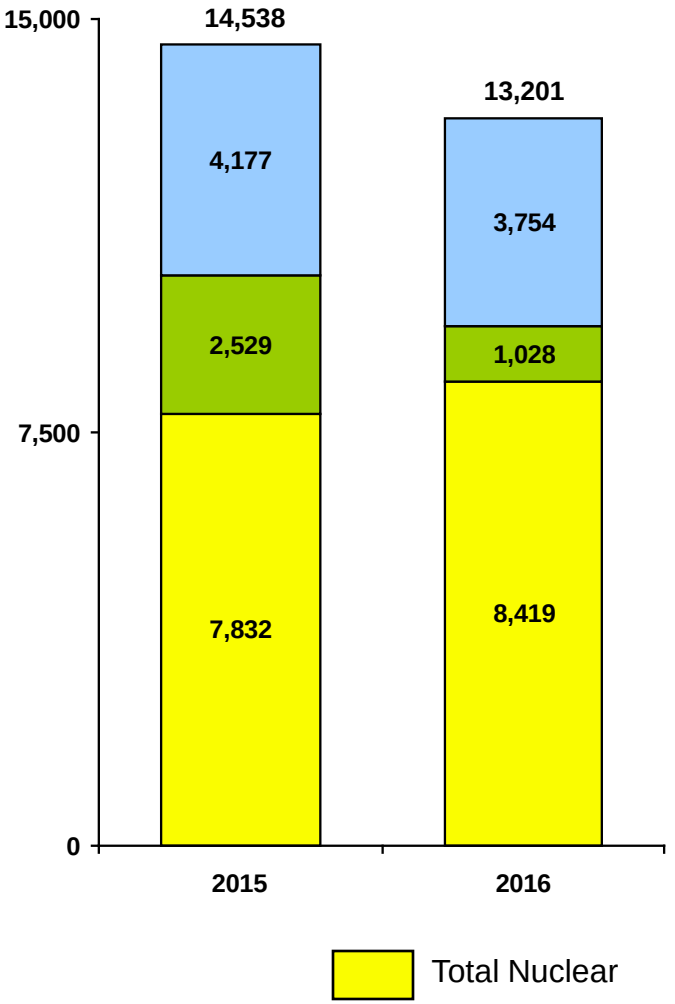
| | Three Months Ended March 31, | | Full-Year 2016 Guidance | |
|---|---|---|---|---|
| ($ Millions) | **2016** | **2015** | **Low** | **High** |
| Operating Earnings** | $184 | $278 | $490 | $540 |
| Add: | | | | |
| Fossil Major Maintenance, pre-tax | 7 | 49 | 80 | 80 |
| Depreciation & Amortization, pre-tax | 80 | 77 | 340 | 340 |
| Interest Expense, pre-tax*** | 22 | 31 | 80 | 80 |
| Income Taxes | 123 | 191 | 330 | 360 |
| Adjusted EBITDA* | **$416** | **$626** | **$1,320E** | **$1,400E** |

* See Slide B for a reconciliation of Adjusted EBITDA to Operating Earnings and Net Income. E = Estimate.
** See Slide A for Items excluded from Net Income to reconcile to Operating Earnings; Includes the financial impact from Mark-to-Market positions with forward delivery months.
*** Net of capitalized interest.

# PSEG Power – Generation Measures

## Generation by Fuel (GWh)**

### Quarter ended March 31




## Fleet Capacity Factors (%)

### Quarter ended March 31

| | 2015 | 2016 |
|---|---|---|
| Combined Cycle | | |
| PJM and NY | 55% | 52% |
| Coal* | | |
| NJ (Coal/Gas) | 17% | 0.4% |
| PA | 91% | 59% |
| CT | 68% | 7% |
| Nuclear | 95% | 99.7% |

* Includes figures for Pumped Storage. Also includes natural gas fuel switching intervals. ** Excludes Solar and Kalaeloa

# PSEG Power – Fuel Costs

## PSEG Power – Fuel Costs

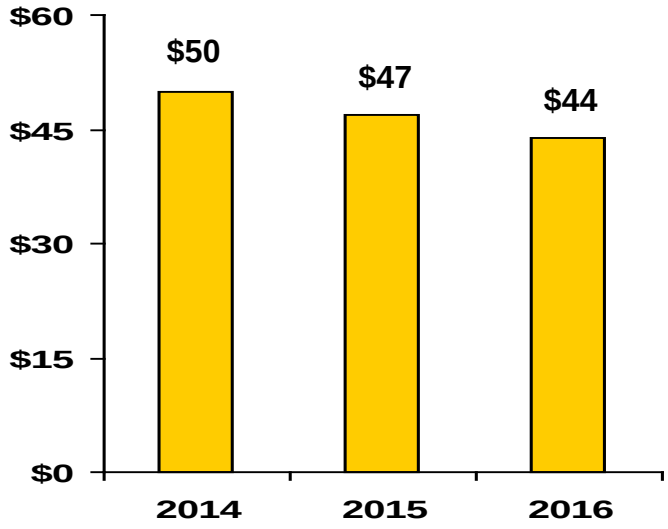
| | Quarter ended March 31 | |
|---|---|---|
| ($ Millions) | 2015 | 2016 |
| Coal | $82 | $27 |
| Oil & Gas | 247 | 66 |
| Total Fossil | 329 | 93 |
| Nuclear | 55 | 58 |
| Total Fuel Cost | $384 | $151 |
| | | |
| Total Generation (GWh) | 14,538 | 13,201 |
| | | |
| $ / MWh | 26.41 | 11.44 |

# PSEG Power – Gross Margin Performance

- ✓ Q1 spot prices significantly lower across PJM, ISO-NE, and NYISO versus year ago, driven by abnormally warm weather and related lack of demand
- ✓ Capacity revenue affected by HEDD retirements in Q2 2015
- ✓ Access to lower-cost Marcellus gas continues to benefit spark spreads relative to market

**PSEG Power Gross Margin ($/MWh)**

**Quarter ended March 31**




| Q1 2016 Regional Performance | | |
|---|---|---|
| **Region** | **Gross Margin ($M)** | **Comment** |
| **PJM** | $515 | Lower prices on hedged output combined with lower wholesale market prices and a decline in capacity revenue from HEDD retirements |
| **New England** | $51 | Hedging profile improved margins offsetting lower market prices |
| **New York** | $12 | Higher volumes with improved fuel availability |

# Hedging Update

## Contracted Energy*

| | | Apr-Dec 2016 | 2017 | 2018 |
|---|---|---|---|---|
| Base Load (Nuclear and Base Load Coal) | Volume TWh | 26 | 36 | 36 |
| | % Hedged | 100% | 75-80% | 35-40% |
| | Price $/MWh | $49 | $49 | $49 |
| Intermediate Coal, Combined Cycle, Peaking | Volume TWh | 14 | 19 | 24 |
| | % Hedged | 25-30% | 0% | 0% |
| | Price $/MWh | $49 | -- | -- |
| Total | Volume TWh | 39-41 | 54-56 | 59-61 |
| | % Hedged | 70-75% | 50-55% | 20-25% |
| | Price $/MWh | $49 | $49 | $49 |

* Hedge percentages and prices as of March 31, 2016. 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.

# PSEG Power – Q1 Operating Highlights

## Operations

- ✓ Q1 output down 9.2% to 13.2 GWh on warm winter weather and lower demand vs Q1 2015
- ✓ Strong nuclear performance: GWh production up 7.5% resulting in a fleet capacity factor of 99.7%
- ✓ CCGT availability remains strong; production down 5% on lower demand

## Regulatory and Market Environment

- ✓ U.S. Supreme Court unanimously upheld lower court ruling against Maryland subsidized generation law and subsequently dismissed the New Jersey LCAPP case
- ✓ Base load output in 2016 hedged at an average price of $49/MWh vs 2015 average hedge price of $52/MWh
- ✓ 2016 BGS load projection remains at 11-12 TWh

## Financial

- ✓ Power's total debt as a percentage of capitalization at March 31 was 27%
- ✓ Power's 2016 Operating Earnings* guidance range is $490 million to $540 million; Adjusted EBITDA** guidance for 2016 is $1.32 billion to $1.40 billion

* See Slide A for Items excluded from Net Income to reconcile to Operating Earnings; Includes the financial impact from Mark-to-Market positions with forward delivery months.
**See Slide B for a reconciliation of Adjusted EBITDA to Operating Earnings and Net Income.

# PSEG

# PSEG Financial Highlights

## Maintaining 2016 Operating Earnings* guidance of $2.80 - $3.00 per share

- ✓ Focused on maintaining operating efficiency and customer reliability
- ✓ Salem Q2 refueling outage extended to replace and repair baffle bolts in reactor vessel
- ✓ PSE&G expected to contribute over 60% of 2016 Operating Earnings*

## Infrastructure spend

- ✓ PSE&G T&D spend for 2016 expected to be $3 billion
- ✓ Power has begun construction of its CCGT units in Maryland and New Jersey

## Financial position remains strong

- ✓ Positive cash from Power and increasing cash flow from operations at PSE&G support dividend growth and fund capital spending program without the need to issue equity
- ✓ Debt as a percentage of capitalization was 44% at March 31

## Increased common dividend 5.1% to indicative annual rate of $1.64 per share

- ✓ Increasing regulated earnings mix supports opportunity for dividend growth

* See Slide A for Items excluded from Net Income to reconcile to Operating Earnings.

# PSEG 2016 Operating Earnings Guidance - By Subsidiary

## Segment Earnings Guidance and Prior Results

| $ Millions (except EPS) | 2016E | 2015 |
|---|---|---|
| **PSE&G** | $875 - $925 | $787 |
| **PSEG Power** | $490 - $540 | $653 |
| **PSEG Enterprise/Other** | $60 - $60 | $36 |
| ***Operating Earnings**** | $1,425 - $1,525 | $1,476 |
| ***Earnings per Share*** | **$2.80 - $3.00E** | **$2.91** |

## PSEG Power Adjusted EBITDA**

| $ Millions | 2016E | 2015 |
|---|---|---|
| **PSEG Power** | $1,320 - $1,400 | $1,563 |

*/**See Slide A for Items excluded from Net Income to reconcile to Operating Earnings and Slide B for Items excluded from Net Income to reconcile to Operating Earnings and Adjusted EBITDA. See Slide 20 for a reconciliation of Operating Earnings and Adjusted EBITDA for 2016E. E = Estimate.

# PSEG Liquidity as of March 31, 2016

| Company | Facility | Expiration Date | Total Facility | Usage | Available Liquidity |
|---|---|---|---|---|---|
| | | | | ($ Millions) | |
| **PSE&G** | 5-year Credit Facility | Apr-20 | $629 (A) | $14 | $615 |
| PSEG Money Pool | | | | | |
| **PSEG / Power** | 5-Year Credit Facility (Power) | Apr-19 | $1,600 | $202 | $1,398 |
| | 5-Year Credit Facility (Power) | Apr-20 | $1,000 (B) | $9 | $991 |
| | 5-year Credit Facility (PSEG) | Apr-19 | $500 | $10 | $490 |
| | 5-year Credit Facility (PSEG) | Apr-20 | $524 (C) | $12 | $512 |
| | Total Money Pool | | $3,624 | $233 | $3,391 |
| | Total | | $4,253 | $247 | $4,006 |

(A) PSE&G facility will be reduced by $29 million in April 2016, and $14 million in March 2018; facility was increased by $29 million in March 2016 in anticipation of the April expiration.

(B) Power facility will be reduced by $48 million in April 2016, and $24 million in March 2018.

(C) PSEG facility will be reduced by $23 million in April 2016, and $12 million in March 2018; facility was increased by $24 million in March 2016 in anticipation of the April expiration.

| | |
|---|---|
| PSEG Money Pool ST Investment | $0 |
| PSE&G ST Investment | $521 |
| **Total Liquidity Available** | **$4,527** |

# Items Excluded from Net Income to Reconcile to Operating Earnings

**PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED**

**Consolidated Operating Earnings Reconciliation**

| Reconciling Items, net of tax | *Three Months Ended March 31,* | | *Year-Ended December 31,* | |
|---|---|---|---|---|
| | *2016* | *2015* | *2015* | *2014* |
| | **($ Millions, Unaudited)** | | | |
| **Operating Earnings** | **$ 463** | **$ 529** | **$ 1,476** | **$ 1,400** |
| Gain (Loss) on Nuclear Decommissioning Trust (NDT) Fund Related Activity (PSEG Power) | (5) | 2 | 8 | 68 |
| Gain (Loss) on Mark-to-Market (MTM)[(a)] (PSEG Power) | 13 | (20) | 93 | 66 |
| Storm O&M, net of insurance recoveries (PSEG Power) | - | 75 | 102 | (16) |
| **Net Income** | **$ 471** | **$ 586** | **$ 1,679** | **$ 1,518** |
| **Fully Diluted Average Shares Outstanding (in Millions)** | **508** | **508** | **508** | **508** |
| | **($ Per Share Impact - Diluted, Unaudited)** | | | |
| **Operating Earnings** | **$ 0.91** | **$ 1.04** | **$ 2.91** | **$ 2.76** |
| Gain (Loss) on NDT Fund Related Activity (PSEG Power) | (0.01) | - | 0.01 | 0.13 |
| Gain (Loss) on MTM[(a)] (PSEG Power) | 0.03 | (0.04) | 0.18 | 0.13 |
| Storm O&M, net of insurance recoveries (PSEG Power) | - | 0.15 | 0.20 | (0.03) |
| **Net Income** | **$ 0.93** | **$ 1.15** | **$ 3.30** | **$ 2.99** |

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

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

# Items Excluded from Net Income to Reconcile to Operating Earnings and Adjusted EBITDA

**PSEG Power Adjusted EBITDA Reconciliation**

| Reconciling Items | *Three Months Ended March 31,* | | *Year-Ended December 31,* | |
|---|---|---|---|---|
| | *2016* | *2015* | *2015* | *2014* |
| | ($ Millions, Unaudited) | | | |
| **Adjusted EBITDA** | **$ 416** | **$ 626** | **$ 1,563** | **$ 1,584** |
| **Fossil Major Maintenance, pre-tax** | (7) | (49) | (128) | (144) |
| **Depreciation and Amortization, pre-tax** [(b)] | (80) | (77) | (301) | (291) |
| **Interest Expense, pre-tax** [(b)(c)] | (22) | (31) | (120) | (120) |
| **Income Taxes** [(b)] | (123) | (191) | (361) | (387) |
| **Operating Earnings** | **$ 184** | **$ 278** | **$ 653** | **$ 642** |
| **Gain (Loss) on NDT Fund Related Activity, pre-tax** | (8) | 7 | 24 | 138 |
| **Gain (Loss) on MTM, pre-tax** [(a)] | 22 | (34) | 157 | 111 |
| **Storm O&M, net of insurance recoveries, pre-tax** | - | 127 | 172 | (27) |
| **Income Taxes related to Operating Earnings reconciling items** | (6) | (43) | (150) | (104) |
| **Net Income** | **$ 192** | **$ 335** | **$ 856** | **$ 760** |

(a) Includes the financial impact from positions with forward delivery months.
(b) Excludes amounts related to Operating Earnings reconciling items.
(c) Net of capitalized interest.

**Please see Slide 2 for an explanation of PSEG's use of Operating Earnings and Adjusted EBITDA as non-GAAP financial measures and how they differ from Net Income.**