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PSE&G Unveils $3.9 Billion, 10-Year Proposal to Make NJ "Energy Strong"

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Proposal will create 5,800 jobs and reduce the impact of future outages

Customer bills will remain stable – and will be lower than in 2008

(February 20, 2013 – Newark, NJ) Public Service Electric and Gas Company (PSE&G) today proposed to invest $3.9 billion during the next 10 years to proactively protect and strengthen its electric and gas systems against increasingly frequent severe weather conditions. In a filing with the New Jersey Board of Public Utilities, PSE&G asked for initial funding approval of $2.6 billion during the first five years. Since some of the improvements will take more than five years to implement, the utility may seek approval to spend an additional $1.3 billion in the following five years to complete the program.

PSE&G's "Energy Strong" program would include protecting more than 40 utility installations from storm surges, strengthening distribution lines, making the electric grid smarter and thereby easier to restore customers, and modernizing the gas distribution system. The proposal would create 5,800 direct and indirect jobs and stimulate substantial economic activity for New Jersey businesses, all without impact on customers' monthly bills.

"PSE&G has been recognized repeatedly for providing safe, highly reliable service," said Ralph Izzo, PSEG chairman and CEO. "But reliability is no longer enough; we must also focus on the resiliency of our systems to withstand natural disasters.

"It's clear that Sandy, Hurricane Irene and the October ice storm in 2011 represent extreme weather patterns that have become commonplace," Izzo said. "It's equally clear that how we live and do business is so dependent on energy that any outage is hard to tolerate. Sandy was a defining event for all of us; the state's entire energy infrastructure needs to be rethought in light of weather conditions that many predict will continue to occur."

"PSE&G is responding to Sandy with a program that looks to the future with investments that would better protect homes and businesses when the next storm hits, while also improving day-to-day reliability," added Ralph LaRossa, PSE&G president and COO.

During Sandy, 2 million of PSE&G's 2.2 million electric customers lost power due to damaged switching and substations, damaged poles and electrical equipment, and downed trees that brought down wires. With the protections outlined in the filing in place, about 800,000 of those affected by a storm like Sandy would have remained with power and restoration times for the rest would be reduced.

A new report from the American Society of Civil Engineers (ASCE) warns that the failure to make adequate infrastructure investments in the U.S. electric grid could significantly affect business productivity, employment and competitiveness. ASCE finds that by 2020, closing the
investment gap in our electrical grid would save American businesses $126 billion, prevent the loss of 529,000 jobs, and avert $656 billion in personal income losses.

"The cost of inaction is too high," Izzo said. "We have a choice: continue to make incremental improvements and repairs to our electric and gas systems as we have always done. Or, we can be truly forward-looking and make more substantial investments that will help our state be better prepared for the next Irene, Sandy or other catastrophic event."

Little Impact on Customer Bills

Pointing to lower gas bills and stable electric bills, the utility said making these added investments now will have little overall impact on residential or business customer bills. The price of natural gas has dropped nearly 40 percent in the past three years, which has lowered the cost of heat and electricity. In 2014 and 2016, certain transitional charges related to deregulated supply markets will roll off customer bills.

“This is the right time to make these investments. With significantly lower gas prices and retiring some transitional charges, we can essentially make these critical investments without raising bills,” LaRossa said. The utility estimates that in 2018, a typical annual residential electric bill will be approximately 5 percent lower than it was in 2008 and a typical gas bill will be approximately 35 percent lower -- even with the proposed additional spending – and still well below the rate of inflation.

LaRossa said a number of labor leaders, mayors and chambers of commerce have already expressed support for the utility’s proposal, which will create 5,800 new jobs in construction, engineering and support services. “They believe these are important investments for New Jersey,” he said. “We look forward to discussing our plans in more detail with regulators and other state officials on the best way to proceed to protect New Jersey’s quality of life and economic competitiveness.”

Key provisions of PSE&G’s 10-year plan include:

• $1.7 billion to raise, relocate or protect all switching and substations (listed in attachment) affected by recent storms as well as those in newly designated flood zones.
• $1.04 billion to replace and modernize 750 miles of low-pressure cast iron gas mains in or near flood areas.
• $454 million to deploy smart grid technologies to better monitor system operations to increase our ability to more swiftly deploy repair teams.
• $215 million to improve pole distribution systems.
• $200 million to create redundancy in the system, reducing outages when damage occurs.
• $60 million to move 20 miles of overhead electric distribution lines underground.
• $140 million to protect 9 natural gas metering stations and a liquefied natural gas station affected by Sandy or located in flood zones.

“We strongly believe that making these investments in protecting our energy infrastructure against future superstorms, while keeping customer bills well below the Consumer Price Index from 2008 to 2018, is a significant win for customers and New Jersey’s economy,” Izzo said.

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PSE&G ENERGY STRONG INFRASTRUCTURE PROGRAM FILING
Switching and/or substations to be raised or fortified

NAME	MUNICIPALITY	COUNTY
Belmont	Garfield	Bergen
Garfield Place	South Hackensack	Bergen
Hackensack	Hackensack	Bergen
Hillsdale	Hillsdale	Bergen
Little Ferry	Little Ferry	Bergen
New Milford	New Milford	Bergen
River Edge	River Edge	Bergen
Essex	Newark	Essex

Newark Airport	Newark	Essex
Port Street	Newark	Essex
Bayonne	Bayonne	Hudson
Hoboken	Hoboken	Hudson
Howell Street	Jersey City	Hudson
Hudson	Jersey City	Hudson
Jersey City	Jersey City	Hudson
Madison Street	Hoboken	Hudson
Marion	Jersey City	Hudson
Marshall Street	Hoboken	Hudson
River Road	North Bergen	Hudson
South Waterfront	Jersey City	Hudson
St. Paul's	Jersey City	Hudson
Third Street	Kearny	Hudson
Ewing	Ewing	Mercer
Cliff Road	Sewaren (Woodbridge)	Middlesex
Sewaren	Sewaren (Woodbridge)	Middlesex
Jackson Road	Totowa	Passaic
Somerville Sub	Somerville	Somerset
Bayway Sub	Elizabeth	Union
Linden	Linden	Union
Cranford	Cranford	Union
Rahway	Rahway	Union

Forward Looking Statement

Certain of the matters discussed in this report 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 Item 1A. Risk

Factors, Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations (MD&A), Item 8. Financial Statements and Supplementary Data —Note 13. Commitments and Contingent Liabilities, and other factors discussed in filings we make with the United States Securities and Exchange Commission (SEC).

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 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, including in our leveraged leases,

• 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,

• increase in competition in energy supply markets as well as competition for certain rate-based 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 and customer usage patterns.

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.

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