



PSEG

Public Service Enterprise Group

**Bank of America
Investor Meetings
June 24-26, 2008**

Forward-Looking Statement

Readers are cautioned that statements contained in this presentation about our and our subsidiaries' future performance, including future revenues, earnings, strategies, prospects and all other statements that are not purely historical, are forward-looking statements for purposes of the safe harbor provisions under The Private Securities Litigation Reform Act of 1995. Although we believe that our expectations are based on reasonable assumptions, we can give no assurance they will be achieved. The results or events predicted in these statements may differ materially from actual results or events. Factors which could cause results or events to differ from current expectations include, but are not limited to:

- Adverse Changes in energy industry, policies and regulation, including market rules that may adversely affect our operating results.
- Any inability of our energy transmission and distribution businesses to obtain adequate and timely rate relief and/or regulatory approvals from federal and/or state regulators.
- Changes in federal and/or state environmental regulations that could increase our costs or limit operations of our generating units.
- Changes in nuclear regulation and/or developments in the nuclear power industry generally, that could limit operations of our nuclear generating units.
- Actions or activities at one of our nuclear units that might adversely affect our ability to continue to operate that unit or other units at the same site.
- Any inability to balance our energy obligations, available supply and trading risks.
- Any deterioration in our credit quality.
- Any inability to realize anticipated tax benefits or retain tax credits.
- Increases in the cost of or interruption in the supply of fuel and other commodities necessary to the operation of our generating units.
- Delays or cost escalations in our construction and development activities.
- Adverse capital market performance of our decommissioning and defined benefit plan trust funds.
- Changes in technology and/or increased customer conservation.

For further information, please refer to our Annual Report on Form 10-K, including Item 1A, Risk Factors, and subsequent reports on Form 10-Q and Form 8-K filed with the Securities and Exchange Commission. These documents address in further detail our business, industry issues and other factors that could cause actual results to differ materially from those indicated in this presentation. In addition, any forward-looking statements included herein represent our estimates only as of today and should not be relied upon as representing our estimates as of any subsequent date. While we may elect to update forward-looking statements from time to time, we specifically disclaim any obligation to do so, even if our estimates change, unless otherwise required by applicable securities laws.

GAAP Disclaimer

PSEG presents Operating Earnings in addition to its Net Income reported in accordance with accounting principles generally accepted in the United States (GAAP). Operating Earnings is a non-GAAP financial measure that differs from Net Income because it excludes the impact of the sale of certain non-core domestic and international assets and costs stemming from the terminated merger agreement with Exelon Corporation. 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. This information is not intended to be viewed as an alternative to GAAP information. The last slide in this presentation includes a list of items excluded from Net Income to reconcile to Operating Earnings , with a reference to that slide included on each of the slides where the non-GAAP information appears. These slides are intended to be reviewed in conjunction with the oral presentation to which they relate.

PSEG Overview

Tom O'Flynn

Executive Vice President and Chief Financial Officer - PSEG
President and Chief Operating Officer – PSEG Energy Holdings

Our platform ...

 <p>Major electric generation company with 13,300 MW* of base-load, intermediate and load following capability operating in attractive markets in the Northeast with operating control of additional 2,000 MW of capacity in Texas.</p>	 <p>Stable electric and gas distribution and transmission company rated top quartile for reliability providing service in mature service territory in New Jersey.</p>	 <p>Redeployment of capital through the sale of international assets. Focused on managing lease portfolio and potential investment in renewables.</p>
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**2007 Operating
Earnings:**

\$949M**

\$376M**

\$115M**

2008 Guidance: \$1,040M - \$1,140M

\$350M – \$370M

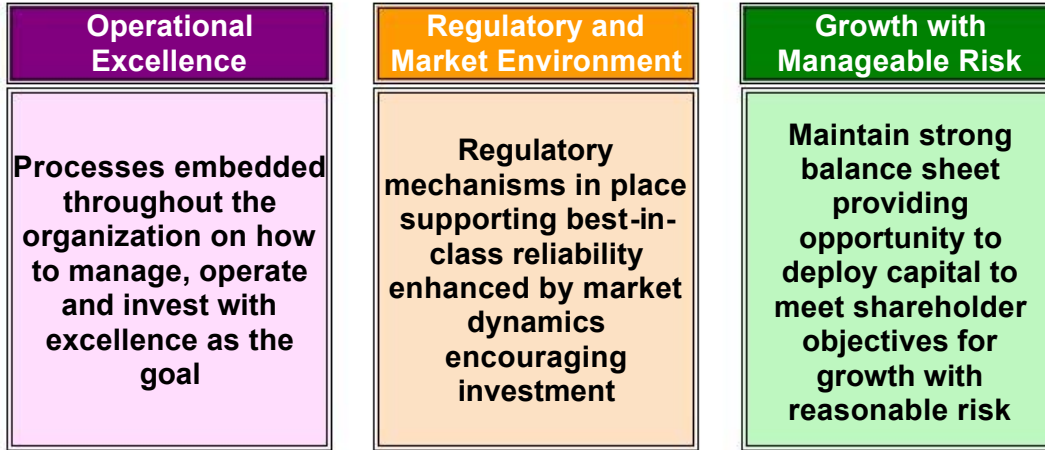
\$45M – \$60M

... provides earnings stability, multiple growth opportunities and substantial cash flow.

* 2007 capacity

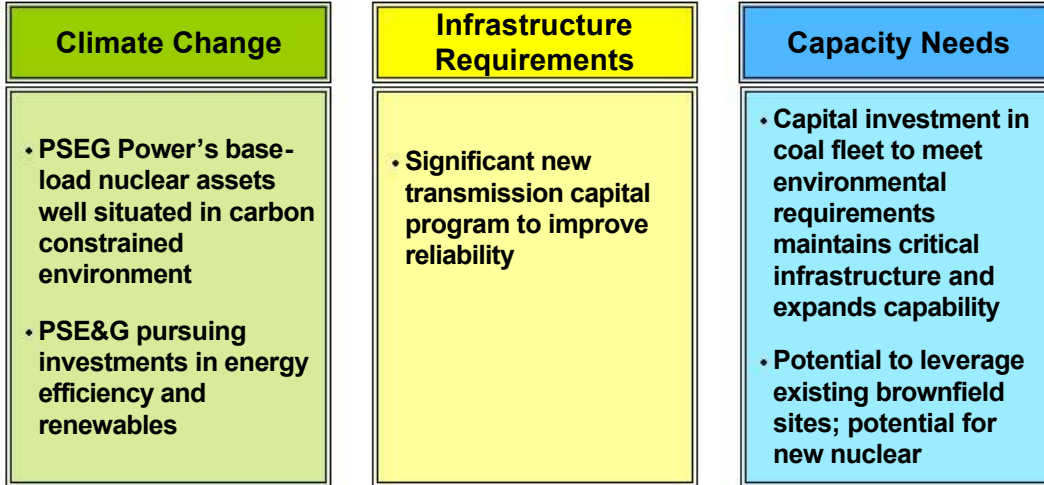
** See page 65 for Items excluded from Net Income to reconcile to Operating Earnings

Our focus is to maximize benefits from existing assets ...



... and build a substantial platform for ongoing growth.

Major influences on business environment remain:



PSEG assets are well positioned to meet the needs of customers and shareholders in a challenging environment.

We are continuing to improve operational practices and participate in market design discussions ...

Operational Excellence

- ✓ Fossil fleet adopted operating model based on Nuclear's success

Regulatory and Market Environment

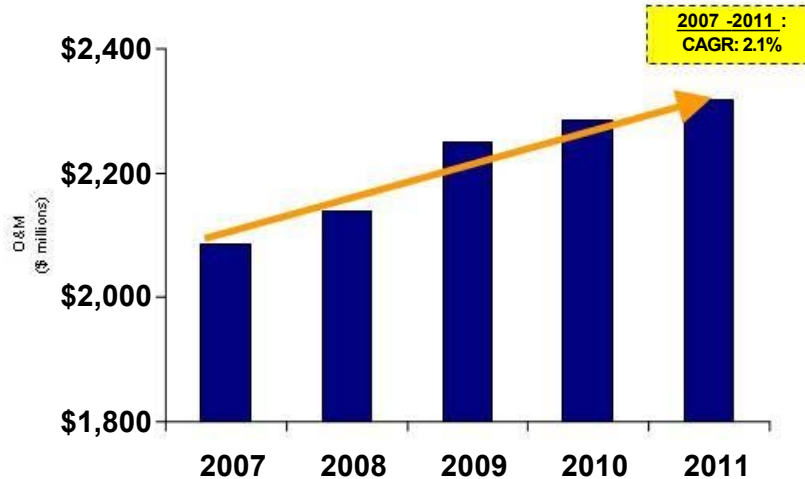
- Goal is to maintain (at a minimum) operating capability of nuclear fleet at 90% capacity factor
- PSE&G pursuing investments in advanced metering and back office technology
- ✓ NJ enacted Regional Greenhouse Gas Initiative (RGGI)
- ✓ Draft NJ Energy Master Plan released
- PSEG Power exposed to heat rate expansion, gas prices and carbon
- ✓ SAESA – Sale announced for \$870 million equity value

Growth with Manageable Risk

- ✓ Bid for new peaking capacity not accepted
- ✓ Successful RFP in CT
- Awaiting RTEP decision on additional transmission
- PSE&G pursuing pilot programs to prove capabilities in deploying energy efficiency investments
- ✓ Hope Creek uprate and Salem steam generator adding 140MW

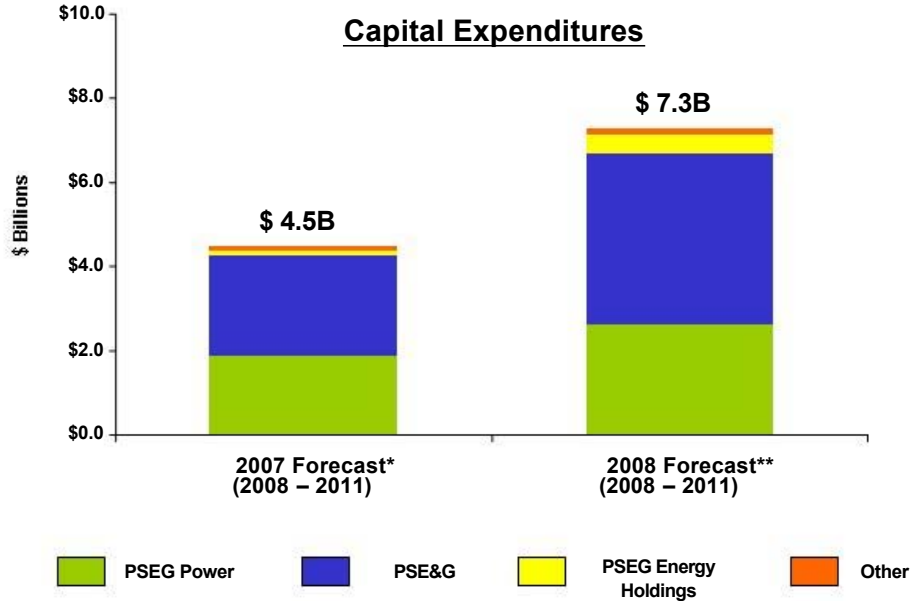
... to support long-term growth and reliability.

Improved processes and investment ...



... are expected to control the rate of growth in operating expenses.

Spending for the next four years ...



... has increased primarily at PSE&G to support growth strategy.

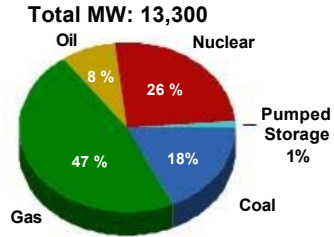
* As per 2006 10-K

** As per 2007 10-K; also includes plans for PSEG Energy Holdings

Right set of assets, right markets at the right time ...

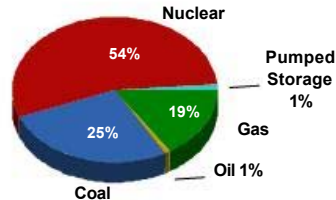
- Low-cost portfolio
- Strong cash generator
- Regional focus in competitive, liquid markets
- Assets favorably located
 - Many units east of PJM constraints
 - Southern NEPOOL/ Connecticut
 - Near customers/load centers
- 80% of Fossil capacity has dual fuel capabilities
- Integrated generation and portfolio management optimizes asset-based revenues

Fuel Diversity – 2007



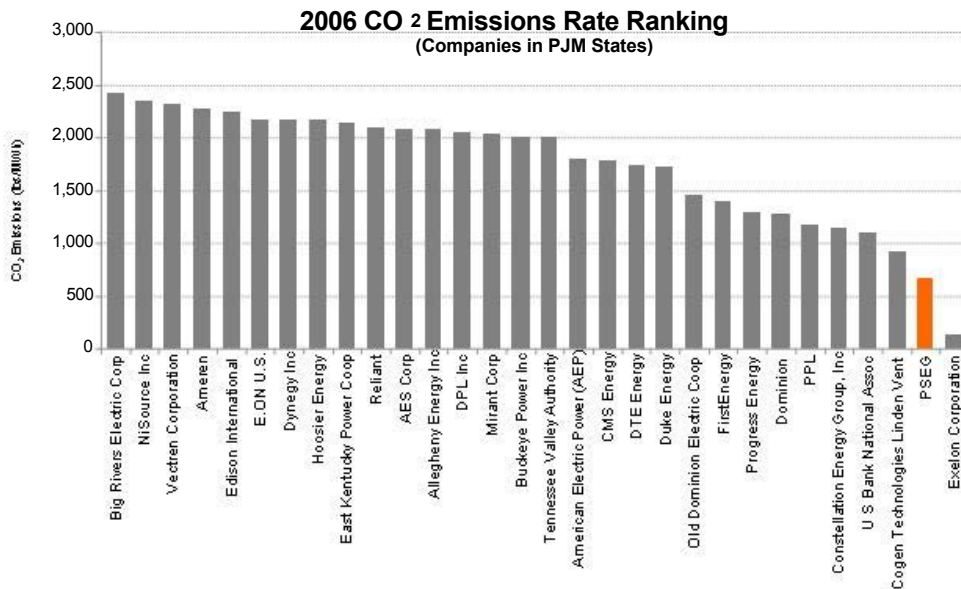
Energy Produced - 2007

Total GWh: 53,200



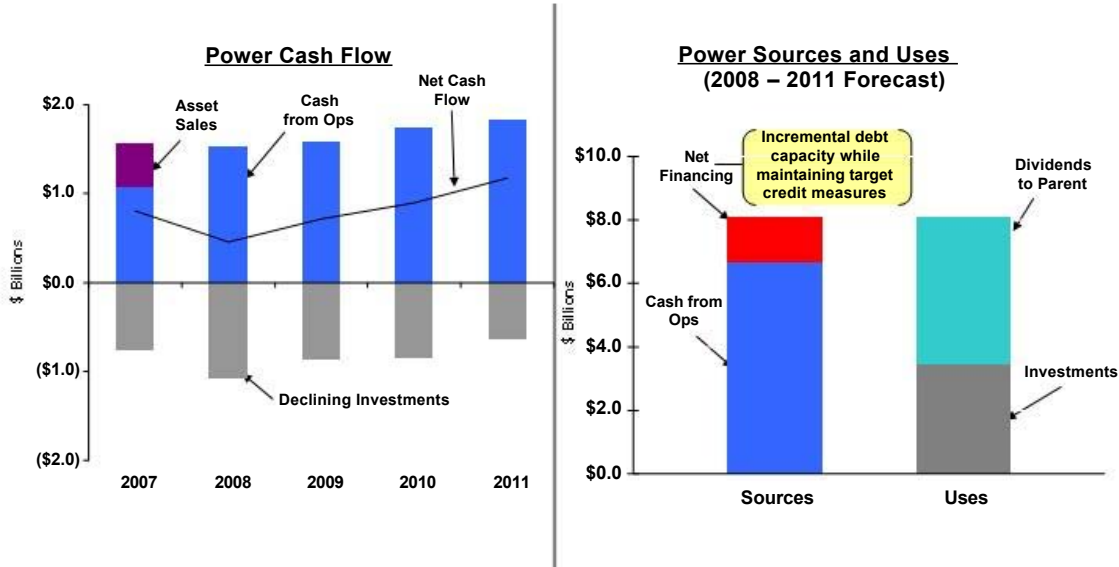
... we continue to like the assets we have and their location.

Power's fleet has a low carbon profile ...



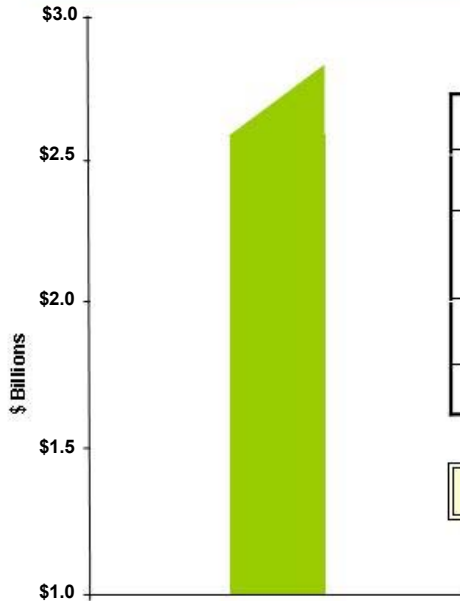
... which is well positioned for virtually any form of carbon restrictions.

At Power, strong cash generation and declining capital expenditures ...



... should result in substantial discretionary cash available to PSEG for additional growth and/or share repurchases.

Power's open EBITDA is approximately \$2.6 - \$2.8 billion ...



	Assumption	Sensitivity	EBITDA Impact
Capacity	~ \$60 - \$65/KW-yr (~ \$165 - \$178/MW-day)	\$10/KW-yr	~ \$120M
Energy	~ \$69 - 73/MWh (PJM-West)	\$1/MWh	~ \$40M
Fuel	Gas ~\$8.50 to \$9.00/MB Coal ~ \$2.85 to \$3.15/MB		
O&M	~ \$1.0 - 1.05B		

2008 Forecasted EBITDA \$2.05B - \$2.25B

... which will vary depending upon market drivers.

PSE&G operates in an attractive market ...

- NJ is ranked 3rd nationally in personal income per capita
- Mid-Atlantic ReliabilityOne Award winner six years running
- Solid regulatory relationships on traditional utility matters



Transmission Statistics (12/31/07)

Network Circuit Miles	Billing Peak (MW)	Historical Annual Load Growth 2003-2007	Projected Annual Load Growth 2008 - 2012
1,429	10,378*	1.3%	1.4%

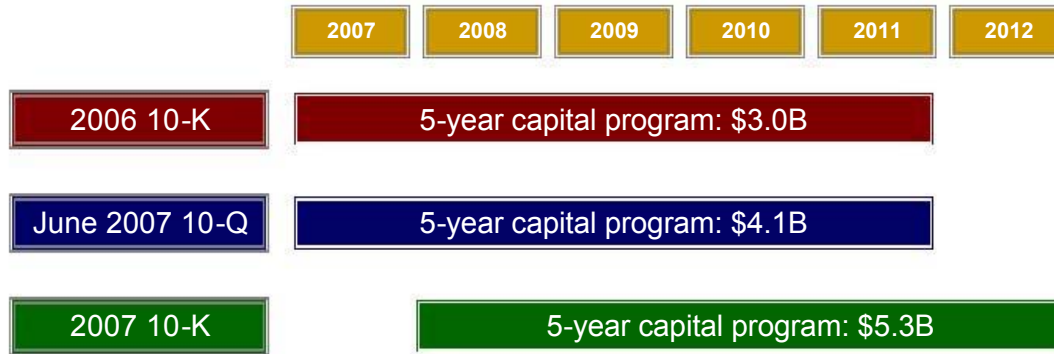
*Billing Peak includes adjustment for Voltage Reduction

Electric and Gas Distribution Statistics (12/31/07)

	Customers	Electric Sales and Gas Sold and Transported	Historical Annual Load Growth 2003-2007	Projected Annual Load Growth 2008 - 2012
Electric	2.1 Million	44,709 GWh	1.6%	1.0%
Gas	1.7 Million	3,502 M Therms	(0.2%)	0.4%

... and through a disciplined capital allocation process has become a recognized leader in delivering safe and reliable service.

PSE&G's capital program focused on improving reliability



	PSE&G Rate Base (\$ millions)	
	2007 Actual	2012 Base Plan
Transmission	830	2,240
Gas	2,240	3,060
Electric	3,330	4,900
TOTAL	\$6,400	\$10,200

PSE&G's capital program

Transmission

- Rate base growth supported by investment in new 500kV lines to improve reliability (\$900M) and upgrade of sub-transmission system (\$250M)
- Received FERC approval for CWIP in rate base and 125 bps adder to ROE on \$600M - \$650M Susquehanna line – base ROE increased by 50 bps for membership in RTO.

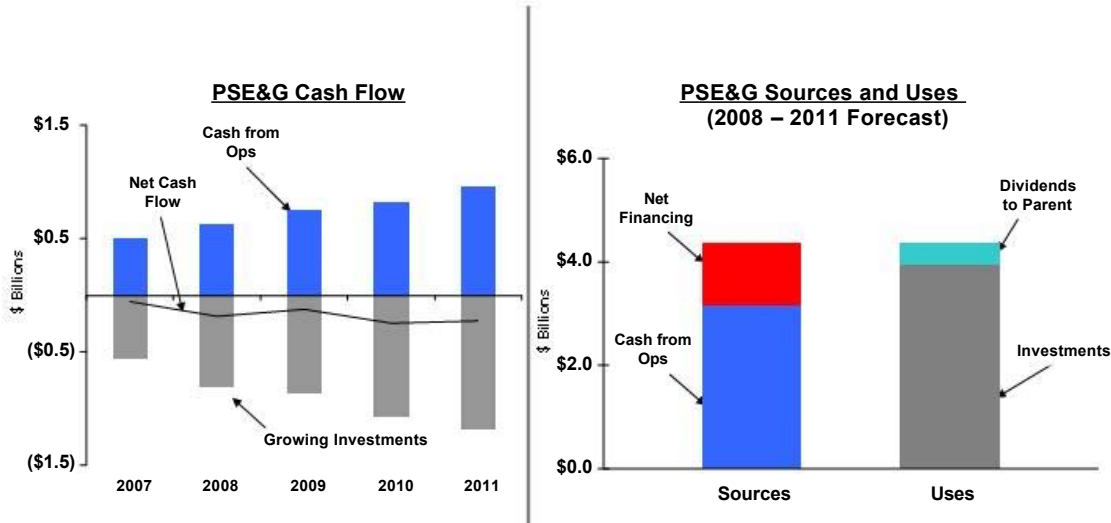
Electric and Gas Distribution

- Investments focused on improving customer support, enhancing efficiency and upgrading infrastructure
- Expect to file electric and gas rate case in 2009 with rates effective in 2010

New Programs

- Future investment associated with meeting State energy efficiency and renewable goals dependent on receiving regulatory support before committing new capital, e.g. \$550M investment budgeted for AMI
- BPU approved \$105M investment in solar in April 2008 as part of \$225M capital investment program

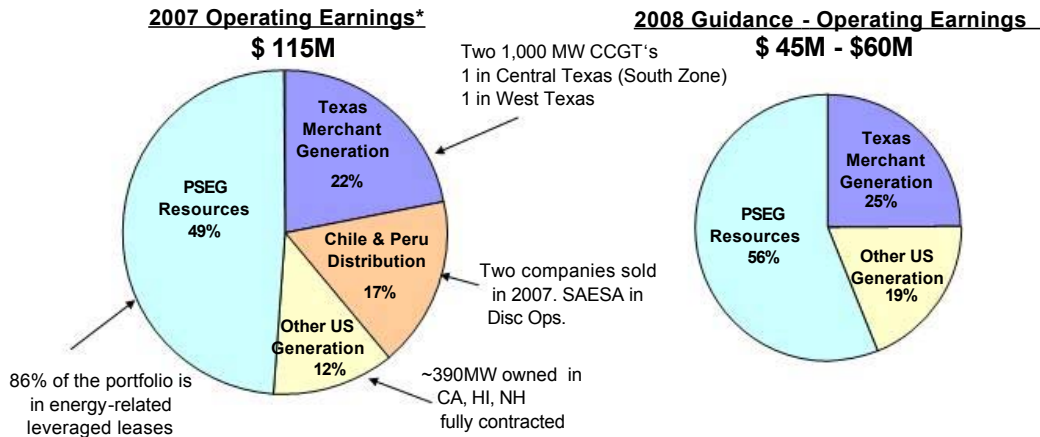
At PSE&G, cash flow will be primarily directed towards attractive reinvestment opportunities.



Modest dividends to the Parent are expected to continue as PSE&G grows its asset base.

Holdings' portfolio has a diverse asset base . . .

- Two businesses focused on maximizing value of existing investments
- \$45M - \$60M projected 2008 operating earnings contribution
 - ~ 55% of earnings from Resources
 - ~ 45% of earnings from Global, targeting no international exposure by 2009



... with improved stability.

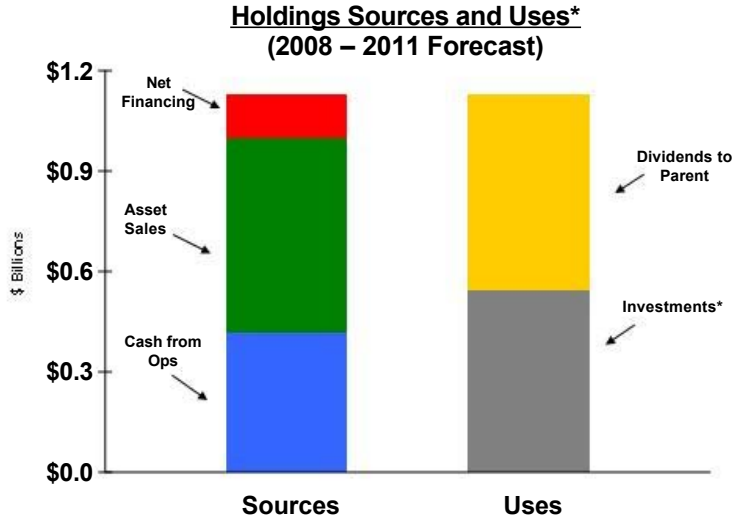
* See page 65 for Items excluded from Net Income to reconcile to Operating Earnings

Leveraged leases under challenge by IRS

- PSEG's Energy Holdings' Resources Subsidiary has \$1.5 billion invested in LILO / SILO type lease transactions
- Have been in discussions with the Office of Appeals of the IRS
- Recorded \$904 million in deferred taxes through March 31, 2008 related to these transactions. Under a total loss scenario, after tax interest of \$195 million would become due
- In 2008, may decide to litigate. It is also possible that we may re-measure our reserve levels for these transactions in the near-term and record a material charge to earnings

... LILO / SILO potential tax liability manageable within key credit metrics.

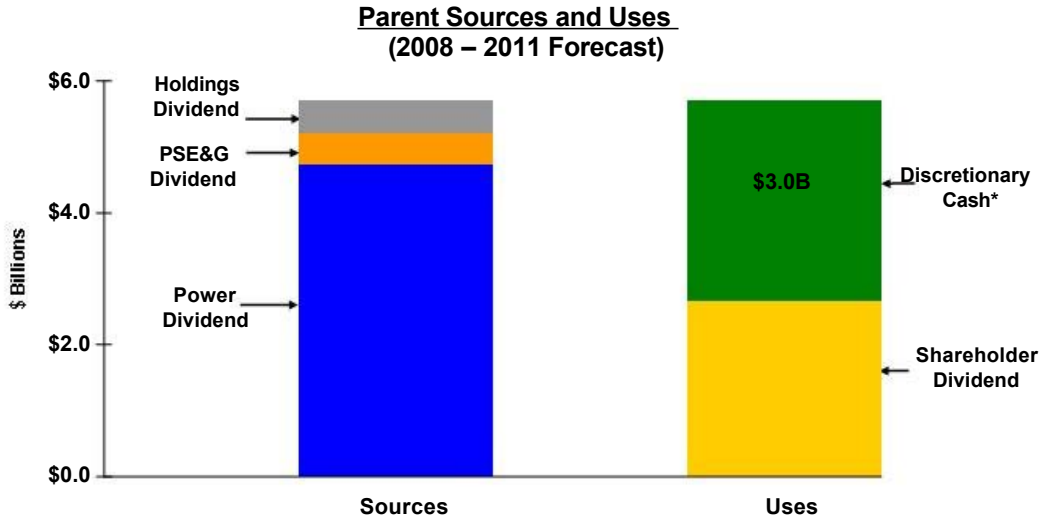
At Holdings, asset sales could continue to be a significant source of cash in 2008.



Flexibility exists to finance potential Resources' tax liability.

* Investments exclude Intercompany loans.

At PSEG, we forecast \$3.0B of discretionary cash through 2011.

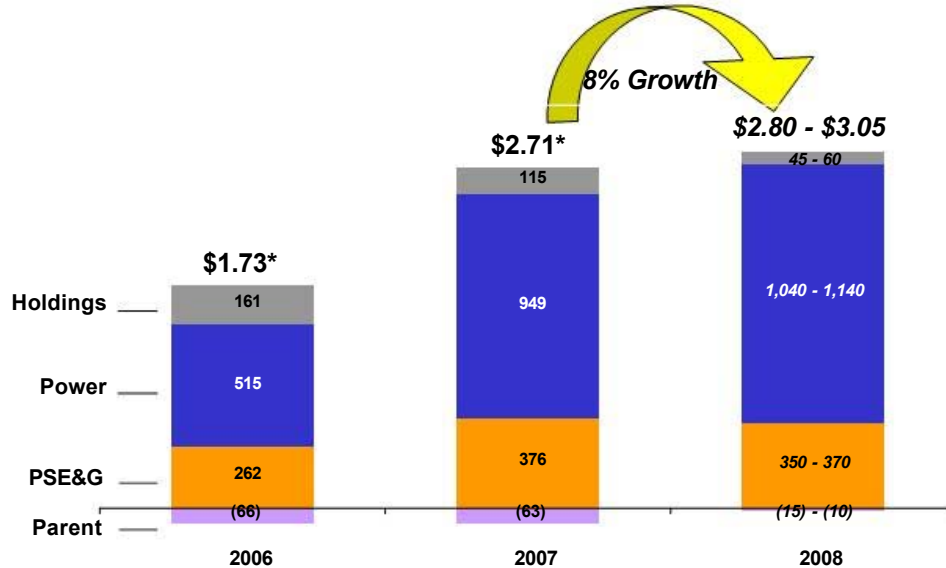


Cash flow from Power is the primary driver of discretionary cash.

* Forecast includes some use of cash to meet potential IRS tax liability.

Improved processes, markets and well-positioned assets ...

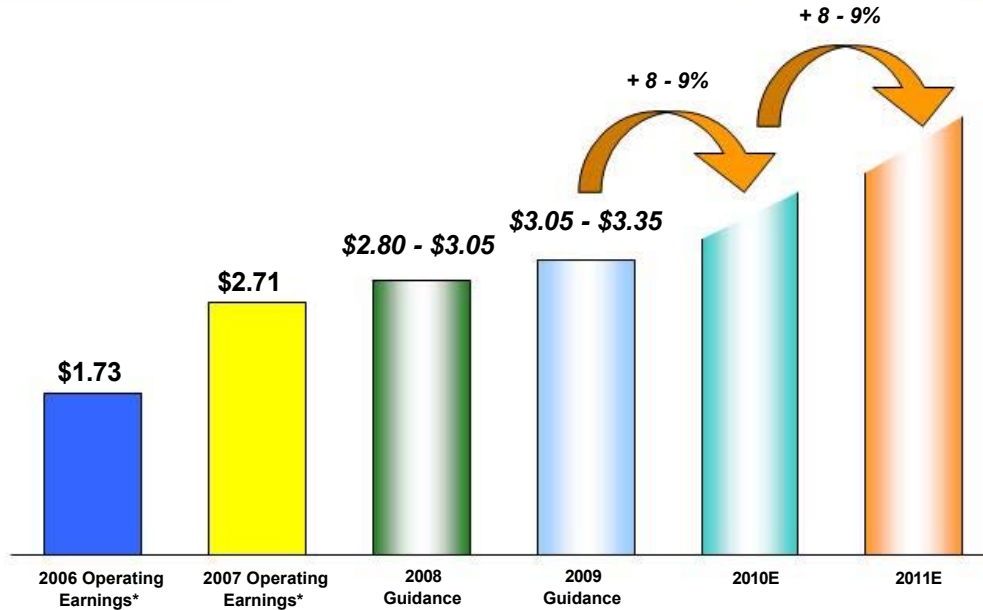
Operating Earnings by Subsidiary



... allowed us to meet our commitments to earnings growth as we also reduced balance sheet and international risk.

* See page 65 for Items excluded from Net Income to reconcile to Operating Earnings

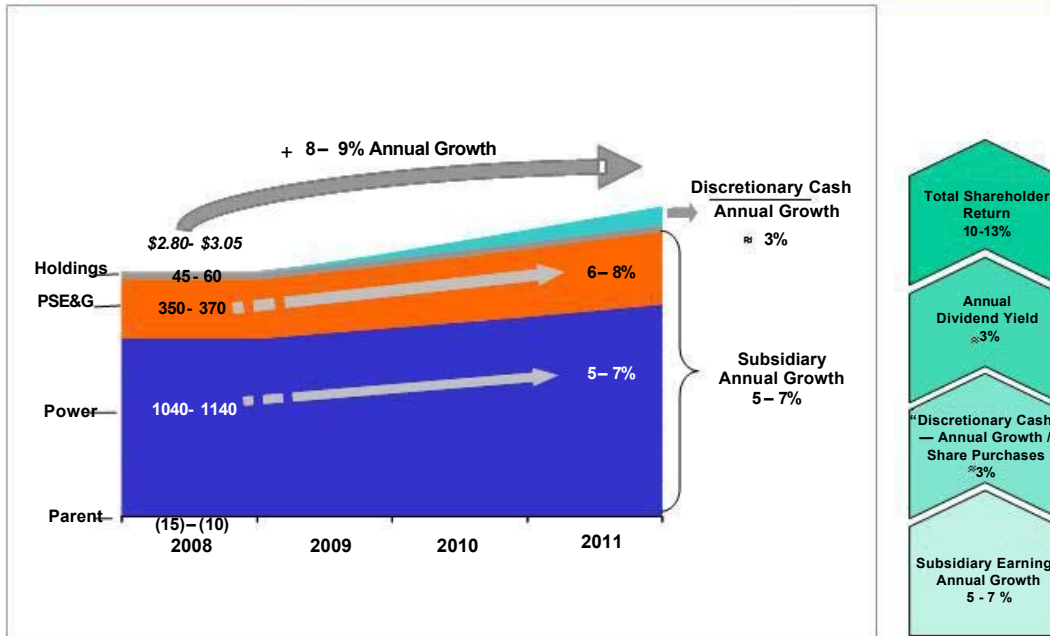
Markets, assets and use of cash flow ...



... should continue to drive annual earnings guidance growth of 8 - 9%.

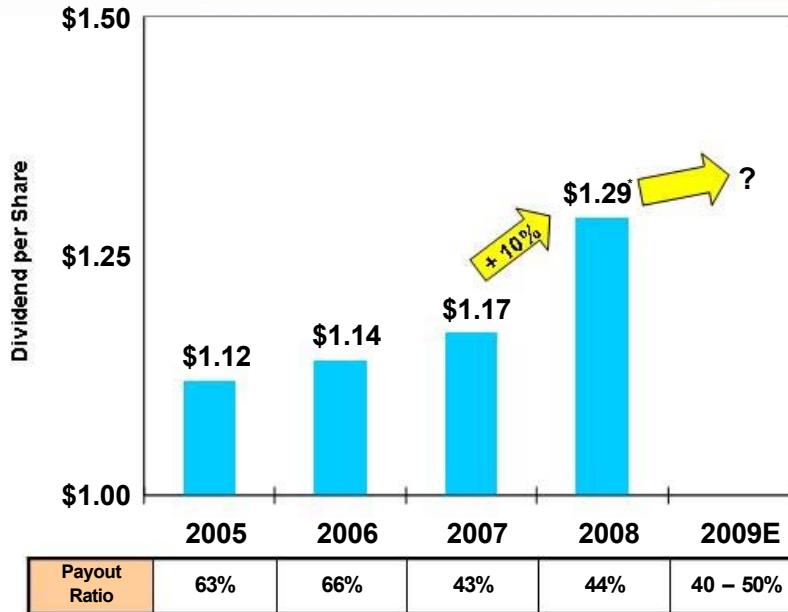
* See page 65 for Items excluded from Net Income to reconcile to Operating Earnings

Redeploying our \$3.0B of discretionary cash towards additional growth and / or share repurchases ...



... drives our Consolidated earnings growth rate resulting in a total shareholder return between 10 - 13%.

Our recent 10% dividend increase continues 100-year history of paying common dividends.



Payout objective of 40 – 50% provides opportunity for growth with earnings.

* Indicated annual dividend rate

PSEG's current stock price...

<u>PSE&G</u>		<u>Energy Holdings</u>	
2008 Earnings Guidance	\$350M - \$370M	Book Equity Value/Share ⁽¹⁾	\$2.75
Indicative 2008 P/E Multiple	13.5x - 14.0x		
Resulting Value/Share	\$9.00 - \$10.25/Share		






<u>PSEG Power</u>	
Stock Price as of 6/12/08 (per share)	\$46.14
Less Indicative Value of PSE&G, Energy Holdings	<u>\$11.75 - \$13.00</u>
Implied PSEG Power Value (per share)	\$33.14 - \$34.39
Implied Power Enterprise Value	\$19.8B - \$20.4B
Implied EV as a Multiple of:	
2008 EBITDA	9.2x - 9.9x
Open EBITDA	7.1x - 7.8x
Plus \$10 Carbon	6.6x - 7.3x
Plus \$20 Carbon	6.2x - 6.8x

(1) Excludes incremental value of Texas generating assets (2,000 MW of combined cycle capacity) and potential tax liability at Resources

... implies a low valuation for PSEG Power.

Fitting the pieces together - PSEG value proposition

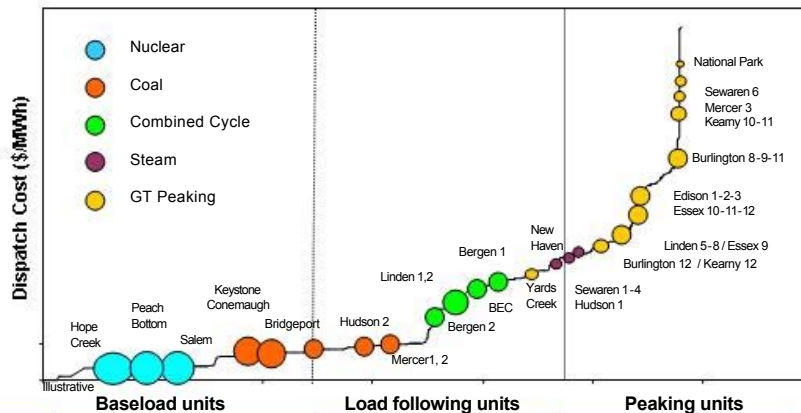
PSEG well-positioned in current business environment

-  Process improvement programs support efforts to:
 - maintain reliability
 - control costs
 - provide value to the customer
-  Asset mix provides opportunities in attractive markets
-  Strengthened balance sheet supports capital investment
-  Return of cash to shareholders through dividends provides discipline to investment process
-  Earnings growth and yield offer opportunity for double digit shareholder returns of 10 – 13%

APPENDIX

PSEG Power

Power's assets along the dispatch curve ...



	Baseload units	Load following units	Peaking units
Energy Revenue	X	X	X
Capacity Revenue	X	X	X
Ancillary Revenue		X	X
Dual Fuel		X	X
Nuclear CF	90% to 92%		
Coal CF	85% to 90%	50% to 70 %	
Combined Cycle CF		30% to 50%	
Peaking CF			2% to 10%

... position the company to serve full requirement load contracts.

Our five unit nuclear fleet ...

Hope Creek

- Operated by PSEG Nuclear
- PSEG Ownership: 100%
- Technology:
Boiling Water Reactor
- Total Capacity: 1,061MW
- Owned Capacity: 1,061MW*
- License Expiration: 2026

*125MW uprate available for 2008 summer run

Salem Units 1 and 2

- Operated by PSEG Nuclear
- Ownership: PSEG - 57%,
Exelon – 43%
- Technology:
Pressurized Water Reactor
- Total Capacity: 2,304MW
- Owned Capacity: 1,323MW*
- License Expiration: 2016 and
2020

*15MW uprate available for 2008 summer run

Peach Bottom Units 2 and 3

- Operated by Exelon
- PSEG Ownership: 50%
- Technology:
Boiling Water Reactor
- Total Capacity: 2,224MW
- Owned Capacity: 1,112MW
- License Expiration: 2033
and 2034

... is a critical element of Power's success.

We have completed some major 2008 initiatives ...

Hope Creek Uprate

- NRC approved Hope Creek's extended power uprate license amendment in May 2008
- 125 MW uprate available for 2008 summer run

Salem Steam Generator Outage

- Unit 2 outage concluded within 58 days – on time
- 15 MW uprate (PS share) available for 2008 summer run

INPO Assessments

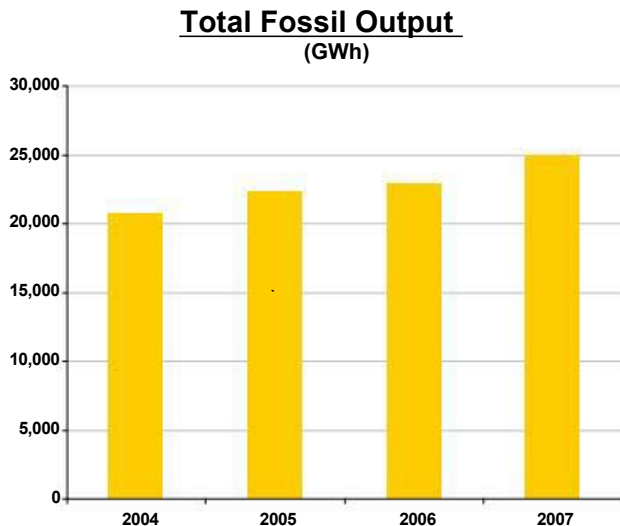
Hope Creek

Salem

Corporate

... that will drive value for years to come.

Fossil operations contribute to earnings ...



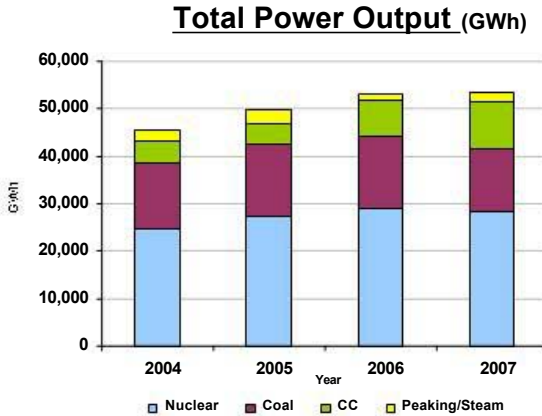
A Diverse 9,800 MW Fleet (MW)	
Coal	2,350
Combined Cycle	3,150
Steam / Peaking	4,300

Right Assets – Right Location
<ul style="list-style-type: none">• Fuel diversity• Technical diversity• Near load centers

Operation of 2,000 MW Texas Portfolio
<ul style="list-style-type: none">• Shared best practices• Leverage scale

... through a low-cost portfolio in which the majority of the output is from coal facilities.

Through our ongoing focus on operational excellence ...



A Diverse 13,300 MW Fleet*	
Nuclear	3,500
Coal	2,350
Combined Cycle	3,150
Peaking / Steam	4,300
Strong Performance	
<ul style="list-style-type: none"> • Continued growth in output • Improved fleet performance 	

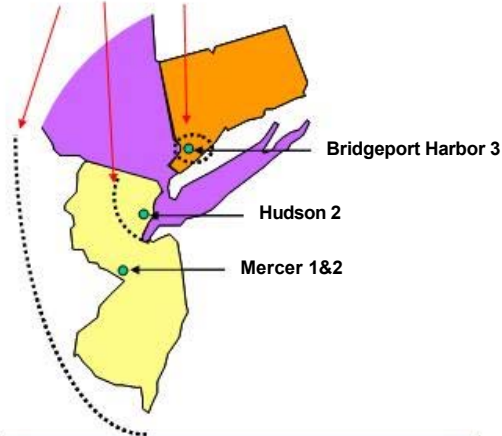
... we are expanding the output of our existing fleet.

* 2007 capacity

Power's eastern coal plants are in the right areas ...

Coal Units	Capacity (MW)
Hudson 2	558
Mercer 1&2	648
Bridgeport	372
Total	1,578

System Interface



Power's New Jersey coal units are mid-merit, with capacity factors averaging 50% to 60%.

Power is also making considerable investments beyond the pollution control facilities for its coal assets.

... and after capital investments, anticipate increased capacity factors.

PSEG Power's capital program

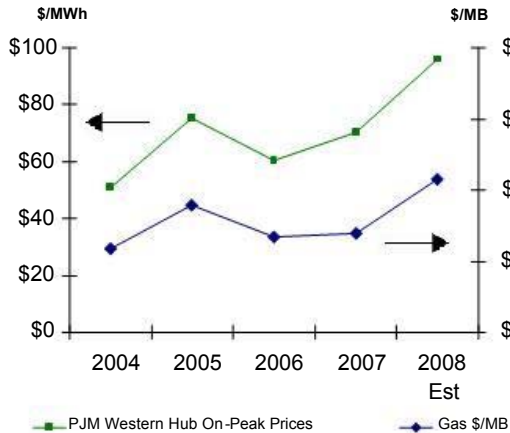
	2007	2008	2009	2010	2011
2006 10-K (\$ millions)	\$584	\$626	\$516	\$527	\$198
2007 10-K (\$ millions)	\$562	\$890	\$675	\$620	\$430

Program focused on meeting environmental commitments, capital associated with new capacity (\$500M)* and exploring the opportunity for new nuclear to improve the fleet's reliability and performance.

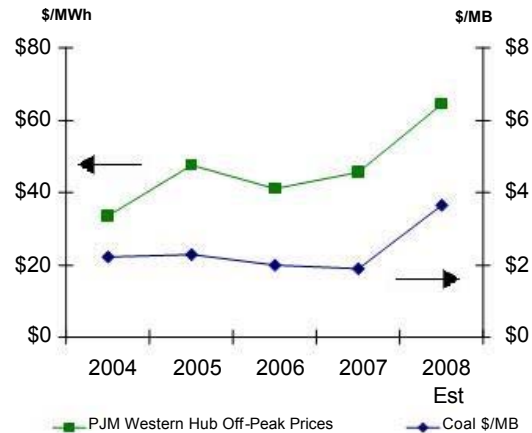
* Forecast capital spending associated with new peaking could be lower than amount indicated.

Power market dynamics ...

On-Peak Versus Gas



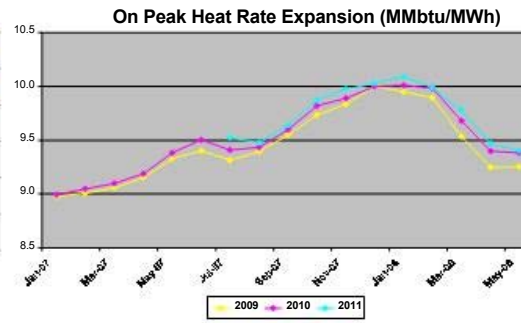
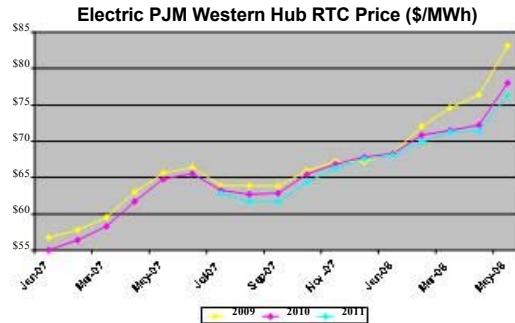
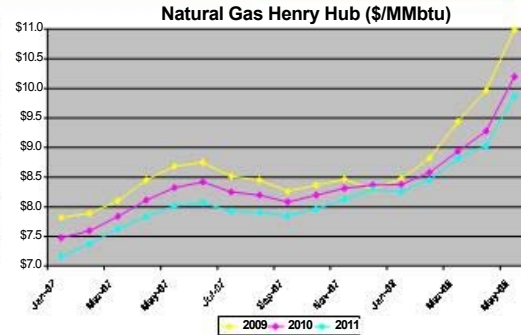
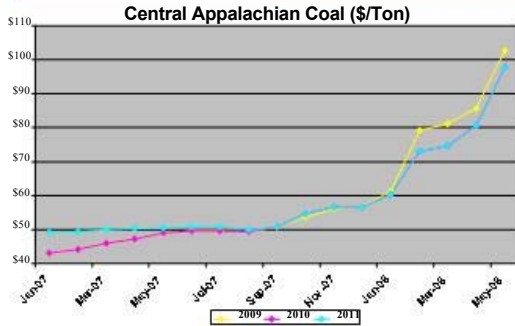
Off-Peak Versus Coal



... have led to stronger electricity prices both on-peak and off-peak.

* Forward prices as of 6/2/08

Rising coal and natural gas prices have driven LMPs ...



... and this trend may continue.

* Forward prices as of 6/2/08

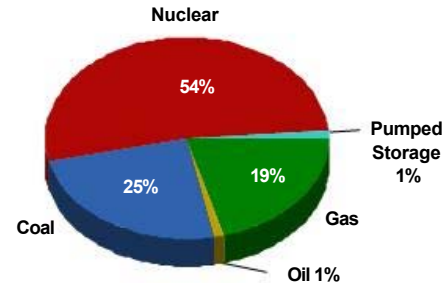
The implementation of carbon legislation will address the critical issue of global warming ...

By Fuel Type			
	Coal	CTs	CC
Carbon tons/MWh	1.0	0.6	0.4
Price (\$/MWh)			
@\$10/ton	\$10.0	\$6.0	\$4.0
@\$20/ton	\$20.0	\$12.0	\$8.0
@\$30/ton	\$30.0	\$18.0	\$12.0

Dispatch curve implication @ \$20/ton**			
	On margin (Illustrative)	\$/MWh	Impact (\$/MWh)
Coal	50%	\$20.0	\$10.0
CTs	10%	\$12.0	\$1.2
Gas CC	40%	\$8.0	\$3.2
Nuclear	0%	\$0.0	\$0.0
Total	100%		\$14.4

PSEG Power Generation by Fuel

2007 Total GWh: 53,200*



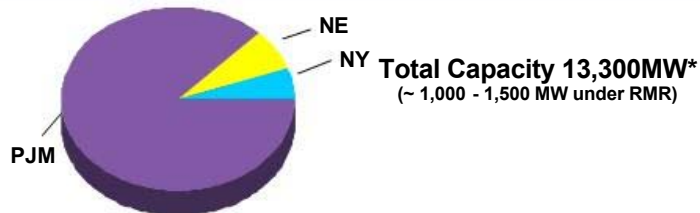
... and will put additional upward pressure on energy prices.

* Excludes 2,000MW of combined cycle generation in Texas under PSEG Power's operating control.

** For illustration purposes – potential impact of CO₂ on power prices with current dispatch – not an indication of net effect on income.

Through the new capacity constructs, and repricing at market prices ...

Power's capacity is located in three Northeast markets.



The RPM Auction to date has provided strong price signals in PJM.

Delivery Year (\$MW/Day)

Zones	2007 / 2008	2008 / 2009	2009 / 2010	2010 / 2011	2011 / 2012
Eastern MAAC*	\$197.67	\$148.80	\$191.32	\$174.29	\$110.00
MAAC	---	---	\$191.32 (a)	\$174.29	\$110.00
Rest of Pool	\$40.80	\$111.92	\$102.04	\$174.29	\$110.00

* Majority of Power's assets

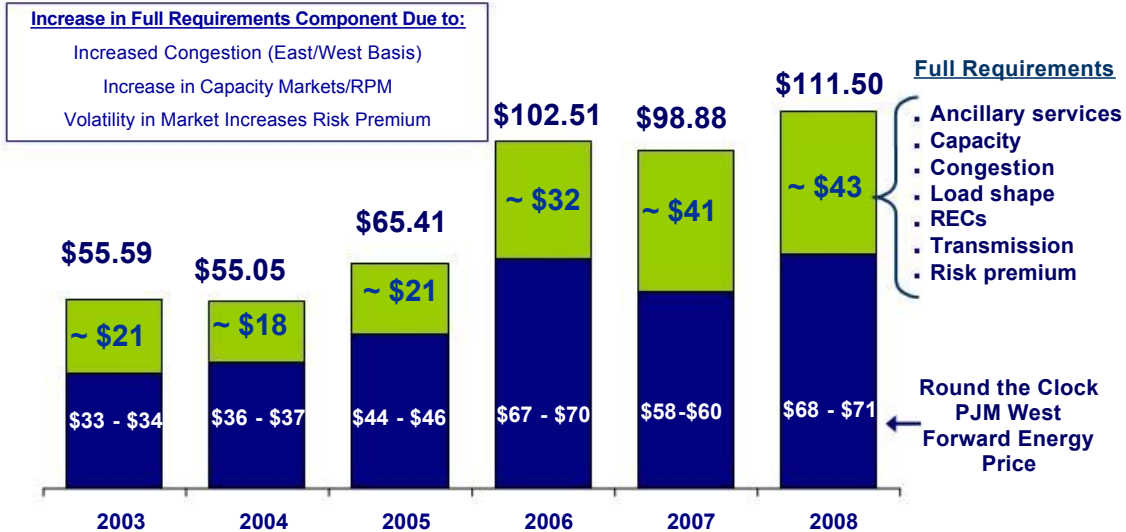
(a) -- includes APS

... Power expects to maintain strong margins.

* 2007 capacity

Power's fleet diversity and location ...

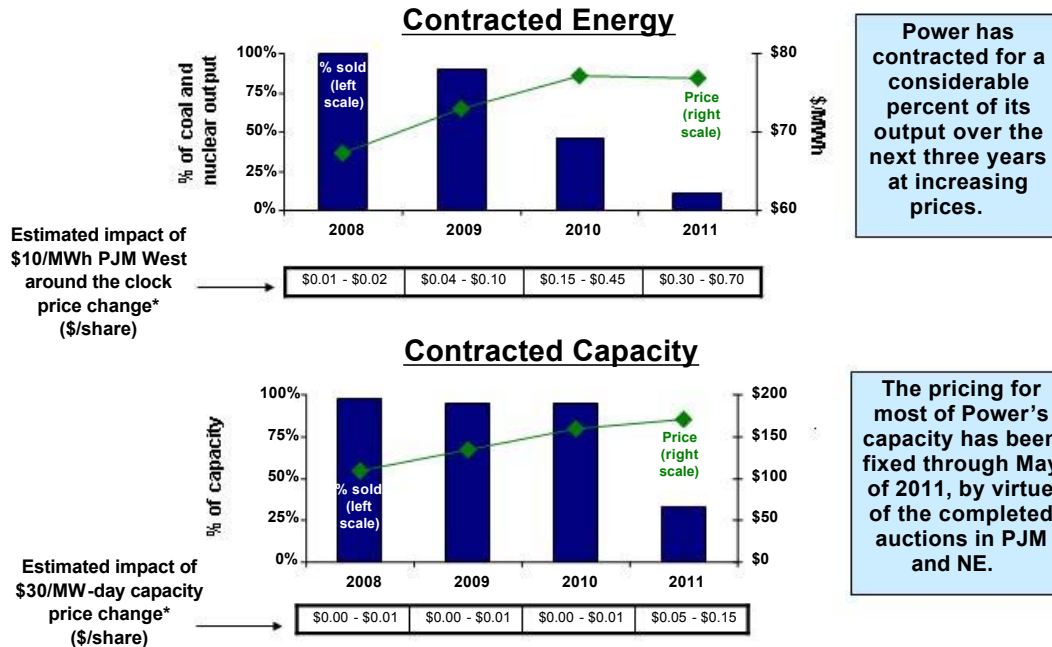
Market Perspective – BGS Auction Results



... has enabled successful participation in each BGS auction and cushioned customer impacts.

* BGS prices reflect PSE&G Zone

Power's hedging program provides near-term stability from market volatility ...

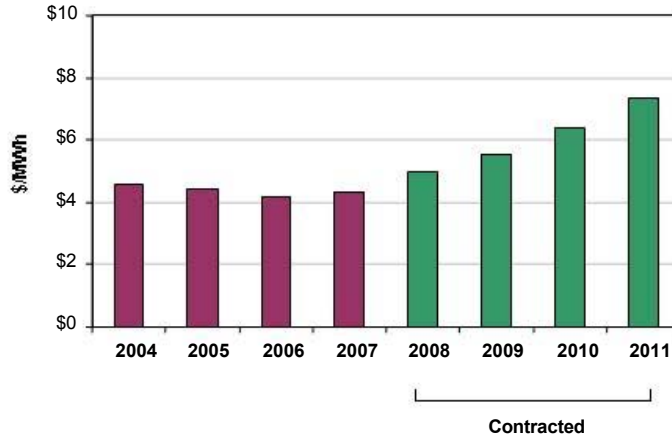


... while remaining open to long-term market forces.

* As of February 2008; Assuming normal market commodity correlations

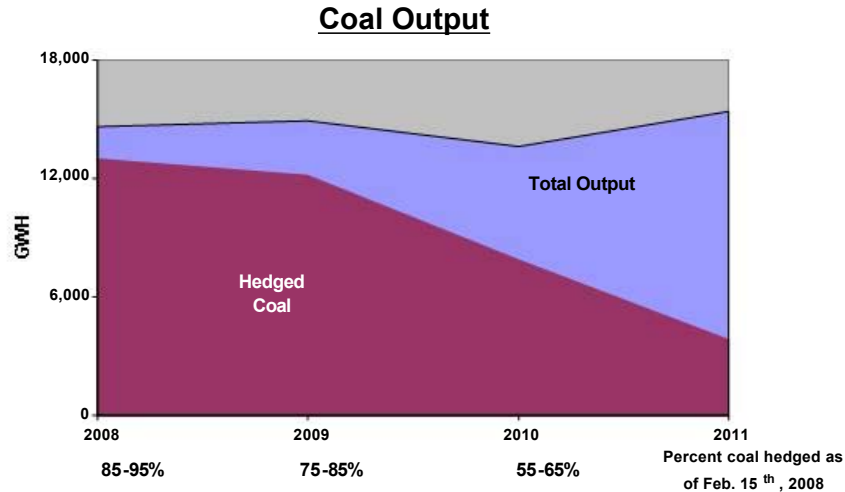
While nuclear fuel was volatile during 2007 ...

Historical and Contracted Nuclear Fuel Cost



... Power's hedging strategy has mitigated market price increases, with 100% hedged through 2011.

Power has contracts for supply of its coal through 2010 ...



... and after installation of pollution control equipment, Power anticipates increasing flexibility in fuel choices.

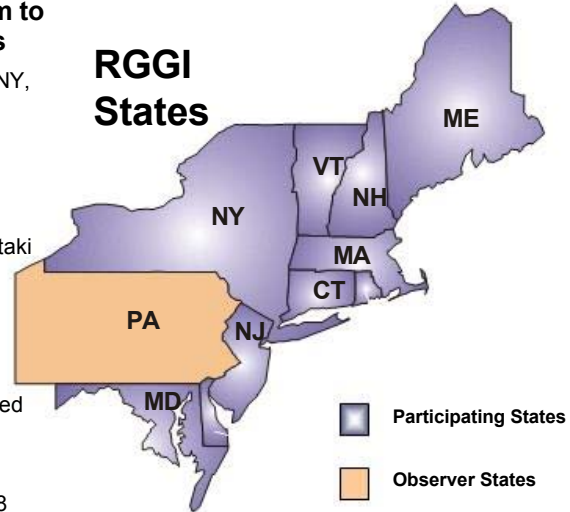
The Regional Greenhouse Gas Initiative (RGGI) ...

- **Cooperative effort by Northeast states to design a regional cap-and-trade program to reduce carbon dioxide (CO₂) emissions**

- Full participants – CT, MA, MD, ME, NH, VT, NY, NJ, RI, and DE
- Observers – PA, DC, and Eastern Canadian Provinces and New Brunswick

- **Timeline**

- April 2003 process proposed by Governor Pataki
- 2003 – 2006 – Stakeholder process
- December 20, 2005 Final 7 state MOU
- March 23, 2006 – Draft Model Rule
- August 15, 2006 – Final Model Rule & amended MOU
- 2007-2008 – State level adoption
- First RGGI allowance auction September 2008
- January 1, 2009 – Implementation



... is a potential influence on market prices.

The RGGI cap shows headroom

...

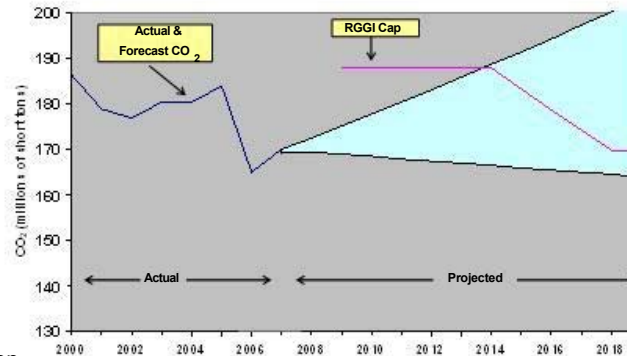
- **Affected Sources**

- Fossil fired electric generating units with a capacity of 25 megawatts (MW) and larger

- **Targets and Timing**

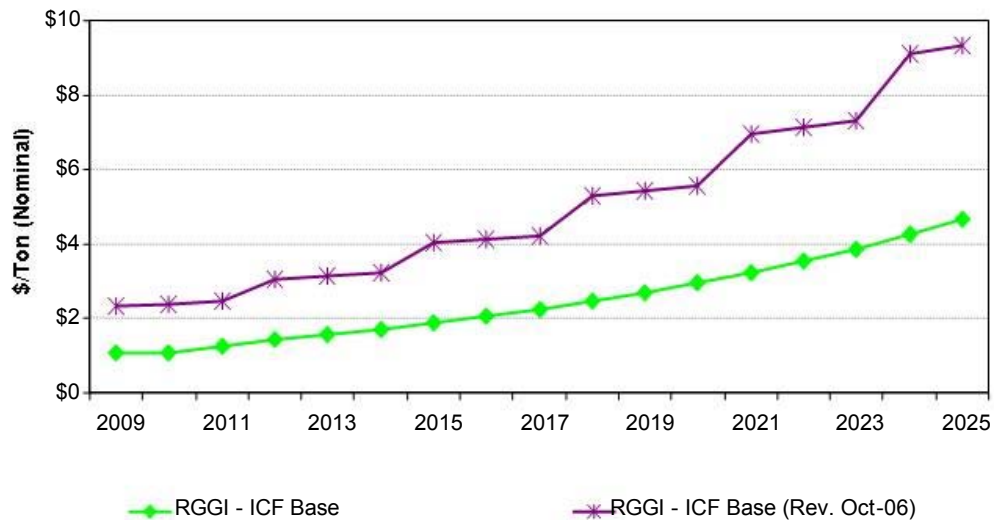
- Three-year compliance periods with the first running from 2009-2011
- Stabilization of CO₂ emissions at recent levels through 2015 (~188 million tons per year)
- Achieve a 10% reduction of CO₂ emissions below recent levels by 2019
- This translates into ~13% reduction below 1990 levels or ~35% reduction from BAU levels by 2020

CO₂ Emissions vs. RGGI Cap
(Actuals through 2007)



... when viewed in comparison to historical emissions.

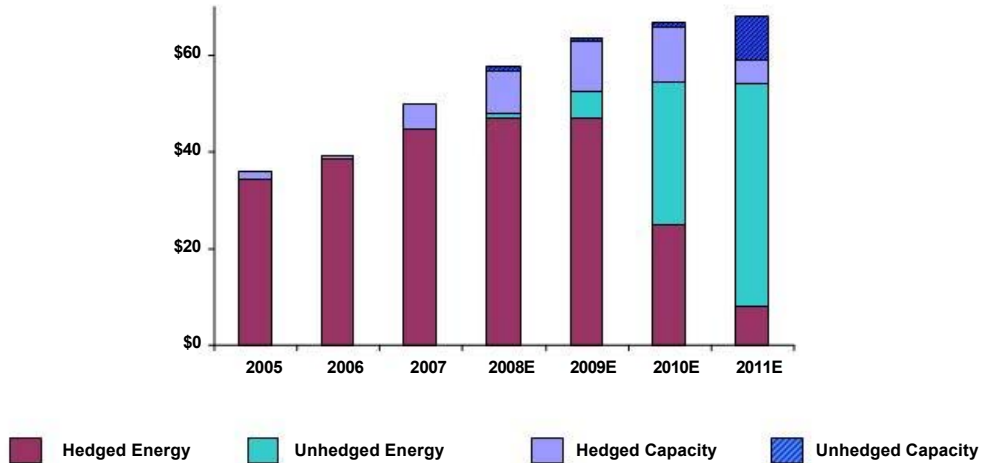
RGGI's CO₂ pricing projections ...



... reflect moderate prices, based on the headroom in the cap.

Operational improvements and recontracting in current markets ...

Gross Margin (\$/MWh)*



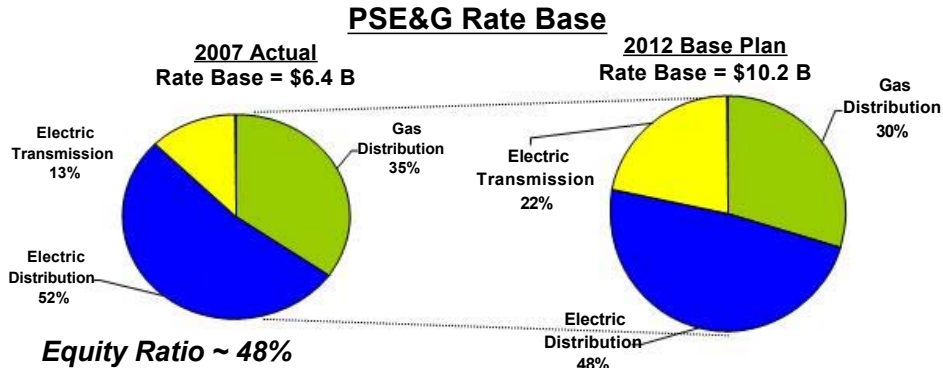
... are expected to drive continued increases in Power's gross margin.

* As of February 2008

PSE&G

PSE&G's base investment plan ...

- Regulated electric transmission, electric and gas distribution system
- Characteristics
 - FERC regulation for electric transmission (formula rates)
 - NJ BPU regulation for electric and gas distribution
 - Managing recovery lag on electric and gas distribution investments



... coupled with fair regulatory treatment provides a solid foundation for projected future earnings growth from 2008 – 2012 of 7 - 8%.

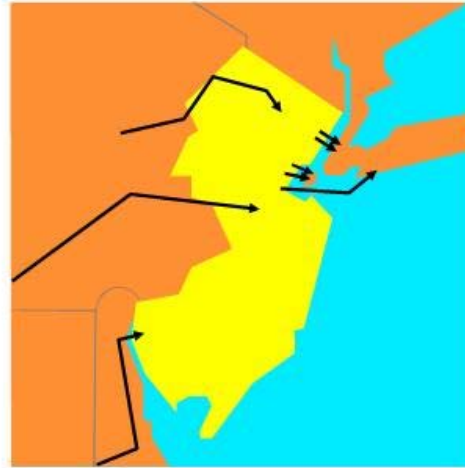
By 2018, NJ's load is expected to grow by 4,000 MW ...

Projects to NJ

- PSEG's evaluation of the proposed backbone transmission projects:
 - Northern 500kV route into Jefferson and Roseland
 - Central 765kV route into Deans
 - Southern 500kV route into Salem

**Total Import
Capability
~ 5,000 MW**

2008-2018 NJ Summer Peak Annual Growth Rate = 1.8%



Projects to NY

- The Neptune HVDC project (685 MW) connecting Sayreville to Long Island
- The Linden VFT project (330 MW) connecting Linden to Staten Island
- The Bergen O66 project (670 MW) connecting Bergen to ConEd's West 49th Street substation
- The Bergen Q75 project (1,200 MW) connecting Bergen to ConEd's West 49th Street substation
- Linden S104 project (200 MW) connecting Linden to Goethals

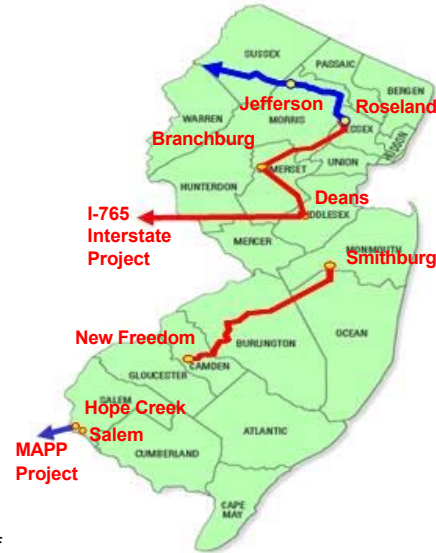
**Total Export
Capability
~ 3,100 MW**

... yet the net import capability into NJ is only increasing by ~1,900 MW indicating need for additional generation, DSM or transmission imports requiring RTEP investment.

Transmission opportunities will require substantial deployment of capital.

Transmission Growth

- PJM approval was received for the \$600-\$650 million Susquehanna to Roseland line in October 2007
 - Siting and permitting process underway
 - FERC approved Incentive rate filing:
 - 125 BPS adder to ROE
 - 100% CWIP in Rate Base
- FERC approval of the MAPP projects also mandates an additional \$100 million of capital at Salem/Hope Creek (2014-2015)
- FERC approval of Sub Transmission to Transmission system reliability investments represents about \$250 million through 2012, post-2012 ~\$60 million/year
- Other approved RTEP projects ~\$250 million also contribute meaningfully to improved reliability and earnings growth
- Backbone projects are in preliminary stages but present real opportunity to improve reliability throughout the state, with the potential investment of ~ \$1.5B through 2015



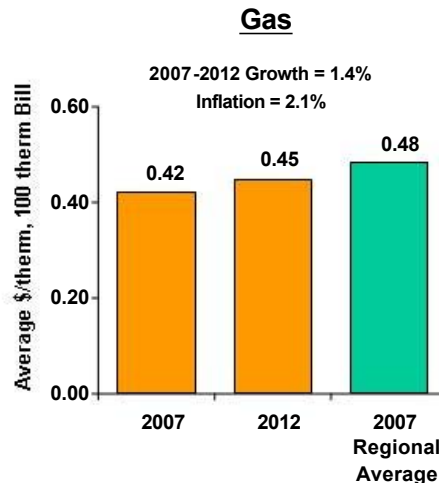
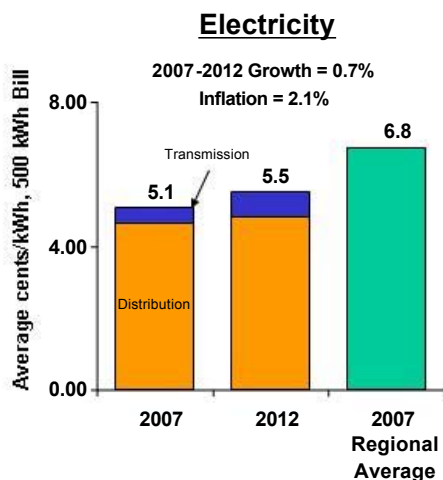
When coupled with formula rate design and additional incentives, it is expected to provide current return on forecasted capital expenditures thereby improving profitability.

RGGI enabling legislation was signed into law in January 2008.

- **Solar Initiative**
 - BPU approved \$105 million pilot program to finance installation of PV Solar. Potential PSE&G market up to \$1.8 billion assuming 2% Solar RPS through 2020
- **Section 13 of the RGGI Law permits utilities to invest and/or offer programs in renewables, conservation and energy efficiency**
 - The BPU will be adopting rules and regulations to determine utility participation and the mechanisms for recovery of costs, which must be completed by mid-2008.
- **Active Filings**
 - **Carbon Abatement**
 - Four-year \$45.9 million pilot program intended to demonstrate PSE&G capabilities
 - **AMI**
 - \$15 million pilot program for advanced two-way communications. Potential \$600 million in capital through 2013

Our three pilot programs will prove our capabilities at reducing carbon in an economic manner.

Even with our planned investments, delivery prices to customers ...



Source: Rates from PSE&G, NYPS&G and PAPUC; Inflation from Moody's Economy.com, February 2008

... are expected to grow less than inflation.

PSEG Energy Holdings

Texas assets are a driver of Global's results.

Texas (ERCOT) Electric Market Zones



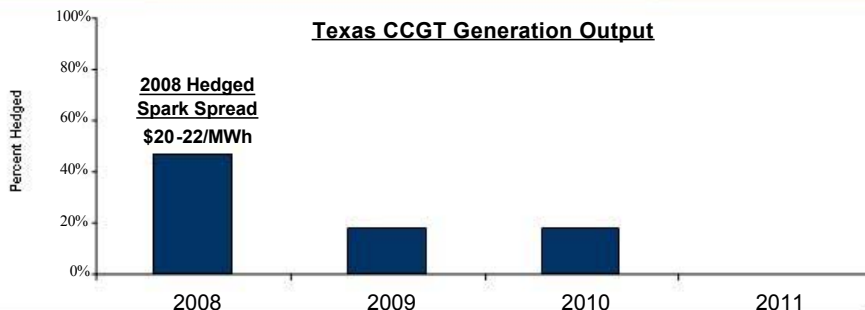
- Two 1,000MW combined cycle facilities
 - Two of the most efficient gas-fired plants in Texas, constructed in 2001
 - Forced outage rate less than 2%
- Market Environment:
 - Bilateral forward market
 - Day ahead balancing and ancillary services bid market
 - No capacity payments...margins derived from energy and ancillary services
 - Nodal market transition begins in 2009
- Natural gas units on the margin 90%
- Reserve margins have been decreasing
- Assets favorably located

	Zone	Load	Annual Growth	Nuclear, Coal, Wind** Hydro	Gas	Total	Reserve Margin 2007*
Odessa	West	4,100	1.9%	880	3,820	4,700	15%
Guadalupe	South	16,750	1.9%	7,600	12,680	20,280	21%
	Houston	16,000	1.9%	2,635	12,161	14,796	-8%

* Reserve Margins calculated on data provided by Global Energy.

** Wind is based on 8.7% of installed capacity (ERCOT Peak reliability %).

Due to market uncertainty ...



Natural Gas: +/- \$1/MMBtu*	+/- \$7M	+/- \$11M	+/- \$14M	+/- \$16M
Heat Rate: +/- 500 Btu/KWh*	+/- \$15M	+/- \$22 M	+/- \$ 22 M	+/- \$ 27 M

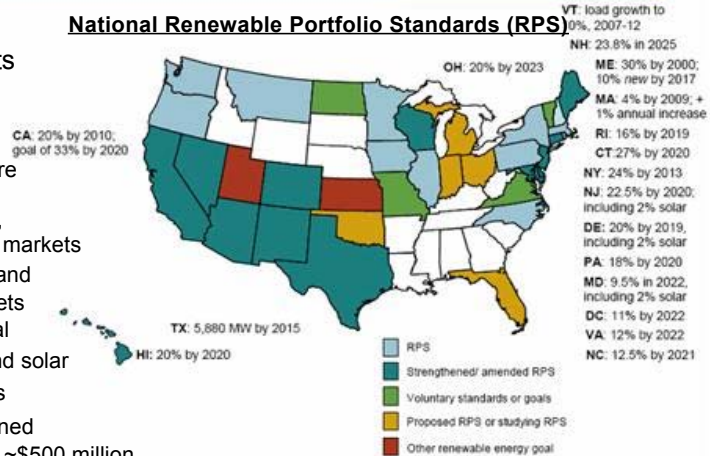
- Key drivers behind decision to remain largely unhedged beyond 2008:
 - Oversold market: Many generators seeking a hedge, limited appetite among hedge providers
 - Market uncertainty:
 - Uncertainty relating to move to a nodal pricing market
 - Recent sudden loss of wind generation in western ERCOT resulting in grid instability
 - Transmission maintenance: Extensive maintenance of 345kV line near Global's Odessa unit

... Global's Texas assets are largely unhedged beyond 2008.

*Pretax income effect

As renewable opportunities emerge ...

- Emerging aggressive RPS targets in core PSEG markets create an opportunity
- PSEG is well positioned to participate
 - **Familiarity** with infrastructure development, asset management, energy policy, project financing and power markets
 - **Experience** with domestic and international renewable assets
- PSEG Global is pursuing potential development of wind, biomass and solar projects, primarily in core markets
 - Cumulative 2008-2011 planned investment in renewables of ~\$500 million
 - PSEG's newly created entity, PSEG Renewable Generation, along with a private developer, submitted a proposal in response to a New Jersey BPU Office of Clean Energy Solicitation, to develop a 350 MW, 96 turbine wind farm approximately 16 miles off the southern New Jersey shore
 - * The proposal is subject to receipt of all required permits, financing and other conditions



... Global will focus on developing a renewable presence in core markets.

Resources is focused on managing its current investment portfolio ...

- 2007 Adoption of FIN 48/FSP 13-2
 - Changes accounting methodology to record reserves
 - Results in lower lease revenues and higher interest expense totaling approximately \$25M (after-tax) per year
- Cash flows will decrease modestly as the portfolio matures and as leases terminate



... which has experienced an improvement in counterparties credit ratings (A3/A-).

* Includes \$12M gain from airline recovery and CBO settlement. Estimates do not reflect impact of potential settlement or litigation of tax matters.

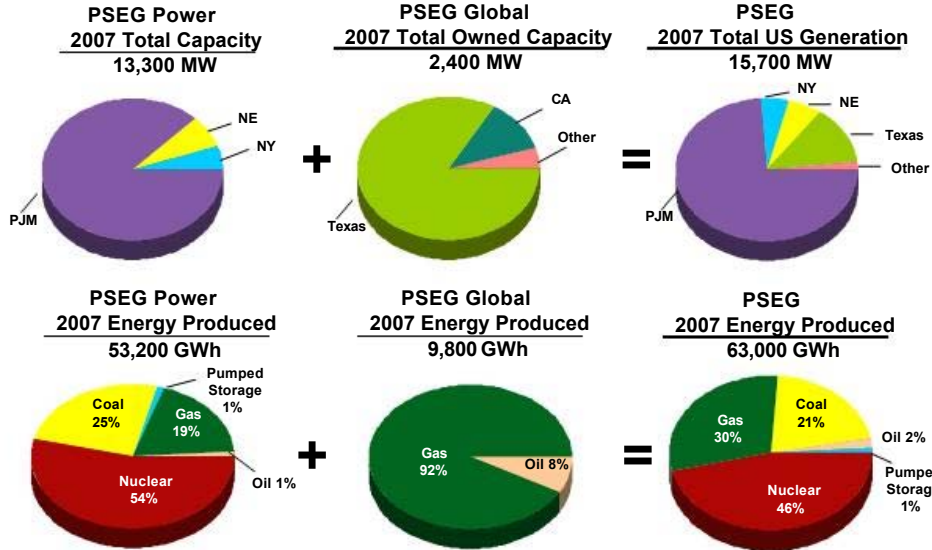
PSEG Resources – Traditional lease investments

Country	Agreement	Property Type	Start	Lease Termination	Residual	2008-2035 Pre-tax Cash Flow* (\$ million)	Book Investment as of 4/30/08 (\$ million)
USA	Reliant	Power Plant	Aug-00	2026 & 2034	Y	423	300.2
USA	Dynegy	Power Plant	May-01	2031 & 2035	Y	362.3	259.8
USA	EME 2	Power Plant	Aug-00	2030 & 2034	Y	332.6	213.1
USA	Merrill Creek	Reservoir	Jun-88	2032	N	327	121.7
USA	Grand Gulf	Nuc. Plant	Dec-88	2015	N	133.5	102.8
USA	Qwest	Real Estate	Dec-91	2012	Y	130.9	82.8
NETH	Dutch Rail	Rail Cars	Oct-92	2010	N	48.7	48.5
USA	Renaissance Ctr	Real Estate	Apr-88	2021	Y	62.5	38.4
USA	Wal-Mart	Real Estate	Sep-91	2007-2013	Y	54.0	33.8
USA	Midland Co-Gen	Co-Generation	May-90	2015	N	43.0	26.6
USA	E-D Centers	Real Estate	Jun-90	2020 & 2021	Y	29.6	25.0
USA	Whitehorn	Power Plant	Feb-00	2009	Y	17	15.0
USA	Wal-Path	Real Estate	Apr-91	2021	Y	15.6	11.5
TOTAL						\$1,980	\$1,279
Average Life: 18.5 Years						% Total Lease Portfolio	46%
						Discounted Value @ 6%	\$700
						Discounted Value @ 8%	\$550

* Includes booked residual

PSEG

PSEG's generating portfolio is well positioned ...



... across multiple attractive markets.

PSEG's generation portfolio provides attractive cash ...

- Combined fleet represents 15,700 MW of competitive generation
- Assets are positioned in four attractive merchant markets
- Growth opportunity available
 - Existing assets positioned for incremental growth
 - Site expansion capability

PSEG Generation 2007 EBITDA (\$M)	
PSEG Power	\$1,889
PSEG Global (Texas)	\$104
TOTAL	\$1,993

PSEG Generation Open EBITDA* (\$M)	
PSEG Power	\$2,600 - \$2,800
PSEG Global (Texas)	~\$100
TOTAL	\$2,700 - \$2,900

... with opportunity for additional growth in a disciplined manner.

* Open EBITDA reflects unhedged results at PSEG Power and PSEG Global at market prices and current volume.

Items Excluded from Net Income to Reconcile to Operating Earnings

	(\$ millions)		(EPS)	
	Years Ended Dec. 31,		Years Ended Dec. 31,	
	2007	2006	2007	2006
Merger related Costs:				
PSE&G	\$ -	\$ (1)	\$ -	
Enterprise	-	(7)	(0.02)	
Total Merger related Costs	\$ -	\$ (8)	\$ -	\$ (0.02)
Impact of Asset Sales:				
Loss on Sale of RGE	-	(178)	\$ -	\$ (0.35)
Chilquinta & Luz Del Sur	(23)	-	(0.05)	-
Write down of Turboven	(7)	-	(0.01)	-
Premium on bond redemption	(28)	(7)	(0.06)	(0.02)
Total Impact of Asset Sales	\$ (58)	\$ (185)	\$ (0.12)	\$ (0.37)
Discontinued Operations:				
Power - Lawrenceburg	\$ (8)	\$ (239)	\$ (0.02)	\$ (0.47)
Holdings:				
SAESA	(33)	57	(0.06)	0.11
Electroandes	57	16	0.11	0.03
Elcho and Skawina	-	226	-	0.45
Total Holdings	\$ 24	\$ 299	\$ 0.05	\$ 0.59
Total Discontinued Operations	\$ 16	\$ 60	\$ 0.03	\$ 0.12

Please see Slide 3 for an explanation of PSEG's use of Operating Earnings as a non-GAAP financial measure and how it differs from Net Income.

