

focusing our  
**energy on  
the future**

Sustainability Report **2014**



I ❤️  
PSEG

Sustainability is no small undertaking in an energy landscape that is constantly changing and replete with challenges. At PSEG, we have always preferred to see our challenges as opportunities to develop long-term solutions to meet the evolving energy needs of our customers and the larger society around us.



# message from the chairman

Our journey toward a sustainable future began more than 100 years ago when our founder, Thomas McCarter, established the Public Service family of companies. Since that time, generations of hard-working men and women have dedicated themselves to being there for our customers and communities, in all types of weather and conditions, around the clock and throughout the year. That same dedication continues to drive us in focusing our energy today to meet tomorrow's needs.

Our vision – based on safe, reliable, economic and greener energy – is more than an aspiration. We measure our success in addressing some of society's most pressing needs: for light, warmth and comfort; for safe and healthy communities; for economic growth and jobs; and for responsible environmental stewardship that protects the planet we share.

Sustainable businesses find ways to constantly improve. We continually ask ourselves: How can we become even more responsive to the needs of our customers and society, who depend on electricity more than ever, while doing so at a reasonable cost and with less impact on the environment? While there are no easy answers, we believe an important part of the way forward is to keep our foundation strong. We are determined to remain a company defined by our strong commitments to our customers, employees, shareholders and the communities we serve.

Reliability is fundamental in a business like ours. We are moving ahead with an aggressive program of major infrastructure improvements to support the high standard of reliable service that is our hallmark. As we do so, we are creating thousands of jobs. But we are not stopping there. We are going beyond reliability as we begin work on new measures to harden our systems and improve resiliency against extreme weather. And, we are pursuing additional initiatives to build a greener energy future through our three-pronged strategy based on energy efficiency, renewable solar power and other types of advanced, clean generation.

No one can predict what a sustainable energy future will look like in every detail 100 years from now. Yet I am confident it will be built by people like our dedicated employees who bring a rich diversity of skills and talents to the table and who want to make a lasting difference. We look forward to continuing our journey, working with many others toward our common goal of a brighter future for all.

Sincerely,

A handwritten signature in black ink that reads "Ralph Izzo".

Ralph Izzo  
Chairman, President and Chief Executive Officer

# table of contents

about this report 5  
pseg at a glance 7  
our approach to sustainability 13  
building economic vibrancy 21  
greening our energy future 31  
putting people first 45

# about this report

Public Service Enterprise Group Incorporated (PSEG) strives to be a leader in building an economically strong, environmentally responsible energy future. We are pleased to share with our customers, communities, shareholders and employees our 2014 Sustainability Report that updates our progress on becoming a more sustainable organization.

This is our sixth annual Sustainability Report, allowing us to reflect on our progress over the past year with a fresh, new approach that captures our vision of long-term leadership in providing safe, reliable, economic and greener energy. Each section of the report offers a critical look at the issues that matter most to our company and stakeholders as we strive to enhance the benefits we bring to our customers, communities and employees, and reduce our environmental impact. We note progress in key areas such as our initiatives to make our grid more resilient against extreme weather, and our efforts to ensure that each of our employees understands the value they bring to the organization and the importance of their diverse contributions.

We invite you to read more about our approach in the Sustainability section of our corporate website, located at: <http://www.pseg.com/sustainability>. This report was primarily developed according to the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines Version 3.1 and we have started to incorporate GRI's fourth generation of Guidelines into our reporting process.

## Feedback

We welcome your feedback on our performance and reporting. For additional information about this report, the Global Reporting Initiative (GRI) information posted on our website, or PSEG's sustainability initiatives, please contact Angela Ortiz at [Angela.Ortiz@pseg.com](mailto:Angela.Ortiz@pseg.com) or send your comments to [sustainability@pseg.com](mailto:sustainability@pseg.com).

Public Service Enterprise Group (PSEG) is New Jersey's largest provider of electric and gas service, serving 1.8 million gas customers and 3.3 million electric customers in New Jersey and New York. We also own and operate a 13,450 megawatt fleet of power plants in the Northeast and Mid-Atlantic regions of the United States.

# pseg at a glance



We have been recognized not only for outstanding reliability, but also for our role in promoting energy efficiency and developing renewable solar energy. We are a publicly traded (NYSE: PEG) diversified energy company among the nation's leading utilities with approximately \$32 billion in assets. Our headquarters are in Newark, NJ.

2013

<b>Employees</b>	9,894
<b>Total Assets</b> (in Millions)	\$32,522
<b>Total Revenue</b> (in Millions)	\$9,968
<b>Income from Continuing Operations</b> (in Millions)	\$1,243
<b>Earnings per Share- Diluted</b> (Net Income)	\$2.45
<b>Dividend per Share</b>	\$1.44

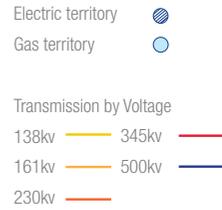
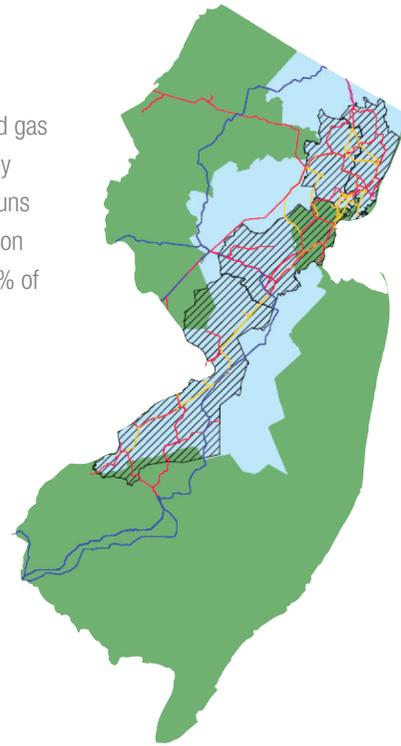
PSEG conducts business through its main subsidiaries, PSEG Power and Public Service Electric and Gas Company (PSE&G) – and a new business unit, PSEG Long Island, to operate the Long Island Power Authority (LIPA) transmission and distribution system.

Today's Public Service Enterprise Group can trace its origins to 1903 when, following a tragic trolley accident, Thomas McCarter consolidated hundreds of small, struggling transit, gas and electric providers into a single, stronger entity that could better serve and protect the public. McCarter established the Public Service Corporation with a mission "to develop the state of New Jersey and make it a better place to live." That mission has not changed, even as PSEG has expanded its business to other states. The same core values – starting with a bedrock commitment to safety and integrity – continue to guide the company.

PSEG is not only an energy leader but a deeply engaged corporate citizen, involved on many levels in strengthening communities everywhere it operates. The company's dedicated employees are carrying forward a long tradition of helping people in need and helping their communities, too. They take pride in being part of a company known as Public Service.

## Public Service Electric and Gas (PSE&G)

PSE&G is a franchised public utility that provides electric and gas distribution and transmission service to over 300 New Jersey communities. PSE&G's 2,600 square mile service territory runs diagonally across New Jersey. The company serves 2.2 million electric and 1.8 million gas customers, or approximately 70% of the state's population.



### public service electric and gas

	electric	gas	
Customers	2.2 Million	1.8 Million	
Growth (2009 – 2013) 0.6%	0.6%		
Electric Sales and Gas Sold and Transported	41,286 GWh	3,813 M Therms	
Projected Annual Load Growth (2014 – 2016)	0.6%*	0.5%*	
Projected Annual Load Growth Transmission (2014 – 2016)	1.1%		
Sales Mix			
Residential	33%	60%	
Commercial	57%	36%	
Industrial	10%	4%	
	transmission	electric	gas
Approved Rate of Return	11.68% ROE**	10.3% ROE	10.3% ROE
<b>renewables and energy efficiency approved programs</b>	<b>2009-2013</b>	<b>total program plan</b>	
Solar Loan Capacity	79 MW	178.5 MW	
Solar 4 All Capacity	79 MW	125 MW	
Energy Efficiency Annual Electric savings	182 GWh	204 GWh	
Energy Efficiency Annual Gas savings	5M Therms	6M Therms	

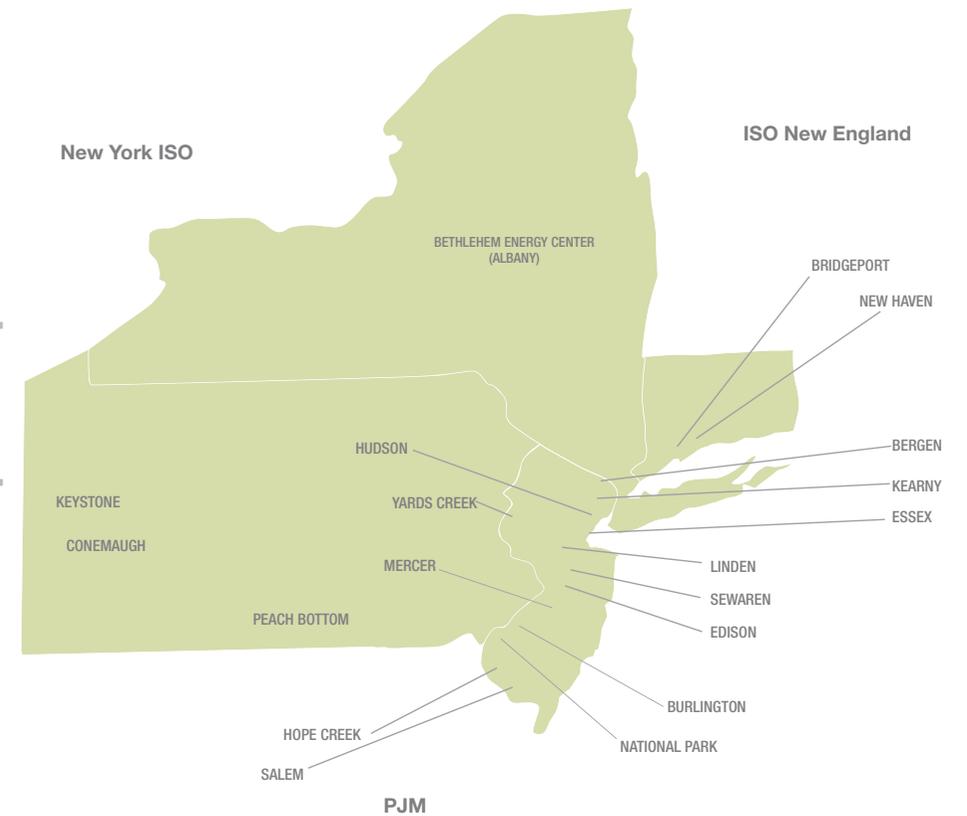
\* Weather normalized - estimated annual growth per year over forecast period.

\*\* Specific projects approved for incentive rate treatment with additional ROE.

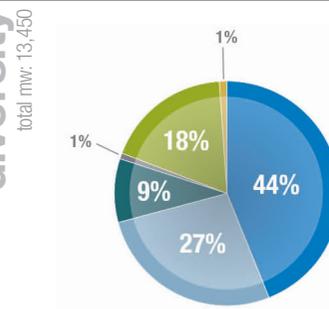
## PSEG Power

PSEG Power owns a 13,450 megawatt fleet of diverse, low cost and geographically well-positioned generating assets in the Northeast and Mid-Atlantic regions of the U.S., enabling us to provide reliable energy under varied conditions throughout the year. PSEG Power also operates our PSEG Solar Source subsidiary, which owns and operates solar projects throughout the United States. Its most recent project will increase PSEG Solar Source's portfolio capacity to 135 megawatts.

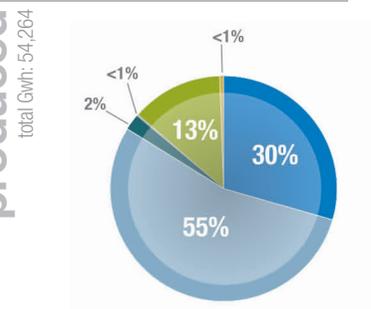
### power plant locations



### fuel diversity



### energy produced





The PSEG family of companies welcomed a new member, PSEG Long Island, on January 1, 2014, as we began operating the electric system of the Long Island Power Authority (LIPA) serving 1.1 million customers.

## Welcoming PSEG Long Island to our family of companies

The PSEG family of companies welcomed a new member on January 1, 2014, when we began operating the electric transmission and distribution system of the Long Island Power Authority (LIPA). With the addition of 1.1 customers in Nassau and Suffolk counties and in the Rockaway Peninsula of Queens, New York, PSEG is now serving a total of 3.3 million electric customers.

PSEG Long Island has committed to creating a best-in-class utility, setting ambitious goals, which include implementing noticeable improvements in customer satisfaction by the end of 2014, and within the next five years ranking in the top quartile in our industry for customer satisfaction in benchmarking surveys.

Our Long Island team got off to a strong start with an effective and timely response to a winter storm on only our second day of operation. We are making good progress as we put in place a robust structure and processes to support a broad range of improvements – in areas from customer satisfaction to tree trimming and other predictive maintenance programs, to storm response and restoration, and cost control. We are deploying new technology, including an Outage Management System and new call center technology to help us better serve and respond to the needs of our customers. Our focus is not only on ensuring that our employees are equipped with the right tools, but engaging every member of our team as a key to our success.

Our business depends on a strong level of involvement in the communities in which we work and live. We have new efforts underway to leverage the collective expertise of our talented workforce as ambassadors for our company in the community. Our dedicated employees have welcomed new opportunities to become actively involved in supporting our community partnerships. We will continue to emphasize the role that all of our employees have in building a utility that people can be proud of.

Just as we do in New Jersey, the PSEG Long Island team strives to promote sustainable energy solutions. The team has been working closely with elected officials, LIPA and other leaders in energy efficiency across New York to move forward with our Utility 2.0 proposal, which focuses heavily on energy efficiency and direct load control programs, which are cost-effective relative to traditional generation and which also improve air quality on Long Island. We will target some of our Utility 2.0 investment and program toward traditionally underserved customers, including multi-family unit housing and hospitals – similar to what we've done in New Jersey to improve access to energy efficiency while lowering emissions.

our vision

People providing  
Safe, reliable,  
Economic and  
Greener energy

our values

accountability  
continuous improvement  
customer focus  
diversity  
ethics and integrity  
respect  
safety

## PSEG vision, strategic objectives, scorecard measures

This year marks PSEG's 111th year as a company, a testament of our sustainability to our shareholders, our customers and the communities we serve. PSEG's vision is to be a recognized leader for **P**eople providing **S**afe, reliable, **E**conomic and **G**reener energy – today and for our next 111 years - a vision that is consistent with who we are and what we have been throughout our long history. To achieve this vision, and ensure the long-term sustainability of the business, the efforts of each operating company align with PSEG's business strategy, which consists of three strategic objectives: operational excellence, financial strength, and disciplined investment.

Our vision, business strategy, and strategic objectives are the foundation for PSEG's Operational Excellence Model. This model defines how we conduct business, establish priorities, develop and execute business plans as well as define and implement practices, processes and programs. The model uses the Balanced Scorecard to monitor and assess performance. The Balanced Scorecard is our tool to translate our priorities into tactical measures of success. We establish stretch goals on metrics related to operations, people, green energy, and safe and reliable service, measuring ourselves against top quartile performers in each category. We use our Balanced Scorecard to keep a clear focus on our strategy and the role every employee plays in achieving our key priorities and strategic objectives.

PSEG recognizes that improvement and top performance are not self-sustaining and must be proactively managed on a continuing basis. The company accomplishes this by:

- Defining management accountability for governance, oversight and performance;
- Providing disciplined implementation of a shared management model framework which drives each line of business to top performance and promotes continuous improvement across the organization;
- Providing a Balanced Scorecard template to assess performance against benchmarks;
- Realizing synergies, identifying and implementing best practices to optimize resources and improvement efforts;
- Focusing on identifying and satisfying internal and external customer needs and objectives;
- Providing a platform for efficient knowledge transfer; and
- Maintaining predictable, consistent guidelines for behavior for our employees and contractors, based on our values of accountability, continuous improvement, customer focus, diversity, ethics and integrity, respect and safety.

For more than a hundred years we have been operating our business with a focus on sustainability. The yearly release of our sustainability report allows us to share progress with our diverse range of stakeholders, while also discussing challenges on the road ahead. Change is a constant in our industry – and world.

# our approach to sustainability

A key challenge going forward is the need for a resilient infrastructure to improve society's ability to withstand and recover from extreme and changing weather patterns. Our focus on sustainability at PSEG reflects a deep recognition that our continued ability to prosper as a business depends on helping others prosper, too. Thus, we emphasize the importance of defining success not only by the bottom line but also by the environmental and social dimensions of performance. We strive to be both systematic and comprehensive in our approach to sustainability-related issues. Doing so helps us remain true to our most important commitments and to further improve performance.

## How we manage sustainability

Employees across the entire company at all levels are involved in managing sustainability. We pride ourselves on being a company with strong leadership, great employees and proven processes to manage sustainability throughout the business.

### Leading from the top

Sustainability begins with our leadership. PSEG's Executive Officer Group is responsible for providing sound leadership and management that contributes to the company's long-term success and sets the right example for employees. Representing a wide range of experience, our officers take an active leadership role not only with regard to our business goals, but also on environmental issues and community engagement.

PSEG has also named a Chief Diversity Officer and formed a Diversity and Inclusion Council. More details on this can be found in the Putting People First section of this report.

PSEG established a corporate Environmental, Health and Safety Policy in 1996. This policy, reviewed and approved by the PSEG Board of Directors, reflects the principles by which PSEG operates in eight areas: associate health and safety; nuclear safety; climate change; environmental compliance; risk reduction; pollution prevention and resource conservation; open communication; and continuous improvement.

**i** THE PSEG EH&S POLICY IS AVAILABLE TO OUR STAKEHOLDERS ONLINE AT [WWW.PSEG.COM/INFO/ENVIRONMENT/HEALTH.JSP](http://WWW.PSEG.COM/INFO/ENVIRONMENT/HEALTH.JSP)





## Working in partnership with our stakeholders to support resilience

The broad support that our Energy Strong proposal received across the state of New Jersey is a hopeful sign for the future. Energy Strong was endorsed by more than 100 New Jersey municipal and county governments, representing approximately 5 million people. Leaders from diverse sectors of the state – from labor, business, government and non-profit organizations – spoke up in favor of Energy Strong. Thousands of citizens expressed their support as well, including 8,000 people who signed on to our Energy Strong website.

## Corporate sustainability goals

With all of our sustainability efforts, we set sights on supporting PSEG's strategic business model and objectives. The sustainability goals we have set for ourselves reflect the alignment between our sustainability approach and the way we conduct our business.

**Goal 1:** To be a clear leader in reliability and safety, customer service and providing clean energy.

**Goal 2:** To be recognized as a great place to work where engaged employees are our differentiator.

**Goal 3:** To be a thought-leader on energy and environmental issues.

**Goal 4:** To be a strong partner with all the communities we serve.

## Our material issues

For this report we focus our efforts on the issues that are most material to our business, the communities we serve and our environmental impacts. We regularly assess risks and opportunities to help identify PSEG's most important issues. Our process allows us to weigh and quantify the degree of importance that our business and stakeholders give to a variety of issues we must manage. It includes input from investors, customers, local communities, NGOs, employees and other stakeholders to ensure alignment between our sustainability goals and our business objectives.

The most important issues to our stakeholders and business based on our analysis for 2013 are listed in alphabetical order below:

- Clean Air and Climate Change
- Diversity & Inclusion
- Employee Engagement
- Financial Performance
- Health and Safety
- Nuclear Power
- Reliability and Resiliency
- Renewable Energy
- Stakeholder Engagement
- Talent Attraction and Retention

**i** WE DEVELOP GOALS AND MANAGEMENT PROCESSES FOR MOST OF THESE, WHICH ARE DESCRIBED IN MORE DETAIL THROUGHOUT THE REPORT.

## Awards and recognition

We are proud of the external recognition that our sustainability commitment, leadership, and transparency receives. Several independent bodies recognized PSEG's achievements in sustainability, investment in its people and economic accomplishments in 2013 and the beginning of 2014. These awards and honors testify to our employees' continued dedication and to the importance we place on being a long-term leader in economic, social and environmental performance. We are pleased to be recognized for our commitment to pursue responsible policies while creating jobs and fostering economic development.

PSEG's 2013-2014 Awards and Recognition include:

### 2014

**PSEG was named to the Dow Jones Sustainability North America Index for the seventh consecutive year.** The index is a guide for investors who want to consider dedication to sustainability when making investment decisions. It also is a benchmark for companies that want to adopt sustainable best practices. The Dow Jones Sustainability Indices (DJSI) recognize companies that are best in class among their peers in meeting certain economic, environmental and social criteria.

**PSEG was prominently featured again on Public Utilities Fortnightly magazine's list of Best Energy Companies, ranking second among all "Top 40" designated companies for the third consecutive year.** The *Fortnightly* 40 model combines several measures of financial performance with a sustainable growth-rate calculation to produce an overall picture of a company's value and long-term prospects.

**PSEG Long Island received the 2014 ENERGY STAR® Partner of the Year — Sustained Excellence Award** from the U.S. Environmental

Protection Agency (EPA), for its commitment and dedication to energy efficiency and the ENERGY STAR program.

**PSE&G is listed among the top 10 utilities in the nation for solar capacity** for the seventh consecutive year according to a **Solar Electric Power Association (SEPA) industry ranking.**

**PSEG ranked as number 29 on the top 100 list of military-friendly employers** in 2014, by Victory Media, publisher of G.I. Jobs and Military Spouse. The annual listing recognizes companies that have a strong commitment to supporting military veterans.

### 2013

**PSE&G received the prestigious ReliabilityOne Award** for the Mid-Atlantic region for the 12th consecutive year from PA Consulting, a national industry benchmarking group. PSE&G has been named America's Most Reliable Electric Utility five out of the past nine years.

**PSE&G received an award from the Edison Electric Institute** for outstanding restoration efforts after Superstorm Sandy. The award acknowledges

PSE&G for restoring power to its nearly 1.9 million customers impacted by Sandy, as well as for its outstanding storm management practices, such as communicating effectively with the public. Previously, PSE&G received the award for its response efforts to Hurricane Irene and the subsequent flood that occurred in 2011.

**PSE&G** received the **“Innovation in Customer Service” Award from CS Week** for use of Twitter during Superstorm Sandy to communicate with customers -- an effort that culminated in the company having more followers than any other utility in the United States. **JD Power and Associates** also identified PSE&G's use of Twitter during Sandy as a best practice, citing in a recent report the utility's “industry-leading communications success” and writing “PSE&G worked harder than other impacted utilities to get its message out to consumers...PSE&G responded to its customers and other stakeholders and maintained a constant flow of information about power restoration progress.”

**PSEG** was named to the **2013 FORTUNE List of Most Admired Companies**, ranking fourth among electric and gas companies in the United States.

**PSE&G** ranked **third in solar capacity** among American utilities according to the **Solar Electric Power Association (SEPA)**.

**PSE&G's** Multifamily Housing Efficiency Program and Hospital Efficiency Program were recently honored for outstanding effectiveness and innovation by the **American Council for an Energy-Efficient Economy (ACEEE)**. The Residential Multifamily Housing Program was honored as an “exemplary” program, while the PSE&G Hospital Efficiency Program was lauded with an “honorable mention” in the national awards program. Programs selected for honors by ACEEE were judged especially noteworthy for their effectiveness and innovation in helping customers achieve greater levels of energy efficiency in their homes, businesses and industries.

**PSEG** was awarded the **2012 Regional Corporation of the Year Award** by the Certified Minority Business Enterprises of the **New York & New Jersey Minority Supplier Development Council, Inc.** Prior to winning this prestigious award, PSEG received outstanding recognition awards for the advancement of supplier diversity from **The New Jersey Institute of Supply Chain Management** and the **New Jersey Board of Public Utilities Supplier Diversity Development Council**.

**PSEG** received the **Extraordinary Employer Support Award** from the **Employer Support of Guard and Reserve (ESGR)**. The company was recognized for its sustained support of employees who are Guard and Service members in the military. PSEG is one of only two New Jersey-based companies ever to receive this award.

**PSEG Nuclear** was honored by the **Salem County Vocational Technical Schools (SCVTS) Foundation** with its annual Leadership Award. PSEG was recognized for being a consistent, dedicated partner in providing educational opportunities for many students throughout the county, especially for its support of SCVTS' student scholarships, Academy of Energy applications and the annual career Exploration Summer Program for sixth and seventh grade students.

**PSEG** was recognized as an employer of choice by **Equal Opportunity magazine**, being named to its list of **“Top 50 Employers”** in the country. Featured in the publication's 2013 winter edition, this annual listing denotes employers identified by Equal Opportunity magazine readers as an organization they would most prefer to work for or that they believe would provide a positive working environment for members of minority groups. PSEG's ranking on this list celebrates its commitment to creating and sustaining an environment that promotes the principles of diversity and inclusion in all areas of the business.

## Key Performance Indicators at a glance

PSEG continues to advance toward its vision as a recognized leader for **People** providing **Safe**, reliable, **Economic** and **Greener** energy. We use a variety of measures in evaluating where we stand. Most of these metrics are tracked monthly in our Balanced Scorecard and therefore are linked to the performance appraisal of our employees, including senior management. The results reflect the completion of some initiatives and the launch of others, as well as the exceptional management of unforeseen challenges this past year.

	2010	2011	2012	2013
<b>people</b>				
OSHA recordable case incidence rate	1.24	1.51	1.25	1.01
OSHA recordable cases	135	160	133	105
Fatalities	0	0	0	0
Lost Time Case Rate	0.24	0.55	0.5	0.28
<b>safe and reliable</b>				
Transmission reliability (%)	99.996	99.973	99.995	99.997
SAIFI (System Average Interruption Frequency Index)	0.84	0.78	0.67	0.74
Customer Satisfaction (Overall satisfaction with PSE&G)	84	88	90	89
Forced Outage Rate (% EFORD)	1.2	1.1	1.7	2.4
<b>greener</b>				
Environmental Violations (2 year average)	10.5	5.0	4.5	5.5
Reportable Spills (federal level)	20	51	115	47
GHG Direct (metric tons CO2e)	22,707,357	17,033,109	13,929,406	14,955,608
GHG Indirect (metric tons CO2e)	1,092,473	1,219,662	1,103,174	1,262,778
Nox (metric tons)	12,169	12,211	10,001	10,479
Sox (metric tons)	21,875	14,647	9,155	9,134
Mercury (metric tons)	0.0945	0.063	0.0611	0.0674

\*Approximately 80 federal reportable spills occurred as a result of Super storm Sandy

summary of key performance indicators

## Engaging our stakeholders

We build and nurture strong relationships with our stakeholders to maintain a high level of trust, understanding and service. We engage with stakeholders in various ways that accommodate their needs and find that we learn a lot in the process. Connecting with our customers, investors, employees, communities, government officials, regulators and suppliers helps us run a better business and meet and often exceed environmental and social expectations.

Some of our stakeholder interests overlap and some compete, so we have been striving to take a proactive approach that reaches out to:

- Educate stakeholders on our operations.
- Support and engage in local community activities, initiatives, and betterment programs.
- Respond openly and immediately to stakeholder concerns about construction, design, operation and environmental compliance of our operations.
- Give stakeholders a voice in decisions that impact them.

### Ways we engage specific stakeholders

At PSEG, we recognize that different stakeholder groups prefer to communicate in different ways. We provide stakeholders numerous channels tailored to the needs of each group, to communicate interests and especially to resolve conflicts or concerns.

## stakeholder grid

### Customers

Customers depend on us for reliable service and easy access to pay bills, report service disruptions and register concerns. We make sure customers can reach us through our Customer Service Department, an email account, social media, a customer service phone line, a hotline for emergencies and several walk-in customer service centers.

**1 CUSTOMER SERVICE WEBSITES AND PHONE LINE:**  
CONTACT US WEBSITE: [HTTP://WWW.PSEG.COM/INFO/CONTACT.JSP](http://www.pseg.com/info/contact.jsp)

**UTILITY OUTAGE WEBSITE, HOTLINE, TWITTER:**  
WEBSITE: [HTTP://WWW.PSEG.COM/HOME/CUSTOMER\\_SERVICE/OUTAGE\\_INFO/INDEX.JSP](http://www.pseg.com/home/customer_service/outage_info/index.jsp)

**REAL-TIME MAP:** [HTTP://WWW.PSEG.COM/OUTAGECENTER/INDEX.JSP](http://www.pseg.com/outagecenter/index.jsp)

TWITTER: [HTTP://TWITTER.COM/#!/PSEGDELIVERS](http://twitter.com/#!/PSEGDELIVERS)

**ENERGY STRONG WEBSITE:**  
[HTTP://WWW.PSEG.COM/ENERGYSTRONG](http://www.pseg.com/energystrong)

**ELECTRIC RELIABILITY PROJECTS WEBSITE:**  
[HTTP://WWW.PSEG.COM/FAMILY/PSEANDG/POWERLINE/RELIABILITY\\_PROJECTS/INDEX.JSP](http://www.pseg.com/family/pseandg/powerline/reliability_projects/index.jsp)

**LIST OF CUSTOMER SERVICE CENTER LOCATIONS:**  
[HTTP://PSEG.COM/HOME/CUSTOMER\\_SERVICE/BILL/CENTERS.JSP](http://pseg.com/home/customer_service/bill/centers.jsp)

### Investors

Keeping in touch with the investors who provide the capital we use to run our business helps us deliver strong returns and meet their expectations. Investor Relations communicates regularly with investors through analyst calls, financial reporting, meetings and an investor website.

**1 INVESTOR RELATIONS WEBSITE:**  
[HTTP://WWW.PSEG.COM/INFO/INVESTORS/INDEX.JSP](http://www.pseg.com/info/investors/index.jsp)

**2013 ANNUAL REPORT WEBSITE:**  
[HTTP://INVESTOR.PSEG.COM/SITES/PSEG.INVESTORHQ.BUSINESSWIRE.COM/FILES/REPORT/ADDITIONAL/PSEG-AR2013.PDF](http://investor.pseg.com/sites/pseg.investorhq.businesswire.com/files/report/additional/pseg-ar2013.pdf)

### Employees

Employees enable us to be a high performing organization, and we maintain numerous points of contact to meet their engagement needs. They have direct contact with their managers, our Human Resources department, an internal employee intranet and the PSEG Integrity Line. One important vehicle for employee and retiree engagement produced by our Corporate Communications department is the PSEG Outlook, a monthly full-color newspaper of news, updates and employee comments. Employee Central is our internal intranet web system that provides employees with a wide range of helpful information on policies, benefits and services.

## stakeholder grid

**1 PSEG OUTLOOK AND BACK ISSUES:**  
[HTTP://WWW.PSEG.COM/INFO/RETIREE/OUTLOOK.JSP](http://www.pseg.com/info/retiree/outlook.jsp)

**EMPLOYEE HEALTH AND SAFETY WEBSITE:**  
[HTTP://WWW.PSEG.COM/FAMILY/ABOUT/HEALTH\\_SAFETY/SYSTEM.JSP](http://www.pseg.com/family/about/health_safety/system.jsp)

### Suppliers

We depend on numerous companies for goods, services, and advice to be successful. Companies that do business with us are in touch with PSEG procurement officers, project managers and other points of contact within our businesses.

We sponsor regular vendor procurement fairs in cooperation with local chambers of commerce to give vendors the opportunity to meet with procurement representatives and discuss potential business opportunities.

### Communities

As a valuable member of hundreds of communities, we engage in a variety of ways including direct investment, community meetings, advisory groups, philanthropy, web and social media.

Several web pages and social media channels hosted by PSEG communicate about ongoing projects and environmental enhancements and we maintain email, phone and social media access to submit comments and concerns. Additionally, we engage many non-governmental organizations and community groups directly through our Regional Public Affairs Managers and our Corporate Social Responsibility Department.

**1 ESTUARY ENHANCEMENT PROGRAM WEBSITE:**  
[HTTP://WWW.PSEG.COM/INFO/ENVIRONMENT/ESTUARY.JSP](http://www.pseg.com/info/environment/estuary.jsp)

**COMMUNITY CARES TWITTER:**  
[HTTP://TWITTER.COM/@PSEGCARES](http://twitter.com/@PSEGCARES)

**ENERGY AND ENVIRONMENTAL RESOURCE CENTER (EERC) WEBSITE AND FACEBOOK ACCOUNT:**  
WEBSITE: [HTTP://WWW.PSEG.COM/FAMILY/POWER/EERC/INDEX.JSP](http://www.pseg.com/family/power/eerc/index.jsp)

**FACEBOOK:** [HTTP://WWW.FACEBOOK.COM/PSEG.EERC](http://www.facebook.com/PSEG.EERC)

### News and Media

Traditional and social media strengthen our connection with stakeholders by offering another means to educate stakeholders on our operations. Our media team regularly updates the public and media with press releases, press conferences and interviews with reporters. PSEG Corporate Communications also interacts with the public through YouTube and Twitter.

### Social Media:

**1 SOCIAL MEDIA WEBSITE:** [HTTP://WWW.PSEG.COM/INFO/MEDIA/SOCIAL/INDEX.JSP](http://www.pseg.com/info/media/social/index.jsp)

**YOUTUBE CHANNEL:** [HTTP://WWW.YOUTUBE.COM/PSEGVIDEO](http://www.youtube.com/PSEGVIDEO)

**TWITTER:** [HTTP://TWITTER.COM/@PSEGNEWS](http://twitter.com/@PSEGNEWS)

**FACEBOOK:** [HTTPS://WWW.FACEBOOK.COM/PSEG](https://www.facebook.com/PSEG)

**PRESS RELEASES AND MEDIA RELATIONS WEBSITE:**  
[HTTP://PSEG.COM/INFO/MEDIA/NEWS.JSP](http://pseg.com/info/media/news.jsp)

our approach to sustainability

Affordable and reliable energy is fundamental to the economic prosperity of the communities we serve. PSEG is proud to be a strong contributor to our economy by creating jobs, paying competitive wages, generating tax payments and supporting local suppliers.



# building. economic vibrancy

We are investing in infrastructure, solar energy and energy efficiency projects that are improving our electric and gas systems in environmentally responsible ways, while creating countless business opportunities and thousands of well-paying jobs. Our economic impact is more important than ever.

We recognize that to continue contributing to the local economy, we need to remain financially strong ourselves despite the external challenges we face such as extreme weather, difficult energy markets and uncertainty about the direction of energy policy. We manage these challenges through our relentless focus on operational excellence, financial strength and disciplined investment. We believe this strategy will continue to serve us well while positioning us to meet our enduring commitment to our stakeholders.

## Creating business and jobs in the communities we serve

Thousands of New Jersey residents who work with and do business with PSEG each year create jobs and help to grow our economy. We now directly employ 12,100 people (as of July 2014) and spend \$1 billion annually on compensation to New Jersey workers. In addition, we provide another \$150 million in retirement benefits to New Jersey retirees and survivors. The businesses and suppliers we work with provide additional jobs in the region. Several of our facilities are the primary economic engines of their communities, including our Salem and Hope Creek nuclear facilities, the largest employer in Salem County, with over 1,500 employees.

## Investments fueling economic growth

Economic development in local communities is important to the areas where we operate and to PSEG's growth. Our business plan includes more than \$13 billion in capital spending over the next 5 years, more than 80 percent of which is at PSE&G.

We continue to invest in New Jersey on a large scale in projects that are helping support highly reliable service for our customers. As we do so, we are creating thousands of good jobs, providing business for many local firms and delivering substantial economic benefits to the entire state as well as local communities.

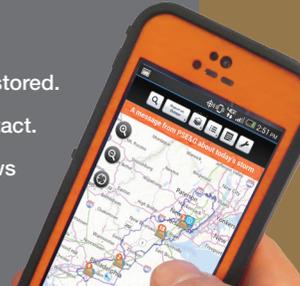
A recent Rutgers University study by Dr. Joseph Seneca analyzed the economic impact of PSE&G's portfolio of major transmission projects from 2011 through 2021. The report concluded that the company's 10-year, \$8.1 billion transmission investment program will support 6,000 jobs annually — generating more than \$4.3 billion in salaries and benefits to workers and more than \$640 million in state and local government revenue.



## New PSE&G outage map helps customers navigate stormy weather

PSE&G recently adopted new technology to enhance its mobile-friendly online Outage Map, providing more detailed information about outages and when power will be restored. When the lights go out, customers can now log on to see:

- The location of the outage at the neighborhood level.
- The number of customers affected by the outage.
- When the outage was reported, and the time PSE&G expects service to be restored.
- The cause of the outage, if available, such as equipment failure or animal contact.
- During storms, the status of the job in the restoration process — whether crews are assessing the outage, making repairs or removing a tree.



This study details how our infrastructure investments are stimulating New Jersey's economy. We are proud to be able to build a more reliable system that will be a competitive advantage for the state and better serve our customers, but we are equally proud to be able to give people a chance to put their skills to good use and support their families. We estimate that our Energy Strong program, which was not included in the Rutgers' study, could support another 2,900 jobs annually for the next three years.

In addition, we have continued to invest in our generation fleet. We have a four-year effort under way to install advanced gas path technology at several of our existing combined cycle power plants that will increase the capacity of those plants by 150 megawatts, and improve their efficiency as well. We have cost effectively increased the capacity and output of our New Jersey nuclear facilities through various plant improvements in recent years, and these efforts continue.

Our investments in renewable energy and energy efficiency are good not only for the environment, but create jobs and spur innovation. Further information on our investment in renewable energy and energy efficiency is available in the Leaders in Providing Green Energy section of this report.

Local tax payments fuel economic development by contributing to local services. Annually we contribute approximately \$375 million in state and local taxes, which help fund roads and services such as job training to grow the economy. The PSEG Foundation funds another \$5.2 million for New Jersey organizations, supporting programs in three main areas: sustainable neighborhoods, STEM education and safety.

**i** MORE ON OUR ECONOMIC DEVELOPMENT AND EMPLOYMENT IMPACT IN THE REGION IS AVAILABLE ONLINE AT: [HTTP://WWW.PSEG.COM/INFO/MEDIA/IMPACTNJ.JSP](http://www.pseg.com/info/media/impactnj.jsp)

## customer service perception results

	'08	'09	'10	'11	'12	'13
<b>Overall satisfaction with PSE&amp;G*</b>	87%	82%	84%	88%	90%	89%
<b>Satisfaction following a recent transaction with PSE&amp;G**</b>	8.8	8.7	8.6	8.8	8.8	8.7

\*Percentage of residential customers rating their overall satisfaction with PSE&G between 6-10 on a scale of 0-10

\*\*Average rating given by customers following a transaction with PSE&G, measured on a 1-10 scale.

## Putting customers first

PSEG strives for top quartile performance in providing safe, reliable, economic and greener energy. We ensure customer satisfaction with a focus on safe, reliable service at costs that we try to keep as low as possible. In doing so, we must constantly manage costs to maximize value to our customers and shareholders alike.

### Customer service

PSE&G is proud of its strong customer service tradition. Each year we set quantitative targets for customer satisfaction as one of our top goals and do so with a strong focus on continuous improvement. We measure customer perception of our service using a Customer Perception Index (CPI) as well as transactional surveys, and the results are used to benchmark a database of approximately 100 companies. Employees receive feedback on how we can improve our service based on the results.

PSE&G performs well in customer satisfaction when compared to other utilities. In 2013, we maintained our residential satisfaction at the highest level and improved the satisfaction level of our small business customers to the highest ever. We scored in the 1st quartile for residential customers on 20 of 34 measures. PSE&G ranks among the top 10 companies in several areas including overall satisfaction with the company; a company that meets expectations; being a company you can trust; being well managed; and having knowledgeable employees who follow through on promises.

Prior survey results indicated that our small business customers were concerned with our level of service. Recognizing the unique challenges facing this customer group, we established a dedicated group of phone representatives trained specifically to better serve the needs of these customers. In 2014, we will continue to support our small business customers in areas such as energy efficiency, phone and web service, and communications.

### Improving accessibility to services

New and traditional ways to access services are helping meet our customers' changing needs. In 2009, we launched a new \$156 million customer information system that enhances service by allowing customers to access bills, account information and home energy audits online. Since its inception, online bill pay has increased significantly and currently over 52 percent of our customers use the online system. We continue to expand and improve each year as PSE&G recently added the ability for customers to receive text alerts about their bills and power outages, launched our mobile web and increased our use of Twitter and Facebook.

## Widespread support for energy strong

During the next two years PSE&G will invest \$350 million to replace and modernize 250 miles of low-pressure cast iron gas mains in or near flood areas. This work is part of the utility's Energy Strong infrastructure program to protect and strengthen its electric and gas systems against severe weather conditions.



We sent out over 9,000 Twitter messages to our customers over the 17 days following Superstorm Sandy. Our Twitter community increased from 14,000 followers before the storm struck to more than 60,000 followers by the end of the event and has continued to grow. As of September 2014, we had more than 71,000 Twitter followers. We continue to be the nation's number-one utility on Twitter.

Also, we are using a range of social media tools to increase awareness at the local level of the work we are doing to harden our systems and make them more resilient against future storms. For example, we have run targeted, Facebook ads to users who live in one of the towns where work is proceeding on our Energy Strong gas main replacement program. Expanding our use of social media helps us better understand and continually improve service to our customers.

To provide our customers even more access to our customer service team, we are one of the few remaining utility companies that offers customers in-person assistance through 16 urban walk-in Customer Service Centers.

## Delivering savings to customers with low-cost natural gas

Abundant natural gas is transforming the nation's energy landscape – and helping us deliver substantial savings to our residential gas customers. Since January 2009, PSE&G's residential gas customers have benefited from multiple rate decreases, and in May 2014 we proposed an additional decrease of nearly 9 percent to residential natural gas bills this coming winter. Once this decrease goes into effect, gas supply reductions will have lowered bills 44 percent in the last five years.

Low-cost gas is good news for customers in other important ways. First, it helps keep electric bills stable because gas is a major fuel used to generate electricity. Second, the availability of this bountiful natural resource allows us to invest in critically needed infrastructure improvements – to support not only day-to-day reliability but greater resiliency against extreme storms – and do so with minimal impact on our customers' bills.

## Making New Jersey energy strong

PSE&G received approval in May 2014 for its Energy Strong program, which will begin to build the more resilient energy infrastructure that New Jersey will need for the future. We have already begun work to proactively strengthen and protect our electric and gas systems against severe storms like those of the past few years.

This \$1.22 billion program will allow us to upgrade 29 substations that were flooded in Superstorm Sandy or Hurricane Irene; replace 250 miles of low pressure cast iron mains; and add smart technology to our system to help speed restoration when there are outages. Another part of the program involves creating redundancy in the system to help reduce outages when damage occurs. And we will be making improvements to protect five natural gas metering stations and a liquefied natural gas station affected by Sandy or located in flood zones.

We already started putting shovels in the ground in some communities to modernize gas pipes, and we will be doing so shortly in other communities in our service area. By the end of the year, we expect to replace about 88 miles of gas mains that sustained water damage in Sandy or Irene. In addition to replacing the cast iron mains with ones made of plastic, we will upgrade older service lines with plastic piping that brings gas to individual homes and buildings. These new pipes will help prevent water from entering the gas mains and possibly disrupting gas service during severe weather. In addition to being made of plastic instead of cast iron, the pipes will carry gas at a higher pressure, which keeps water out. The work on these much-needed improvements in our Energy Strong program will bolster New Jersey's economy while creating 2,900 jobs each year over the next three years. When the projects are completed, they will enhance the health, safety and well-being of our customers and communities while having a minimal impact on customers' bills. Indeed, the bill impact will be more than offset by other expiring charges.

While this program does not include every improvement we planned when we first submitted our Energy Strong proposal in February 2013, it will enable us to make meaningful upgrades and will help us be better prepared in future years for Mother Nature's fury. Investments like these point the way forward in creating a more sustainable utility. New Jersey now has an opportunity to begin creating a holistic model for infrastructure resiliency of all sectors in the 21st century. We are proud to be a company that is doing foundational work to make New Jersey "stronger than the storm."

From the start, our Energy Strong proposal has been accompanied by a proactive outreach and educational effort. We have worked closely with our many stakeholders to increase their understanding of the benefits of the program and build a strong constituency for resiliency investments. Our message has been a consistent one: To be sustainable, we need not just reliability, but resiliency – the ability to mitigate impacts and respond more swiftly to storms that can cause so much damage.

There is growing recognition that resiliency investments are important in the building of a sustainable future. We will continue our efforts to increase public understanding that an Energy Strong infrastructure can help advance sustainability on many levels.



PSE&G uses helicopters in constructing remote portions of transmission lines to minimize environmental impacts. The new transmission lines that PSE&G is building will help maintain and improve electric system reliability for millions of people and thousands of businesses while contributing to New Jersey's economic vibrancy.

PSE&G'S  
business  
plan includes  
more than

13

billion dollars  
in capital  
spending over  
the next five  
years.

## Delivering award-winning reliability

Reliability is a hallmark of excellence in our industry. This past year, PSE&G was recognized as the Mid-Atlantic region's most reliable electric utility for the 12th consecutive year by PA Consulting, an industry benchmarking firm. PSE&G has received similar recognition as the nation's most reliable electric utility in five of the last nine years.

Our reputation for reliability has opened new business opportunities. On January 1, 2014, our family of companies welcomed a new member, PSEG Long Island, as we began operating the electric system of the Long Island Power Authority (LIPA). With the addition of LIPA's 1.1 million electric customers, we are now serving more than 3.3 million electric customers. We have pledged to build an industry-leading electric company dedicated to providing our Long Island and Rockaways customers with exceptional customer service, best-in-class reliability and storm response, and a strong level of involvement in the communities in which we live and work.

We continue to invest to maintain and further strengthen reliability. PSE&G has five major transmission projects under way and scheduled to be operational during 2014 through 2015, with an additional transmission line slated to be in service by June 2018. We are proceeding with this work in ways that help minimize environmental impacts, including the use of helicopters to aid construction in remote areas.

These and other infrastructure investments are being done to support reliability, but they deliver additional benefits – creating good jobs, providing an economic stimulus, and lowering bills by reducing line losses and congestion. In addition to transmission, PSE&G is continuing to invest in electric and gas distribution – the “local roadways” of our pipes and wires – to support safe, highly reliable service.

For PSEG, reliability also means having power plants that are ready and available to run as needed. PSEG Power, our regional wholesale energy supply business, has a low-cost, well-run generation fleet that is geographically well positioned and environmentally responsible. Our employees did a superb job bringing back into service a number of our generating units that had been damaged by Superstorm Sandy in time for summer to help keep our customers cool and comfortable all season long. Topping off a remarkable comeback, our fossil fleet had its best year ever from a safety standpoint and our Linden combined-cycle generating station achieved record electricity output in 2013.

Our nuclear fleet remains critical to our success – and a major provider of reliable, emissions-free energy for New Jersey and the wider region. In 2013, we achieved a nuclear capacity factor in excess of 90 percent for the ninth year in a row, and our Salem 2 nuclear unit set a new plant record for electricity output

## Optimizing value

Our generation fleet is one of the largest in the Northeastern United States, and also one of the most diverse by fuel mix and dispatch capability. This diversity helps us to optimize the value of our fleet, providing more flexibility in serving the needs of the market around the clock and throughout the year. Our fleet's diversity and flexibility supported our ability to reliably serve our customers despite extremely frigid conditions this winter.

Our investments in clean, efficient power facilities testify to our strong environmental commitment, yet also reflect the effective functioning of competitive energy markets. We support market rules to ensure fair competition, provide proper incentives and protect the interests of consumers.

## Sound financial performance

### Managing and investing for returns

Financial strength enhances our ability to sustain superb operations, deploy capital effectively and deliver value to our customers and shareholders, while also making meaningful contributions to our communities. One sign of our financial strength is our dividend. PSEG has one of the longest records of paying dividends in corporate America, extending for more than 107 years. In February 2014, we raised our annual dividend rate to \$1.48 per share from \$1.44 per share. This was the tenth increase in our dividend in the last 11 years.

Financial management must take into account various factors affecting the business climate. Our financial results depend on many risk factors including, but not limited to, commodity prices; regional market rules; environmental regulations; and state and federal energy regulation. We strive to manage or mitigate these risks to make disciplined investment decisions.

**i** KEY METRICS ON OUR FINANCIAL PERFORMANCE CAN BE FOUND ON PAGE 7 AND OUR 2013 ANNUAL REPORT WHICH IS AVAILABLE ON OUR WEBSITE.

## Working with suppliers

### Supporting small businesses, ensuring quality and integrity

We value suppliers who share our commitment to reliability, quality and integrity. We have strong relationships with our suppliers and depend on them to meet the highest standards of service.



**Shelby Mechanical Inc. (SMI)** is a woman-owned union industrial general mechanical contractor providing plant services. SMI has become a key PSEG supplier. It was one of the contractors that helped install state-of-the-art pollution control equipment at PSEG's Hudson generating station, which reduced plant emissions by more than 90 percent.

"Our collaboration with PSEG has been a win-win for both parties. PSEG gave us an opportunity to take part in modernizing its power plant and we are proud to say that we executed new construction and some repair and maintenance with a high degree of excellence, contributing to the project's success."

The opportunity to work with PSEG has directly impacted Shelby's growth and the economy in New Jersey. Shelby has grown by about 500% in terms of revenue from 2007 to 2013 and has increased its human resources by about 467% in the same period.

Working with as many suppliers as we do is a complex process that requires thoughtful and meticulous management. We expect our suppliers to meet our ethical standards and have a procurement and supplier management process that conforms to the highest standards in the industry.

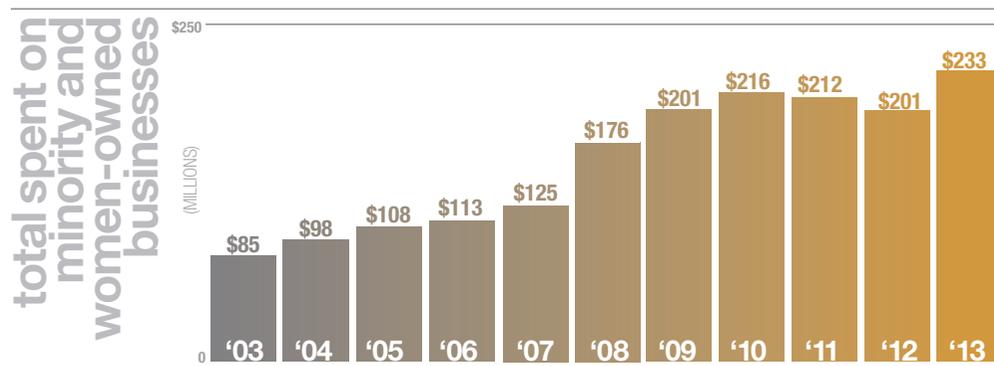
PSEG's management practices and code of business conduct, our Standards of Integrity, are woven into everything we do, including our relationships with suppliers. When considered for a new contract of any type, suppliers go through a rigorous pre-qualification review. After contract award, the performance of key suppliers is monitored by PSEG Procurement in concert with our Corporate Health and Safety organization. In addition, a third-party compliance auditor verifies certain health and safety information to conform with regulatory and PSEG standards. Key suppliers are graded based upon performance metrics and incentives are included in a majority of key supplier contracts.

### Supplier spending

We are one of New Jersey's biggest supporters of local business and spend more than \$1 billion annually with New Jersey vendors. Based on a 2012 independent study of our economic impact in New Jersey, we estimate PSEG distributes this benefit annually across 1,500 vendors in the state.

### Supplier diversity

We believe it is important to build a supplier list that reflects our diverse customer base. PSEG's Supplier Diversity Program has proactively engaged minority and women-owned businesses (MWBs) for more than 25 years to level the playing field and increase the range of perspectives and capabilities among our service providers. Supplier diversity goals are tied directly to PSEG's performance indicators and are linked to PSEG's executive leadership and managers. We intend to continue to expand our supplier diversity goals in appropriate increments that will take into consideration upcoming construction projects, company infrastructure developments, sustainability projects and system improvements. Our spending



with MWBEs has more than doubled over the past 10 years and currently represents 11 percent of our total spending with our suppliers.

PSEG works with more than 200 MWBEs across a broad array of business needs, including, but not limited to: construction services; engineered equipment; paving and vegetation management; tools and hardware; office equipment; and more. Toward this effort, PSEG has developed strategies, training, communication and processes that educate, offer exposure to and understanding of its supplier diversity process and business needs. Suppliers receive regular mentoring, development, coaching, certification assistance and additional support by participating in our process.

We host multiple annual minority and women-owned procurement matchmaking fairs at our Newark headquarters and at our nuclear site in Salem, New Jersey. At no fee to the suppliers, PSEG's Procurement organization brings all of its sub-groups together to interview MWBE suppliers for procurement opportunities and share information that clarifies how to do business with us.

To develop and expand PSEG's supplier diversity process to a world class level, PSEG is a corporate member or sponsor of the following supplier diversity organizations:

- New York & New Jersey Minority Supplier Development Council
- Minority Supplier Development Council PA-NJ-DE
- New Jersey's BPU Supplier Diversity Development Council
- New Jersey Association of Women Business Owners
- Women Presidents' Educational Organization
- Regional Alliance for Small Contractors
- Edison Electric Institute – Supplier Diversity Group
- National Hispanic Business Group
- Hispanic Business Council of Commerce & Industry of New Jersey
- New Jersey African American Chamber of Commerce

PSEG has received many business awards for promoting supplier diversity. The company also holds board-level positions on the New York and New Jersey Minority Supplier Development Council, the New Jersey BPU's Supplier Diversity Development Council, New Jersey Commerce and Industry Group and the New Jersey Association of Women Business Owners. PSEG supports and accepts business ownership certification from the State of New Jersey, National Minority Supplier Development Council, Women's Business Enterprise National Council, New Jersey Transit, Port Authority and others.

economic vibrancy

Sustainable energy strategies to promote job creation, economic growth and a healthy environment have never been more needed than they are today. We have chosen to be a leader in undertaking green energy initiatives that create jobs and grow the economy while protecting the environment.



# greening our energy future

We have invested substantially in clean generation technologies in recent years while working hard to reduce our environmental footprint. These efforts place us in the forefront of our industry in implementing environmental solutions to meet our sustainability challenges. Environmental stewardship will remain a core component of our mission.

We also recognize we must create a sustainable energy future in the most cost-efficient manner. We advocate for energy policies that address societal needs, while recognizing the inherent tradeoffs involved in energy investment decisions. With our sustainability focus in mind, we invest in carefully selected energy efficiency and solar projects that help meet carbon reduction goals, contribute to economic development and create jobs.

## Our approach

Environmental stewardship and sustainability require strong commitments and excellent management. Our Environmental, Health and Safety Policy (EH&S) establishes our commitment, and the PSEG EH&S Program Guide outlines our management approach to environmental health and safety.

The PSEG EH&S Policy describes our commitment to conduct our business in a safe, environmentally friendly and responsible manner. We underscore our commitment to nuclear safety through our emphasis on a strong nuclear safety culture and continually strive for excellence in every part of our nuclear operations. We also require that our employees and business processes comply with all relevant environmental, health and safety laws and regulations.

The cornerstone of our corporate-wide environmental management approach is the PSEG EH&S Program Guide. We set environmental performance goals and targets annually as well as long-term goals every few years. PSEG uses a 14-point management system based on the International Standards Organization 14001 standard and Occupational Health and Safety Assessment Series Specification (OSHAS 18001). We also use and regularly test our emergency preparedness system in case of unexpected plant, nuclear or transmission problems. A recent third-party review confirmed that PSEG is a top performer among utilities nationwide.

PSEG reduced  
its greenhouse  
gas emissions

25

percent from  
2005 levels  
14 years ahead  
of schedule.

Our strong relationships with the public sector, renewable energy developers and policymakers help us identify and implement innovative environmental solutions. PSEG continues to embrace public-private partnerships that have contributed to New Jersey's well-being and prosperity for more than a century. These partnerships support our ability to invest in areas such as energy efficiency and solar energy, which are important components of a sustainable energy future.

## Climate change

### Climate leadership in policy and practice

Climate change is a critical environmental challenge that requires leadership and strong cooperation by the public and private sectors to address. We were one of the first companies in our industry to recognize the need to address climate change, establishing our initial carbon emission goals in the early 1990s. We have met a number of carbon reduction goals over the past two decades, as discussed below. Since 2007, we have used a three-pronged approach of energy efficiency, renewable energy and clean central station power that includes emissions-free nuclear power and environmentally responsible coal facilities to reduce our carbon footprint. PSEG has made a combined investment in these areas in excess of \$3 billion since 2007.

As a leader in low-carbon energy, PSEG has advocated for federal legislation to limit and reduce greenhouse gas (GHG) emissions. Absent a comprehensive legislative solution, we have supported steps taken by the U.S. Environmental Protection Agency (EPA) to establish a regulatory framework to reduce carbon emissions under the Clean Air Act. The EPA framework to regulate greenhouse gases should establish logical and achievable standards for new and existing fossil fuel-fired power plants and provide the industry with much needed regulatory certainty. We will continue to engage with other stakeholders and evaluate opportunities for more comprehensive solutions.

**i** PSEG HAS ALSO PARTNERED WITH THE NATIONAL RESOURCES DEFENSE COUNCIL, CERES, AND OTHER CLEAN ENERGY COMPANIES TO BENCHMARK POWER PLANT EMISSIONS OF THE 100 LARGEST GENERATORS IN THE U.S. TO HIGHLIGHT TRENDS AND STIMULATE ACTION FOR OVERALL REDUCTIONS. THE MOST CURRENT REPORT CAN BE FOUND AT [HTTP://WWW.MJBRADLEY.COM/SITES/DEFAULT/FILES/BENCHMARKING-AIR-EMISSIONS-2014.PDF](http://www.mjbradley.com/sites/default/files/benchmarking-air-emissions-2014.pdf)

### Taking action

We have not only spoken out about climate change, but taken action. In 2004, through EPA's Climate Leaders Program, we voluntarily pledged to reduce our GHG emissions intensity by 18% from 2000 levels by 2008. We surpassed this goal, achieving a 31% reduction within that period. Subsequently, we established a new goal of reducing our GHG emissions 25% from 2005 levels by 2025. In 2011, PSEG met that goal 14 years ahead of schedule. We accomplished this through energy efficiency programs, deployment of renewable energy, increasing nuclear output, building clean and efficient natural gas plants, and shifting output from

coal to natural gas. Over half of our power is free of greenhouse gas emissions today due to our continued investments in solar and nuclear power.

PSEG aims to build on this success to further reduce emissions and provide more low-carbon energy. Our climate strategy has now shifted from an overall reduction approach to one that focuses on clean energy displacement strategies and targeted long-term reductions from smaller sources. We are advocates for public policies that would enable utilities to significantly expand their energy efficiency and renewable energy investments on behalf of customers.



Our actions reflect this new approach. Our New Jersey utility PSE&G is investing more than \$300 million in energy efficiency initiatives that are helping the environment and saving customers money. These efforts have saved electricity equivalent to the amount used by all residential customers in New Jersey's third-largest city of Paterson.

**i** FOR A FULLER DISCUSSION, SEE THE ENERGY EFFICIENCY SECTION OF THIS REPORT.

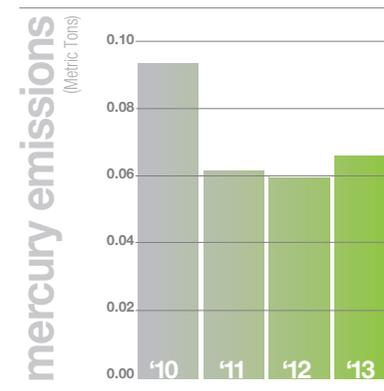
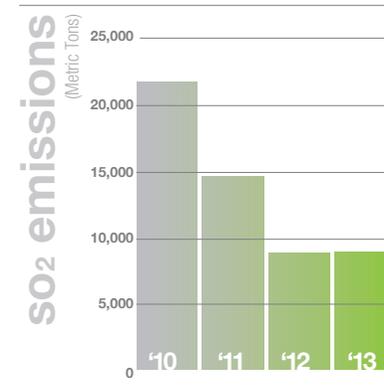
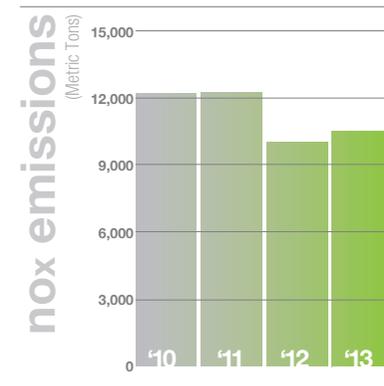
PSEG has also taken steps to lower our carbon footprint by making our facilities more energy efficient through utilization of the U.S. Green Building Council's Leadership in Energy and Environmental Design (LEED) rating system. We achieved LEED Commercial Interiors Gold Certification for our Linden Generating Station and our Energy and Environment Resource Center (EERC) in Salem, NJ. LEED Commercial Interiors Silver Certification has been achieved at our New Jersey customer service centers in Paterson, Passaic, Trenton, and recently in New Brunswick. Our Jersey City Customer Service Center, which opened in October 2013, is currently being evaluated for LEED certification.

We are also making strides in renewable energy. For seven consecutive years PSE&G has been ranked as one of the top 10 U.S. utilities for integrated solar capacity. Our Solar 4 All Program includes 125 megawatts of solar within PSE&G's service territory. PSE&G's Solar Loan Program has helped homeowners and businesses finance and develop more than 1,000 installations totaling 80 megawatts of solar capacity, and will be providing loans for an additional 98 megawatts over the next several years.

Our PSEG Solar Source subsidiary owns and operates grid-connected solar energy facilities throughout the United States. In July 2014, PSEG Solar Source announced the acquisition of two projects – the 13 megawatt PSEG El Paso Solar Energy Center in Texas, and the 3.6 megawatt PSEG Essex Solar Energy Center in Vermont. These acquisitions have expanded PSEG's Solar Source portfolio to include nine solar projects in eight states.

We are working on many fronts to reduce our environmental footprint. For example, PSE&G is a long-time participant in EPA's Natural Gas STAR program, a voluntary initiative that encourages natural gas companies to adopt cost-effective technologies and practices that reduce emissions of methane. In 2012, PSE&G achieved cumulative methane emissions reductions from its natural gas distribution system approximately equivalent to 215,614 tons of CO2.

We have long been in the forefront of industry efforts to reduce waste and promote recycling. Since 1995, PSEG's recycling rates have consistently exceeded 90 percent. This success has been recognized by the EPA, which inducted PSEG into its Wastewise Hall of Fame for outstanding achievement among voluntary industry efforts to reduce waste and encourage the reuse and recycling of materials.





PSEG offers no-cost charging and free parking to employees participating in its electric car incentive program at three company locations. Those employees commuted 120,000 miles on electricity over 12 months, helping avoid 50 to 60 tons of carbon dioxide being released into the air and helping reduce other emissions in communities across New Jersey.

### Lowering emissions from mobile sources – and encouraging the adoption of electric vehicles

PSEG has been taking steps to reduce GHG emissions from mobile sources. In 2013, PSEG launched an Employee Electric Car Initiative Pilot Program, where employees who commute in an electric car may receive no-cost charging and parking for three years at three company locations (Newark, Edison and Salem). We opened the largest electric car charging facility in New Jersey as part of this program.

We are a pledged supporter of the Northeast Electric Vehicle Network, which was established to accelerate the deployment of electric vehicles. With that goal in mind, PSE&G recently introduced a new, innovative program aimed at encouraging businesses in New Jersey to provide employees with a way to charge electric cars at work. The program will provide “smart” charging equipment for approximately 150 cars. We see this program as another helpful step toward improving the state’s air quality and encouraging the more widespread adoption of electric vehicles.

Also, PSE&G continues to take action to lower emissions from our own fleet of vehicles. We have improved the fuel efficiency of our fleet by 15% over the past 5 years. Almost 50% of our light duty vehicles are now hybrids, and 66% of our aerial lift trucks now have electric drives, allowing the operation of the lift without running the engine. We are also increasing the purchases of aerial lift trucks with a “cab comfort option” which reduces engine idling time by using the electric drive battery to run the cab temperature control equipment.

### Being prepared for extreme weather

Historically, our environmental focus has included steps on many levels to responsibly address severe weather events, and we have long focused on being prepared for such events through teamwork, mutual aid, rapid deployment of resources, spare parts and the like. Our employees have a proud tradition of being there for our customers in storms and emergencies. Maintaining an up-to-date storm manual has long been part of our regular practice. Our generation facilities have spill plans to minimize the likelihood of hazardous substances being discharged or carried off by floodwaters in the event of a 100-year flood event. Also, the containment structures at our power plants are built to a height to

prevent 100-year floodwaters from entering the containment. We have maintenance practices to ensure the integrity of the tanks and their containment structures.

Our nuclear generating facilities are also designed to withstand flooding with the following features:

- Emergency core cooling systems are protected from water incursion, including water tight doors, elevation of equipment above potential flood levels and/or special engineered flood barriers.
- Emergency diesel generator exhausts are elevated on roofs.
- Main fuel tanks for emergency diesels are buried underground or enclosed in buildings to prevent impact from severe environments.
- Electrical switchgear for emergency operations at the plants is protected from floods by elevating them above potential flood levels or protecting them behind watertight doors.

### Climate adaptation and resiliency

Climate adaptation has become an increasing area of focus for us. PSEG is a founding member of the New Jersey Climate Adaptation Alliance. The Alliance was formed in response to a diverse group of stakeholders who came together on November 29, 2011 at Rutgers University to participate in the conference, “Preparing NJ for Climate Change: A Workshop for Decision-Makers.” In the aftermath of Superstorm Sandy, the Alliance has led efforts to identify critical issue gaps and recommend actions to promote positive actions to improve New Jersey’s resilience. The Alliance’s focus is on climate change preparedness and adaptation in key impacted sectors, including energy infrastructure.

**i** ADDITIONAL INFORMATION AND A COPY OF THE REPORT CAN BE FOUND AT [HTTP://NJADAPT.RUTGERS.EDU/](http://NJADAPT.RUTGERS.EDU/).

We have endeavored to learn as much as we can from our experiences with recent severe storms to better prepare for what Mother Nature might bring our way in the future. We developed our Energy Strong proposal to make key systems more resilient to better withstand severe weather and other impacts. In May 2014, we received approval to make the following Energy Strong investments during the next three years:

- \$620 million to protect, raise or relocate 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 mains in or near flood areas
- \$100 million to create redundancy in the electric distribution 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

At PSEG,  
almost  
**50**  
percent of  
our light duty  
vehicles are  
now hybrids.

Some of the infrastructure improvements we are making through our Energy Strong program will also lower our GHG emissions. These improvements include projects to replace and modernize 250 miles of low-pressure cast-iron gas mains and upgrade other gas distribution facilities.

In addition, we have implemented best practices at all of our generating facilities from lessons learned from Superstorm Sandy. And we will continue to incorporate lessons learned from severe weather conditions such as the polar vortex that held large parts of the eastern United States in an icy grip this winter.

## Energy efficiency

### Saving customers energy and money

For New Jersey – and our nation as a whole – energy efficiency represents an enormous investment opportunity. In fact, the cost of saving a kilowatt-hour of electricity is lower than the cost of generating and delivering the next kilowatt-hour of electricity. We will continue to support solutions that promote investment in energy efficiency as one of the most cost-effective ways to build a sustainable energy economy.

#### Our approach

The customers who could benefit most from energy efficiency cost savings are often the ones least able to make the up-front financial commitment. The hurdles to such investments vary, ranging from a lack of energy expertise and awareness, limited access to capital or credit, difficulty finding technical assistance or qualified contractors to skepticism about the payback and competing priorities for investment dollars. In essence, the benefits of energy efficiency are undervalued, misunderstood and obscured by barriers both real and perceived. Public policy and well-designed programs can overcome these hurdles and unleash the potential of energy efficiency.

In the past, energy efficiency was promoted through rebates that disproportionately benefited affluent customers. In contrast, PSE&G's programs are designed to serve the broadest range of customers. For example, we target many of our energy efficiency efforts to hospitals and municipal buildings, and thus ensure the societal benefits are distributed more widely across the communities we serve in New Jersey.

#### Targeted investment

PSE&G's energy efficiency programs target a range of stakeholders from hospitals and government entities to homeowners and small-business owners. These initiatives include its Hospital Efficiency Program; Direct Install for Municipal Government/Non-Profits Program; and Residential Multifamily Housing Efficiency Program.

Through these programs, we pay much of the up-front costs and subsidize a portion of the total cost of energy efficiency improvements for participating customers. For instance, government entities and non-profits in our Direct Install for Municipal Government/Non-Profits Program repay 20 percent of the total cost to PSE&G over two years, interest free, on their PSE&G bill. We also replace street lights with fluorescent lighting that provides immediate cost savings to local government. Our programs have saved more than 183,000 megawatt-hours of electricity to date, which is enough to power more than 25,000 homes for a year. Our programs have also saved more than 5.7 million therms of natural gas, which could supply the needs of more than 5,700 homes for a year.

#### Hospital Efficiency Program

PSE&G identified hospitals as a high energy-usage sector that faced unique challenges and market barriers that required more than traditional energy efficiency rebates to overcome.

## Making multifamily housing more energy efficient

The Northgate One building in Camden, NJ underwent major energy efficiency improvements thanks to the PSE&G Residential Multifamily Housing Efficiency Program. As with most of the buildings enrolled in the PSE&G program, the more than 300 unit Northgate One building is home to mainly low income and senior tenants. PSE&G is showing that utilities can play a key role in unleashing the potential of energy efficiency.

Our \$129 million Hospital Efficiency Program finances major energy efficiency upgrades to help cash-strapped hospitals reduce energy costs and thus focus on their core mission. It is one of a handful of programs in the nation that specifically targets hospitals for energy efficiency improvements and the only initiative we know of where the utility bears all of the up-front capital costs and enables these large users to repay their share of the costs over time on their utility bill. On average, hospitals repay about 30 percent of the cost of improvements over three years, interest free on their PSE&G bill. Almost every hospital in PSE&G's service territory has requested to participate in the program.

There are currently 32 hospitals enrolled in the program, and work has been completed at 24 of the participating facilities. The hospitals where work has been completed have saved more than \$8 million to date in energy costs.

#### Tracking progress

Our programs have shown that the hurdles to energy efficiency investments in urban areas and in high energy-use sectors can be overcome. By the end of 2013, PSE&G programs had made more than 800 small businesses, non-profits and government facilities more energy efficient, audited more than 6,000 homes, provided seal-up services to 4,400 homes and deeper retrofits to 1,600 homes, and provided more than 28,000 programmable thermostats and 400,000 energy-efficient light bulbs for urban residents. In addition, more than 40 energy efficiency projects at multifamily residential buildings have started or completed construction containing more than 15,000 individual rental units.

## Renewable energy

### Leading the country in solar development

Our renewable energy initiatives have helped make New Jersey one of the leading states for solar energy development – creating jobs, spurring economic activity and helping the state meet its renewable energy targets. New Jersey ranks third in the amount of solar generation capacity installed and ranks first in the concentration of solar power (installations per square mile).

PSE&G  
is investing  
more than

3  
hundred million  
dollars in energy  
efficiency  
initiatives.

PSE&G's innovative **Solar 4 All** program is playing a key role in helping the state of New Jersey reach its renewable energy goals, while creating jobs and spurring economic development. More than 174,000 pole-attached solar units have been installed as part of this program. Meanwhile, our solar farms built on landfills and brownfields have restored more than 40 acres of this land to productive use. Every Solar 4 All project is grid connected – providing PSE&G electric customers universal access to clean solar power.



### Renewable Portfolio Standard (RPS)

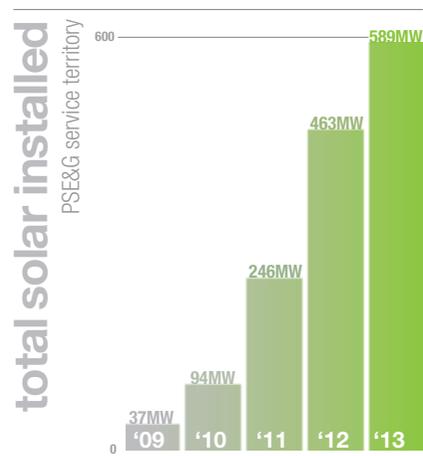
We are aggressively helping New Jersey meet its renewable energy goals. New Jersey's RPS requires 22.5 percent of electricity sales come from qualifying renewable energy by 2021. There is also a specific provision which requires that at least 4.1 percent of sales come from in-state solar sources by 2028. PSE&G is helping to meet the RPS target by directly developing solar projects and providing financing for solar projects. PSE&G's solar investments create a demand for technology that will transform the way we generate electricity and create well paid green jobs in New Jersey.

### Our approach

Our approach to solar development includes direct ownership of large-scale, grid-connected projects and pole-attached systems through our Solar 4 All program, and a Solar Loan program targeted to businesses and homeowners that need financing for their projects.

### Solar 4 All™

Solar 4 All is a 125 megawatt program that utilizes rooftops, solar farms, utility poles and landfills/ brownfields for large-scale, grid-connected solar projects. First approved in 2009, Solar 4 All was initially divided into two equal segments – 40 megawatts in “centralized” solar and 40 megawatts in “neighborhood” solar. The centralized segment consisted of 24 large-scale solar projects on land, roofs and parking lots owned by PSE&G and leased from third parties. The neighborhood segment consisted of pole-attached solar units installed throughout PSE&G electric service territory. These pole-attached units were designed and manufactured by Petra Solar of South Plainfield, NJ and the initiative was the first and largest of its kind in the world.



The Solar 4 All program is helping to turn landfills and brownfields green. Of the 24 centralized solar projects currently in service, four are located on PSE&G remediated brownfield sites (Trenton, NJ; Silver Lake/ Edison, NJ; Linden, NJ and Hackensack, NJ) and one is located on a closed landfill site in Kearny, NJ. These sites provide more than 10 megawatts of solar capacity. As of early 2014, the program's initial 80 megawatts were in service. In May, 2013, PSE&G received regulatory approval to extend the Solar 4 All program by an additional 45 megawatts. Over the next several years, PSE&G will be building an additional 42 megawatts of

solar capacity on landfills and brownfields in the utility's electric service territory. The first two projects that are part of this extension, one at the former Parklands Landfill in Bordentown, NJ and one at the former Kinsley Landfill in West Deptford, NJ are expected to break ground in the second half of 2014. The Solar 4 All extension will also support 3 megawatts of solar generation featuring unique solar technologies centered on energy storage and grid-hardening applications.

Every Solar 4 All project, including each pole-attached unit, is grid connected and provides PSE&G electric customers with universal access to solar power. The 80 megawatts of clean solar capacity currently in service provides enough solar electricity each year to power about 13,000 average size homes. When all 125 megawatts are in service, the program will provide enough solar electricity to power more than 20,000 homes per year.

### Solar Loan

The Solar Loan Program is the second piece of PSE&G's solar development strategy. This program has made more than \$244 million of financing available through June 2014, helping homeowners and businesses develop more than 1,000 solar installations totaling more than 80 megawatts of solar capacity. These loans help remove the financial hurdles that prevent many New Jersey businesses and residents from owning solar power. The loans generally finance up to 50 percent of the total cost of the solar installation and can be repaid using solar renewable energy credits (SRECs), which are generated by the solar installation.

The Solar Loan Program has proven to be a very popular method for both our business and residential customers to finance a solar system on their home and business. The program is currently on its second extension, with the New Jersey Board of Public Utilities approving a \$199 million addition to the program in May 2013. This will allow PSE&G to finance an additional 97.5 megawatts of solar capacity in New Jersey over the next several years.

## Water Stewardship of a precious resource

### Water management and use

Stewardship of water resources remains a priority for PSEG in the areas where we operate. None of our plants are located in a water-stressed area, with most being located on non-potable estuarine waters. However, New Jersey is also one of the most populated and developed areas of the United States and is beginning to experience water resource constraints on a localized basis. In addition, extreme weather events have led to impacts related to flooding.

## Reclaimed water at PSEG plants

PSEG's Bergen and Linden generating stations in New Jersey are models of our water reduction efforts with the use of reclaimed water, which has already been used and partially treated. Our Linden plant relies almost entirely on reclaimed water and supplements the minimally required volume with city water only in times of absolute need. Our Bergen plant extended an agreement this year to continue using a system that brings treated effluent to the facility for use in its closed-cycle cooling system. As a result, PSEG has reduced its impact on the Hackensack River watershed, a historically troubled ecosystem that is now showing strong signs of recovery with the return of native birds, fish and mammals to the Meadowlands tidal estuary.



PSEG's operations interact with water as a resource in a variety of ways. PSEG's power plants use water to drive steam turbines, for cooling in boilers and to reduce air emissions. As discussed in the section on air quality, PSEG has installed technologies that reduce emissions of NOx and SO2. However, many of these technologies rely on the injection of water to achieve this positive environmental benefit. As a result, overall water use for these facilities has increased. The largest volume of water is linked to non-contact cooling water systems. Several different systems are in use ranging from once-through systems to wet cooling towers and a wet/dry hybrid cooling tower. Each design has different attributes and water resource issues.

Once-through systems withdraw high volumes of water with relatively low water consumption rates but they also have impacts to local aquatic habitats. PSEG has addressed these impacts in several ways, including the installation of state-of-the-art technologies and the restoration of marsh habitats (see further discussion under Biodiversity below). Cooling towers withdraw significantly less water but with a relatively higher consumption rate. To offset this, PSEG has at two locations chosen to use an available alternate water source, "Reclaimed Wastewater Effluent," to limit reliance on potable water supplies.

Meeting water quality standards continues to be an issue we manage at our plants daily. In addition to discharges related to the generation of electricity, PSEG's locations are also subject to precipitation events that require the management of stormwater. PSEG has designed and installed systems to treat industrial wastewater at its facilities, reduce the concentration of pollutants in the discharge and reduce the potential for stormwater to carry pollutants from its facilities.

### Guidelines and Verification

PSEG guidelines call for all of our power plants to ensure that they maintain the quality and quantity of water on both the intake and discharge sides of their operations. We use best available technology to safely remove and return fish to rivers during water intake at our facilities. We also monitor pH and temperature of the water returned to rivers and we are in compliance with state environmental quality permits. We treat all effluents on-site before discharge and both our measured and reported water data are externally verified in several ways by federal and state regulatory agencies.

## Nuclear power Safe, reliable, low-carbon nuclear fleet

Nuclear power continues to hold several advantages for helping to meet the country's future energy needs. Nuclear generation emits no carbon or other pollutants associated with fossil fueled plants, while providing tremendous economic and job benefits for the region.

The Fukushima Daiichi incident following the devastating 2011 earthquake and tsunami in Japan has raised worldwide concerns about the future of nuclear power. After the incident, nuclear plant operators in the U.S. conducted a thorough review of the potential impact an earthquake and other natural disasters could have on their plants. The scrutiny comes at a time when interest in nuclear power has renewed and global construction of nuclear reactors is rising after a decades-long decline. Projected energy demand and the threat of climate change are among the factors accounting for this shift. However, numerous uncertainties remain about the future of nuclear energy, including the competitive price of natural gas, shortages of trained personnel and high construction costs.

We believe a systematic approach to nuclear energy management ensures public safety, and the success of our application to relicense two facilities is further endorsement of our management expertise. We also recognize the importance of educating the public about nuclear energy and have been recognized for our community outreach efforts. More than 700 stakeholders, representing over 40 different groups, toured our nuclear plants in 2013.

### PSEG's Nuclear Fleet

Our nuclear power generating fleet consists of the Salem and Hope Creek nuclear generating stations in Lower Alloways Creek, New Jersey and part ownership of the Peach Bottom nuclear generating station in Delta, Pennsylvania. PSEG has taken several steps to ensure that nuclear power will be part of New Jersey's future. First, we received 20-year license extensions to the Hope Creek unit and both Salem units, ensuring that those plants can continue to operate well into the 21st century. Peach Bottom has also received a license extension that extends past 2030.

**PSEG**  
has restored  
more than  
**20**  
thousand  
acres of Salt  
Marsh near  
Salem and  
Hope Creek  
nuclear  
facilities

Duc Tran, PSEG Fossil Environmental Specialist, oversees traveling screens installed at PSEG's Hudson generating station to provide fish a safe return to the river. PSEG will continue to take proactive steps to maintain the delicate balance between local wildlife and our operations.



We are also in the process of obtaining an early site permit, the first step needed for the construction of a new plant on a site adjacent to our Hope Creek plant. With access to available transmission, proximity to energy users and available land, our South Jersey site is one of the best locations for a nuclear unit in the nation. If an early site permit is granted, it would be valid for 20 years, allowing PSEG Nuclear to conduct a thorough assessment before deciding whether to apply for a combined construction and operating license.

**i** ADDITIONAL INFORMATION ABOUT OUR NUCLEAR POWER FLEET IS AVAILABLE ONLINE AT: [HTTP://WWW.PSEG.COM/FAMILY/POWER/NUCLEAR/INDEX.JSP](http://www.pseg.com/family/power/nuclear/index.jsp)

### Emergency preparedness

PSEG Nuclear maintains a strong emergency response plan. As part of this plan, we work closely with the states of New Jersey and Delaware to protect the health and safety of the public. The Nuclear Regulatory Commission (NRC) assesses the capabilities of the plan by requiring us to perform a full-scale exercise that includes the participation of government agencies at least once every two years. A recent exercise was performed in May 2014 with no issues. We perform these exercises to maintain the skills of our emergency responders and conduct additional drills quarterly in between these two-year exercises.

## Biodiversity

### Restoring New Jersey's natural spaces

Providing safe, reliable and efficient energy to meet the needs of our customers requires maintenance of lines that pass through local ecosystems. We work closely with experts, including the New Jersey Audubon Society and The Nature Conservancy, to integrate biodiversity considerations and mitigate ecosystem impacts from design through project construction and maintenance. PSE&G is currently working with New Jersey Audubon to evaluate practices for the management of vegetation along our 1,100 miles of transmission Rights of Way. Information gathered from this effort will be used to develop sustainable maintenance practices that will balance the safety and reliability needs of the utility system with the need to maintain diverse habitats for migratory and sensitive species in New Jersey.

PSEG works with local conservation organizations such as the Hackensack Riverkeeper to support the maintenance of osprey platforms and facilitate increasing populations of this endangered species. Several of PSEG's facilities are home to active platforms including Hudson Generating Station in Jersey

City. PSEG is also a partner with a broad group of stakeholders in the Abbott Marshlands Stewardship Council. These marshlands are located in Mercer County adjacent to PSEG Power's Mercer Generating Station and also have several transmission lines crossing over the area. Through this collaboration PSEG works with the other stakeholders to protect and preserve the marsh habitat and educate the public on marsh ecology and benefits.

### Environmental Impact Assessment

The cornerstone of our approach to maintaining biodiversity is an environmental impact assessment process for our projects. The process includes three steps: project planning, permitting and compliance. We subject our new facilities and transmission development projects to an impact assessment, which includes an evaluation of biodiversity impacts, using inventory maps created by the New Jersey Geographic Information System. In addition, we file our Environmental Impact Statements (EIS) and Environmental Assessments (EA) with the appropriate regulatory agencies such as the New Jersey Department of Environmental Protection, the Board of Public Utilities, and the National Park Service. Our EIS and EA reports are publicly available through those agencies and we post updates to project websites for many of our larger projects.

As a result, while we advance the development of projects to maintain and improve the reliability of our energy systems, we have worked closely with regulators and environmental stakeholders to mitigate the environmental impacts of those projects. In addition, PSEG has sought out and partnered with others to identify practices that will lead to improved habitat diversity throughout the geographic area of our operations.

greening  
our energy  
future

Six-year-old Reed Nocera wants to create renewable sources of energy when he grows up and thanks the PSE&G lineman in his neighborhood for serving as his inspiration. We believe in empowering people within and outside our company as the key to building an even brighter future for all.



# putting people first

## People strategy

### Winning in the race for talent

Each year we review our people strategy to ensure we are engaging and motivating employees. Our goal is to promote an environment where employees develop and utilize skills, feel comfortable sharing their ideas and concerns, and directly support the achievement of key business objectives. We believe these efforts contribute to a high-performance culture.

Employee engagement is an important part of our journey to improve as a company. Our engagement initiatives focus on issues such as comfort in speaking up and the performance appraisal process, to ensure we move forward effectively as one team. We strive for diversity of people, experiences and viewpoints while being inclusive, as well. We want to build a culture where everyone not only contributes but feels valued and appreciated, and has a range of opportunities for growth and development. Our continuing efforts to do so are discussed in the following pages.

We identify and manage numerous risks and opportunities through our people strategy. Part of the reality of our business is the challenge of maintaining employee and public safety, good relations with our labor unions and an engaged workforce.

## Business ethics

### Standards and values guide the company

A good name is more than a source of pride: Our reputation as a highly ethical company gives us credibility in the marketplace, in the communities where we work and among current and potential employees. Our Standards of Integrity and PSEG values form the foundation of our ethics program.

#### Standards of Integrity

PSEG is committed to conducting operations in accordance with the highest ethical standards and in compliance with the law. These Standards of Integrity ("Standards") and the PSEG values embody that commitment. Seven core values – Accountability, Continuous Improvement, Customer Focus, Diversity, Integrity, Respect and Safety – guide our conduct wherever we operate. We require every employee and contractor to uphold our values and standards to work with PSEG.





## Embracing safety excellence

PSEG's Fossil fleet had its best year ever from a safety standpoint, ranking in the top 10 percent for safety in its industry in 2013. Our journey to safety excellence in all parts of our business is based on a shared commitment by management and union leadership and the active support of PSEG employees to achieve an accident-free environment through a health and safety culture built on trust, care, knowledge and communication.

Workers (left) prepare for their day's work by performing the 2-minute drill – an effective safety tool to ensure employees understand the scope and objectives of their jobs, have assessed jobsite conditions and have the correct tools.

The PSEG Standards of Integrity, reviewed and approved by the PSEG Board of Directors, is a specific policy commitment that describes the company's expectation of employee and contractor conduct in the workplace. Our Standards of Integrity set common expectations for interaction with investors, customers, coworkers, competitors, vendors, government officials, the media and others. Our entire staff of management, administrative, supervisory and technical associates must complete training on the Standards of Integrity and results are reported to the Audit Committee of the Board of Directors annually. We ensure accountability by defining responsibility, reporting breaches, tracking results and responding to issues.

**i** THE FULL STANDARDS OF INTEGRITY ARE ONLINE AT: [HTTP://PSEG.COM/FAMILY/ABOUT/INTEGRITY/PDF/STANDARDS.PDF](http://PSEG.COM/FAMILY/ABOUT/INTEGRITY/PDF/STANDARDS.PDF)

## Employee health and safety

### Empowering employee health and safety

PSEG's commitment to employee health and safety is our foremost priority. A safe and healthy workforce is a high-performing workforce. We take numerous measures to ensure employees and contractors have the proper knowledge, training and protective equipment to maintain their personal health and safety.

There is a special responsibility involved in harnessing the power of energy to serve millions of people, thousands of businesses, and hundreds of communities, as PSEG does around the clock and year. Great care must be taken to do this with safety first at all times. Our business requires managing sophisticated energy production and distribution operations involving commodities which are inherently hazardous. We control the risks associated with those hazards through the successful implementation of engineering controls, work processes and continuous improvement goals by a highly trained and skilled workforce.

### Our approach

PSEG's health and safety program is supported by our employees' exemplary efforts over many years. Our health and safety culture reflects strong and continuing employee involvement, teamwork and pride. At PSEG we believe that safety excellence enables operational excellence. Our culture is supported by policies, practices, processes and management systems that enable employee involvement, continuous learning, disciplined risk assessment, prioritization and control. We ensure the strength of our processes and management systems and their implementation through self-assessments, third-party audits and benchmarking activities within and outside our industry.

Our health and safety strategy and management system illustrate our approach to safety throughout the corporation. The twelve components of our health and safety system provide the structure for promoting a culture built on trust, care, knowledge and communication.

In 2011, an independent third-party audit team's review of PSEG's EHS management systems concluded that the system's design and overall performance placed PSEG as a top performer among its peers. Actions to address all the recommendations from the assessment were completed in 2013.

**i** THE FULL PSEG ENVIRONMENT, HEALTH AND SAFETY POLICY OUTLINING OUR RESPONSIBILITY IS AVAILABLE AT: [HTTP://WWW.PSEG.COM/INFO/ENVIRONMENT/HEALTH.JSP](http://WWW.PSEG.COM/INFO/ENVIRONMENT/HEALTH.JSP)

### Moving toward target zero

PSEG has been internationally recognized as a leading health and safety company. Our results represent top-decile safety performance in our industry and we hold ourselves to nothing less than that standard. We have dramatically improved our safety performance over the past decade with OSHA rates lower than at any time in our history, nearly eight consecutive years of zero fatalities and with only one fatality in the past sixteen years. Yet we are determined not to rest on our journey to achieve our ultimate safety goal of Target Zero – where no one gets hurt.

Building on our health and safety culture, we aim to realize our vision of Target Zero through a strong commitment to continuous improvement and employee involvement. For example, our corporate Health and Safety Council is actively engaged in benchmarking nationally. The Council has also strengthened our Prevention through Design program to further eliminate, reduce or control occupational safety and health hazards and risks.

### Diversity and inclusion

PSEG needs everyone to be able to perform at their highest capability, feel trusted, and have the opportunity to be heard in the workplace. In order to achieve our operational excellence, reliability, profitability, and customer service objectives, we must develop our workforce to reflect and respect our marketplace and our communities. We must develop an inclusive culture that empowers all of our people to contribute to our success.

In the fourth quarter of 2013, PSEG named a Chief Diversity Officer and formed a Diversity & Inclusion Council with a membership of more than 60 employees working at all levels and locations across the business. Council members conducted confidential interviews with company leaders and fellow employees to pulse the population and understand where challenges exist to attracting, engaging and retaining a diverse and skilled workforce. Since its formation, the council has guided the development of a Diversity and Inclusion Commitment Statement, signed by business and union leaders across the company. The council created a strategic goal to measure its effectiveness and is currently developing an associated action plan that targets specific programming and projects that will help promote a culture that embraces diversity and inclusion and improves workplace satisfaction.

## A milestone on PSEG'S diversity and inclusion journey

The signing ceremony marked a significant milestone on our journey to continuously strengthen PSEG's commitment to diversity and inclusion as a cornerstone of our culture. The commitment statement was drafted by the 60-plus, cross-functional leaders who make up our Diversity and Inclusion Council. It begins, "Diversity embraces the full breadth of all people," and continues, "Inclusion is demonstrated by a culture that fosters a sense of belonging to all members of the organization." It boldly outlines how every employee can help drive the principles of diversity and inclusion forward as an essential part of the work we do each day.



### Employee Resource Groups

Employee resource groups provide opportunities for employees to share their diverse interests, talents and learning, often to advance career goals. These networking groups offer information and support, recognize and celebrate the diversity of PSEG employees, and help build a more inclusive culture. They also support our workforce and marketplace goals by helping us build relationships with other organizations in the marketplace to source talent and suppliers. The PSEG Foundation supports these efforts by donating up to \$2,500 annually to charities aligned with our employee resource groups.

The roster of PSEG Employee Resource Groups includes:

- |   |  |
|---|--|
| <b>AABE</b> -American Association of Blacks in Energy                 | <b>Minority Interchange</b> -Minority Professionals                  |
| <b>Adelante</b> -Hispanic/Latino Professionals                        | <b>NAYGN</b> -North American Young Generation in Nuclear             |
| <b>Alliance of Black Professionals</b>                                | <b>PSEG Vets</b> -Veterans, military professionals, family & friends |
| <b>ASPIRE</b> -Asians & Pacific Islanders Reaching for Excellence     | <b>TYPP</b> -The Young Professionals of PSEG                         |
| <b>Enabling Abilities</b> -Employees with disabilities and caregivers | <b>Women's Network</b> -Women Professionals                          |
| <b>GaLA</b> -Gay & Lesbian Alliances at PSEG                          | <b>Women in Nuclear</b>  |

### PSEG's diversity and inclusion journey

An employee suggested at a meeting of PSEG's new Diversity and Inclusion Council that if the company is truly committed to diversity and inclusion – as it is to the health and safety of our employees – then it should have a commitment letter that reflects those values. At the next meeting, the council put pen to paper, defining the terms 'diversity' and 'inclusion,' committing to the values that will help us achieve our goals, and drawing a clear link between a diverse, engaged workforce and the success of our organization. On May 19, 2014, members of our executive officer group and union leadership team formally signed PSEG's diversity and inclusion commitment statement and reaffirmed our goals to attract, retain, and develop a diverse talent pool, as well as foster and maintain an inclusive culture that celebrates the unique contributions of each employee as valued members of our winning team.

**i** FOR MORE ON PSEG'S COMMITMENT TO DIVERSITY AND INCLUSION, SEE: [HTTP://WWW.PSEG.COM/INFO/CAREERS/DIVERSITY.JSP#DIVERSITY](http://www.pseg.com/info/careers/diversity.jsp#DIVERSITY)

### Diversity and Inclusion Training

We expect our employees to know and uphold our values. In 2011, we completed an 18-month effort to train our employee base in diversity and inclusion. Diversity and inclusion training provides employees with the knowledge, comfort, and access to resources to understand and act in accord with our standards. Employees voice concerns and resolve conflicts. Our program was mandated at all levels and set expectations for our entire workforce.

### Workforce

Attracting a diverse and high-performing workforce is step two in our diversity strategy. We partner with a variety of organizations to position PSEG as an employer of choice and attract top talent.

We are especially proud of our relationships with the military, supporting our efforts to recruit members of our armed forces returning from tours of duty. We design specific outreach and hiring programs and policies to meet the needs of members of the military and their families. One policy allows specific members of the Reserve Forces, who become activated for a tour of duty, to return afterwards to their jobs at PSEG. For the second year in a row, we were ranked in the top 100 military-friendly companies by GI Jobs Magazine.

### Achievements

Our diversity efforts have received external recognition. In each of the last three years we have received Readers Choice from Equal Opportunity Magazine as a company on its list of Top 50 Employers. Our programs are consistent with industry best practices for top-performing companies according to Diversity, Inc. We have also been recognized by organizations dedicated to certifying and promoting Minority and Women Business Enterprises. We have won the NY and NJ Minority Supplier Development Council's Corporation of the Year Award three times and the Coordinator of the Year Award three times.



Employee Resource Groups that encourage employees to share their diverse interests.

## Corporate citizenship

We take pride at PSEG in our long history of corporate citizenship and leadership in the communities we serve. Our community role is not set apart but is integral to our daily work as an essential energy provider with a proud and active Public Service tradition. We strongly believe that our core values, including safety, reliability, diversity and inclusion, are the right ones to drive our continuing efforts to build a sustainable future in alignment with our communities.

To support this alignment, we have further defined our Foundation and corporate giving to invest in programs and organizations in three key areas – sustainable neighborhoods, STEM education, and safety and disaster preparedness. We established a new volunteer time-off policy that encourages employees to give back to communities in ways that matter most to them. Through our citizenship efforts, we strive to develop an inclusive culture that empowers our people to contribute to our company's success; build the company's reputation as a leader in innovation and safe, efficient business practices; and power a brighter future for the customers and communities where we live, work and serve.

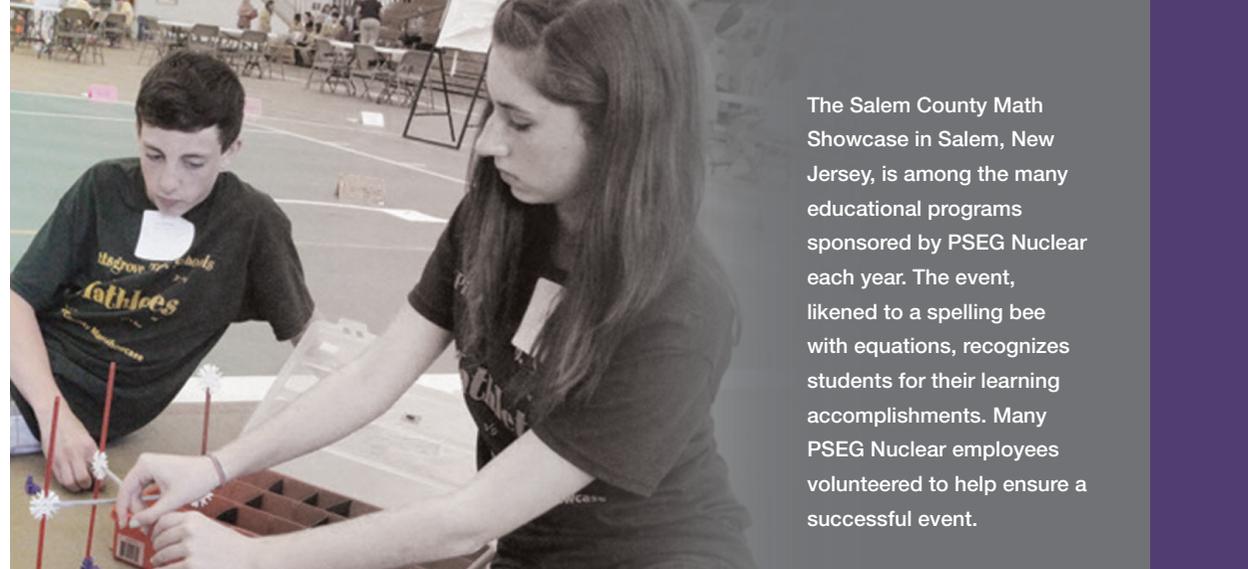
## PSEG Foundation

The PSEG Foundation has continued to advance its strategy of making a smaller number of larger, more impactful grants to organizations that align with our priority giving areas and that cross our giving territory, which has expanded to our service and operating territories in New Jersey, New York and Connecticut. In 2013, the Foundation funded more than \$5.2 million to programs and organizations in three key areas: sustainable neighborhoods, STEM education and safety.

**Sustainable Neighborhoods:** We promote the well-being of communities in many ways. Our company's commitment to environmental stewardship stretches beyond our own operations. We invest in public parks that improve the quality of life for local residents and in the environmental organizations that protect and preserve natural resources, address climate adaptation, and build sustainable communities.

We support organizations that anchor their communities by providing a variety of programs and services for the whole family unit, including childcare services that enable parents to work fulltime, mortgage and financial counseling, job placement and skills training, health care resources and information, and housing stability. In 2013, the Foundation awarded \$2.6 million to organizations building safe, healthy and sustainable communities.

**Science, Technology, Engineering and Mathematics (STEM) EDUCATION:** Out-of-school time programs present an opportunity to spark curiosity and build a continued passion for science, technology, engineering and math learning.



The Salem County Math Showcase in Salem, New Jersey, is among the many educational programs sponsored by PSEG Nuclear each year. The event, likened to a spelling bee with equations, recognizes students for their learning accomplishments. Many PSEG Nuclear employees volunteered to help ensure a successful event.

We support programs that engage, excite and inspire students in STEM subjects. In 2013, we created a focused funding program to identify organizations that provide highly technical, hands-on STEM learning experiences for youth.

PSEG is committed to fostering a pathway to success for students studying STEM subjects in higher education, particularly women and minorities. We partner with key colleges and universities with strategic programs that build a pipeline of curious and prepared middle and high school students, ready to pursue a field of study in the STEM fields. We provide scholarship funding so that the best and brightest have access to higher education and identify real-world work experiences that prepare students for their careers after college, through capstone projects, internships and mentoring programs. In 2013, the Foundation awarded \$1.5 million to programs that engage students in STEM.

**Safety And Disaster Preparedness:** Superstorm Sandy, which struck New Jersey in late October 2012, was the worst storm in our company's history. We learned that proactive strategies are needed to reduce our vulnerability to these events. In 2013, we partnered with Sesame Workshop to create a disaster planning app that parents and guardians can use to prepare children for emergency situations. The app and associated educational materials will be rolled out at community events across our territory in 2014-2015, providing tools to teach kids vital lessons using Sesame Street's safe and trusted brand.

Our employees are on the ground immediately following a major event, often working side by side with police, fire and rescue, local officials, and other disaster response organizations. We partner with these organizations to establish communication and response plans within the communities we serve before the next crisis occurs. Working with experts throughout our company, we also educate customers, government and emergency responders about electric and gas safety issues.

Burn and trauma centers provide critical care when our employees and customers need it most. We support burn and trauma centers throughout PSEG's service and operating territories in New Jersey, Connecticut and New York. In 2013, the Foundation awarded \$1.2 million to organizations and programs that strengthen safety systems and build resiliency within our communities.

In 2013, the  
foundation  
awarded  
**5.2**  
million dollars  
to support  
community  
programs and  
organizations.

## Creating Safe Play Spaces for Children with KaBoom!

KaBoom! is a national non-profit organization dedicated to creating safe play spaces for children through the participation of organizations like the PSEG Foundation in partnership with a local community. Each project is kicked off with Design Day, where children provide ideas that will be used to design their dream playground. In the 8-10 weeks following Design Day, the PSEG team and community residents are invited to participate on planning committees (i.e., fundraising, food, or public relations and media). On Build Day, PSEG employees work side-by-side with community volunteers in a turnkey volunteer event to build a playground that will be enjoyed by thousands of children over the years. To date, PSEG has built two playgrounds for Sandy-affected communities Moonachie and Little Ferry, New Jersey.



### Corporate giving

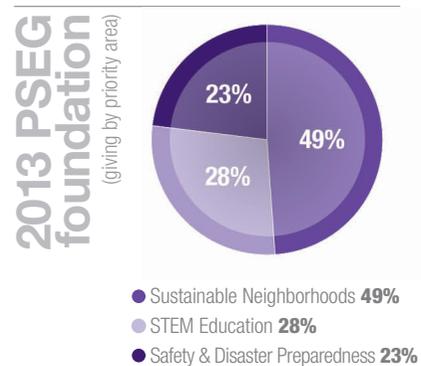
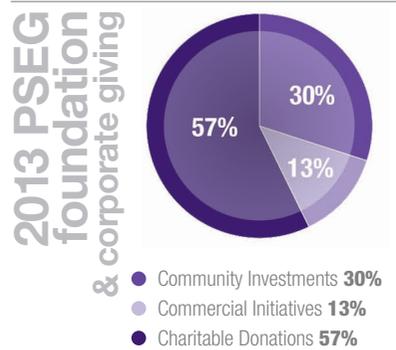
The PSEG family of companies provides support for a variety of civic, non-profit and cultural events and institutions, as well as targeted sponsorships and memberships, in the places where we do business. In 2013, our total corporate contributions totaled \$2.8 million.

### Employee volunteerism & giving

Our dedicated employees remain our most important asset. We are fortunate to have an outstanding workforce of diverse and highly skilled people who drive us forward while giving back of their own time and support to the causes that matter most to them. PSEG's matching gift program is open to employees, retirees and members of our Board of Directors. In 2013, our Foundation board approved an increase of matching gifts to charitable and civic organizations from \$100 to \$2,500. The Foundation also matches gifts to qualified educational institutions up to \$5,000. In 2013, PSEG matched \$530,000. Employees can also receive up to \$1,000 annually in volunteer grants for their organizations, including qualified 501(c)(3) organizations, youth sports groups, and veterans, fire and rescue organizations. In 2013, the company provided volunteer grants totaling \$54,000.

In 2013, the Foundation Board also approved a policy that allows up to eight paid hours of volunteer time for our employees to use for company-approved activities. The approved policy was the result of a year-long effort with various departments and union leadership working together, and it represents a significant milestone for our company. The policy takes effect in 2014 and will be introduced with a new volunteer website that tracks employee volunteer hours and grants.

Lastly, employees organized multiple fundraising events during the year for the PSE&G Children's Specialized Hospital, raising nearly \$130,000 for the hospital.



## Employee welfare Taking care of our employees

People select companies that share their values. We find that job candidates are drawn to us because of our reputation and stability along with our clean energy initiatives, environmental stewardship and strong ties to the communities we serve. PSEG has provided opportunities for our employees to grow with us for more than 100 years, and we will continue to foster a workplace environment that contributes to this success. Our people remain the foundation of our success, and it is our responsibility to ensure we look after them.

Employees who are members of labor unions covered under collective bargaining agreements comprise nearly two-thirds of our workforce. We have agreements reached with most of our major unions on contract renewals through April 2017, reflecting shared interest in managing costs and ensuring sound management/labor relations.

### Compensation and benefits

PSEG understands that taking great care of our customers starts with making sure we take great care of our employees. We use third-party compensation surveys and perform individual benchmarking as necessary to ensure competitive levels of compensation for our employees. Each employee's salary and incentive compensation is linked to their individual performance as well as overall corporate financial performance and business area performance. Our comprehensive benefits package empowers employees to be their best. We benchmark our industry peers to ensure we are within five percent of the group average and adjust as the market changes. The wide range of employee services, retirement, health and other benefits are designed to help employees enhance their work-life balance and suit their diverse lifestyles. Highlights of benefits include:

**Employee Assistance Program (EAP):** Employees working through a personal problem that could affect their well-being can call the EAP hotline 24 hours a day for confidential counseling and referrals. Counselors provide assessment, short-term counseling referrals and treatment monitoring.

**Carebridge:** This service is available to help employees who are caring for aging parents, children with injuries or disabilities, or family members with substance abuse problems. PSEG's Carebridge program supports employees with referrals to professional assistance that supports a family member in need.

**Bright Horizons Child Care Program:** This service offers priority access for back-up, full-time and part-time child care to company employees. In addition, employees are provided with 20 visits per year, subject to a \$15 co-pay, at Bright Horizon's Child Care facilities nationwide for back-up child care.

**i** MORE INFORMATION ON CAREERS WITH PSEG AND OUR BENEFITS IS AVAILABLE ON THE FOLLOWING WEBSITES:  
PSEG CAREERS: [HTTP://WWW.PSEG.COM/INFO/CAREERS/](http://www.pseg.com/info/careers/)  
PSEG BENEFITS: [HTTP://WWW.PSEG.COM/INFO/CAREERS/BENEFITS.JSP](http://www.pseg.com/info/careers/benefits.jsp)

## Wellness and lifestyle

Lifestyle and employee well-being are essential to a high-performance culture. PSEG provides additional services beyond traditional benefits to support and encourage employees to lead a balanced and healthy lifestyle.

**Fitness and Health:** We provide an on-site fitness center at two of our largest sites and fitness reimbursement at our other sites. We maintain several lifestyle management programs that help employees learn about and manage their blood pressure, cholesterol, stress, nutrition, and weight.

**Shots and Screenings:** Each year we offer flu shots free of charge to our employees who choose to participate. We also offer free cardiovascular screenings annually.

**Disease Management:** Our disease management programs help employees dealing with diabetes or coronary disease benefit from additional support in managing their health.

A corporate wellness council, consisting of various union and management personnel, has played a significant role in promoting wellness and wellness-related programs. These resources are available to all our full-time employees.

## Employee engagement Aligning passion, experience and skills

We know we will have to continue to engage employees to achieve our goals and win the race for talent. We implement several employee engagement programs, guided by our employee engagement strategy, and will continue to seek ways to win the hearts and minds of our employees.

### Employee engagement strategy

In 2012, 97 percent of PSEG's non-union employees completed an employee engagement survey. Approximately 300 managers across PSEG received individual survey results for their business areas and then worked with their teams to create specific action plans targeting improving employee engagement across the company. A pulse survey was administered in December 2013 as a follow up to key initiatives undertaken in 2013. Statistically significant improvement was made in this area. A full employee survey will be conducted in the third quarter of 2014.

### Winning hearts and minds

Employee engagement is critically important in the short and long term. Our challenge continues to be creating a workplace environment where employees feel increasingly engaged and empowered to be their best – building satisfying careers and growing with us over many years. We must continue to measure employee engagement and satisfaction, and focus on continuous improvement in taking care of our employees so that they stick with us and take care of our customers. Additionally, PSEG is focused on efforts to ensure employees feel comfortable speaking up, share issues and ideas to continue to improve the work environment and the business.

### Employee spotlights

One of the elements of employee engagement that we are most proud of is our regular spotlight on employee accomplishments in our monthly PSEG Outlook newspaper.



PSEG is strongly committed to fostering a culture where employees truly feel comfortable speaking up to share their ideas and concerns – and help us become an even better, more inclusive company.

Throughout the newspaper, we feature employees going the extra mile, examples of ways in which PSEG is a good place to work, and unsung heroes in the workplace.

**Incentive Compensation Linked to Employee Engagement – “Comfort Speaking Up”:** While we had made progress in employee engagement throughout 2012, there was room for improvement where employees feel comfortable speaking up. To address this, in 2013, 10 percent of incentive compensation for all non-union employees was linked to a shared goal around fostering a culture where employees feel comfortable speaking up to share their ideas, concerns and ethical issues, as well as make our culture more open and inclusive. We increased communications with our employees at all levels and when we surveyed our employees at the end of the year, they let us know we had made progress with improved engagement scores. Our 2013 results met our targets for Comfort Speaking Up. To build further on this progress, our “People Strong” engagement goal for 2014 is focused on fostering and leveraging diversity and inclusion at PSEG.

In addition to this strong focus on employee engagement, our incentive compensation program continues to provide award opportunities for employees for meeting and exceeding both operating and financial performance goals. In 2014, PSEG is emphasizing the importance of ongoing development for each employee. All employees are to have 1-2 development goals documented in their 2014 performance goals. At year end, all employees will need to demonstrate that they accomplished their development goal(s).

## Talent management Mapping out the path to employee success

A high-performance culture rewards personal growth, input from our employees, leadership and professional development. PSEG is committed to developing a strong culture through effective employee support.

We also recognize the challenge of preparing our workforce for a transition with the retirement of baby boomers in the next decade. While PSEG provides strong development and training programs, like others in our industry, we have an aging workforce. More than 30 percent of our employees will be retirement-eligible over the next five years. This can be especially difficult to manage since finding employees with the skills necessary to replace these career veterans is not always easy, particularly in areas like PSEG Nuclear where it can take years of on- and off-the-job training and development to qualify for certain positions.

The PSEG Supervisory and Leadership Academies are an important part of our workforce development efforts, and we will continue to develop succession plans and additional programs to support the growth

In  
2012  
97

percent of  
PSEG's  
non-union  
employees  
completed  
an employee  
engagement  
survey

The EAP  
hotline  
is open

24

hours a day  
for confidential  
counseling and  
referrals

Theresa Widger, stakeholder outreach specialist, manages important relationships between PSEG Nuclear's Energy and Environmental Resource Center (EERC) and the surrounding community.

The center is dedicated to educating the public and promoting conversations around matters related to energy and the importance of the community. It hosts everyone from area students and scouts to industry professionals and elected officials.

of our employees. We also continue to strengthen our internal hiring, training process and recruitment process to develop a pipeline of employees that can meet anticipated attrition needs. An emphasis on developing women as leaders has also been a focus

of the organization. Through the launch of GROW – Growing and Reaching for Opportunities for PSEG Women, an emphasis has been placed on accelerating the leadership growth and cross-functional business knowledge of women first-line leaders through structured development programs, self-assessment and internal mentoring.

### Career development

PSEG provides comprehensive approaches and tools for employee career development. All non-union employees set development goals with their managers, participate in a performance appraisal process and have access to a variety of tools and resources to improve their skills and track their progress.

Highlights of initiatives that facilitate employees' continued growth and development include:

**Training:** Our Training & Development Center in Edison, New Jersey provides employees with technical training needed to succeed and grow as a skilled tradesperson in the utility industry. A portal of 30 e-learning programs focused on employees' professional and leadership development has been launched to provide self-paced learning opportunities.

**Leadership Coaching:** During the summer of 2013, a program titled "Empower to COACH" was launched for managers to improve their ability to coach, provide ongoing feedback and recognize performance. This program, which is ongoing into 2014, has a strong focus on the fundamental skills needed to effectively manage and help employees meet and exceed performance expectations. Also, in 2013 and continuing into 2014, vice presidents and directors across the company have participated in a 360-degree feedback process, and working with an external executive coach, have created a development plans aimed at making them even stronger leaders. These plans continue to be executed and reviewed.

**Leadership Academy:** The PSEG Leadership Academy is a week-long immersion program for top-performing managers. It provides intensive training on leadership, decision-making and problem solving by engaging executives and their peers across the company.



Additionally, leadership development focused on the needs of business functional units has been developed and rolled out in 2014. These programs will continue to be evaluated and assessed for wider use as appropriate.

**i** A FULL DESCRIPTION OF PROGRAMS IS AVAILABLE ONLINE AT: [HTTP://WWW.PSEG.COM/INFO/CAREERS/DEVELOPMENT.JSP](http://www.pseg.com/info/careers/development.jsp)

We have a strong focus on empowering our employees with the information, resources and tools they need to achieve success. The PSEG intranet, myPSEG.com, provides employees with access to helpful information on their benefits, retirement plans and many other topics of interest. We maintain an electronic catalogue of policies, practices, procedures, and operational excellence models so employees know exactly how to excel. Internally, public information is communicated through myPSEG.com, daily emails, and PSEG Outlook, our employee magazine.

We provide additional resources for new PSEG employees as part of their onboarding process, which also includes a number of e-learning modules to help them become more familiar with the company. For instance, PSEG's new employee orientation, Power Up, and a classroom-hosted program called Working with Integrity, focus on PSEG's culture, code of conduct and other work environment areas. New employees can register online to obtain additional information on various subjects to aid their continued development.

Our focus on workforce training and development flows from a simple fact: It takes highly skilled, trained and motivated people to achieve operational excellence. Fostering an environment where people can be their best makes perfect sense to us as a company dedicated to excellence. Ultimately, the energy behind PSEG isn't the pipes and wires of our infrastructure or the turbines and boilers of our power plants. The energy of PSEG is our people.

putting  
people  
first



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**Forward Looking Statement:** Readers are cautioned that the statements contained in this communication about us and our subsidiaries' future performance, including, without limitation, future revenues, earnings, strategies, prospects, consequences 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. There are a number of risks and uncertainties that could cause actual results to differ materially from what may actually occur. A discussion of some of these risks and uncertainties is contained in our Annual Report on Form 10-K and subsequent reports on Form 10-Q and Form 8-K filed with the Securities and Exchange Commission (SEC). 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 communication. Forward looking statements made in this communication only apply as of this 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 internal estimates change, unless otherwise required by applicable securities laws. Please [click here](#) to read our complete Forward Looking Statement.