

PSE&G Reaches \$1.22 Billion Settlement in Energy Strong Proceeding with NJ BPU Staff

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Contacts:[Carlotta N. Chan](#) ^[1]*All 29 substations that flooded will be upgraded*

(May 1, 2014 – Newark, NJ) - Public Service Electric and Gas Company (PSE&G) today announced that it has reached a \$1.22 billion settlement in its Energy Strong proposal to proactively protect and strengthen its electric and gas systems against severe weather conditions. The stipulation, signed by the staff of the New Jersey Board of Public Utilities, is now being reviewed by the other parties and participants in the case and will be submitted to the BPU for review and approval.

In a filing with the New Jersey Board of Public Utilities in February 2013, PSE&G had sought approval to invest \$2.6 billion during five years to harden its electric and gas systems, with the ability to seek approval to spend an additional \$1.3 billion in the following five years to complete the proposed \$3.9 billion, 10-year program. The settlement reached today culminates more than a year of public and evidentiary hearings before the BPU and negotiations with the parties.

"We're pleased that we can move ahead and start building the resiliency into our systems needed to withstand the kind of severe weather that has devastated our state in recent years," said Ralph Izzo, PSEG chairman and CEO. "Clearly we are not able to make every improvement we planned, but this settlement will allow us to begin to make meaningful upgrades, including upgrading substations that were flooded in Superstorm Sandy and Hurricane Irene, replacing 250 miles of cast iron gas pipes and adding intelligence to our system to help speed restoration when there are outages. And as we make these improvements, we will work together to consider additional efforts to further harden our system.

"I want to acknowledge the efforts of all parties for their thoughtful review in reaching this agreement," Izzo said. "I also want to thank the thousands of government officials, business and labor leaders and members of the public who strongly supported our proposal during the past 14 months. We look forward to the Board's final approval so that we can get to work." The utility estimates that the work will create more than 2,000 jobs to bolster the state's economy.

If approved, the company will make the following investments:

\$620 million to raise, relocate or protect 29 switching and substations that were damaged by water in recent storms.

- \$350 million to replace and modernize 250 miles of low-pressure cast iron gas mains in or near flood areas.
- \$100 million to create redundancy in the system, reducing outages when damage occurs.
- \$100 million to deploy smart grid technologies to better monitor system operations to increase our ability to more swiftly deploy repair teams.
- \$50 million to protect five natural gas metering stations and a liquefied natural gas station affected by Sandy or located in flood zones.

Although the agreement generally contemplates a three-year program, the company has the option of completing the gas main work in two years, and it has also been agreed that completing the electric and gas station work may take up to five years. Under the agreement, PSE&G will earn an authorized return on equity of 9.75 percent on the first \$1 billion of investment based on an accelerated recovery mechanism. The company will seek to recover the remaining \$220 million in a base rate case to be filed no later than November 1, 2017.

The impact of the \$1 billion investment on the typical residential combined electric/gas customer bill is expected to be approximately 2 percent in 2018 which will be more than offset by transitional charges stemming from deregulation that are expiring in the same timeframe.

Forward Looking Statement

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> [2]. These factors include, but are not limited to:

- adverse changes in the demand for or the price of the capacity and energy that we sell into wholesale electricity markets,
- adverse changes in energy industry law, policies and regulation, including market structures and a potential shift away from competitive markets toward subsidized market mechanisms, transmission planning and cost allocation rules, including rules regarding how transmission is planned and who is permitted to build transmission in the future, and reliability standards,
- any inability of our transmission and distribution businesses to obtain adequate and timely rate relief and regulatory approvals from federal and state regulators,
- changes in federal and state environmental regulations and enforcement that could increase our costs or limit our operations,
- 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 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 balance our energy obligations, available supply and risks,
- any deterioration in our credit quality or the credit quality of our counterparties,
- availability of capital and credit at commercially reasonable terms and conditions and our ability to meet cash needs,
- changes in the cost of, or interruption in the supply of, fuel and other commodities necessary to the operation of our generating units,
- delays in receipt of necessary permits and approvals for our construction and development activities,
- delays or unforeseen cost escalations in our construction and development activities,
- any inability to achieve, or continue to sustain, our expected levels of operating performance,
- 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 coverage or recover proceeds of insurance with respect to such events,
- acts of terrorism, cybersecurity attacks or intrusions that could adversely impact our businesses,
- increases in competition in energy supply markets as well as competition for certain transmission projects,
- any inability to realize anticipated tax benefits or retain tax credits,
- challenges associated with recruitment and/or retention of a qualified workforce,
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements, and
- changes in technology, such as distributed generation and micro grids, and greater reliance on these technologies and changes in customer behaviors, including energy efficiency, net-metering and demand response.

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.

Public Service Electric and Gas Company (PSE&G) is New Jersey's oldest and largest regulated gas and electric delivery utility, serving nearly three-quarters of the state's population. PSE&G is the winner of the ReliabilityOne Award for superior electric system reliability. PSE&G is a subsidiary of Public Service Enterprise Group Incorporated (PSEG) (NYSE:PEG), a diversified energy company (www.pseg.com) [2].

Language:

English

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[1] <http://investor.pseg.com/contact/carlotta-n-chan>

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