

PSEG
CORPORATE GOVERNANCE PRINCIPLES
AMENDED AND RESTATED JANUARY 1, 2009

The Corporate Governance Principles (“Principles”) of Public Service Enterprise Group Incorporated (“Company” or “PSEG”) provide guidelines for Directors and management to effectively pursue PSEG’s business objectives as a diversified energy services company in the global markets. These Principles are reviewed periodically by the Corporate Governance Committee, which recommends appropriate changes to the Board of Directors (“Board”).

Board of Directors

PSEG’s business and affairs are managed by or under the direction of the Board of Directors, which delegates certain responsibilities to its committees and to management consistent with the By-Laws of the Company.

The Directors of PSEG are elected by the stockholders to provide direction and oversight to the conduct of PSEG’s business by management. In fulfilling these responsibilities, the Board performs the following principal functions:

- Approves corporate strategy, major management initiatives and significant investments;
- Monitors financial and business integrity and performance;
- Evaluates Board processes and performance, and selects nominees for election to the Board; and
- Selects and evaluates performance of the Chief Executive Officer (“CEO”) and other senior executives.

These activities are generally performed in cooperation with the Company’s CEO, who is a member of the Board. The Board has full and free access to all members of management and may hire independent consultants and advisors as it deems necessary.

Chairman of the Board and President

The By-Laws of the Company provide that the Chairman of the Board and the President are members of the Board, and that either the Chairman or the President shall be the CEO, as designated by the Board. The By-Laws also permit one person to hold both the Office of Chairman of the Board and President, as determined by the Board.

Board Independence

A majority of the Board shall consist of “independent directors”, as determined by the Board. The Board adopts the New York Stock Exchange definition of "independent director" as one who has no material relationship with the Company (either directly or as a partner, shareholder or officer of an organization that has a relationship with the Company). In determining independence, the Board shall consider relationships with Directors, including levels of business, charitable and familial relationships with entities affiliated with Directors, and applicable regulatory requirements, to assure such relationships are consistent with an independent relationship.

The Board employs the categorical independence standards listed below to assist it in making determinations of independence. An Independent Director shall have no material relationship with PSEG and its subsidiaries, as determined by the Board, including the following:

1. The Independent Director shall not be an employee of PSEG or any of its subsidiaries.
2. No member of the Independent Director’s immediate family shall be an executive officer of PSEG or its subsidiaries.
3. The Independent Director or member of the Independent Director’s immediate family shall not receive more than \$50,000 per year in direct compensation from PSEG, other than Director and Committee fees and other compensation provided to Directors generally.
4. The Independent Director or member of the Independent Director’s immediate family shall not be affiliated with or employed by the independent or internal auditor for PSEG and its subsidiaries.
5. The Independent Director or immediate family member of the Director shall not be employed by another company where any of PSEG or its subsidiaries’ executive officers serves on the compensation committee of such other company.
6. The Independent Director shall not be an employee, and an immediate family member shall not be an executive officer, of a company that makes payments to or receives payments from PSEG and its subsidiaries, in an amount which, in any single fiscal year, is more than \$1 million, or 2% of such other company’s consolidated gross revenues, whichever is greater.
7. The Independent Director shall not be an executive officer of a charity if contributions by PSEG and its subsidiaries exceed \$1 million, or 2% of the charity’s consolidated gross revenues, whichever is greater.
8. Limitations one through seven (1-7) above shall apply for three years after the end of the applicable affiliation or arrangement.
9. The Board will annually review other commercial relationships of Directors and determine whether any of those relationships are material relationships that impair a Director’s independence, even though those relationships would not be regarded as material relationships that affect independence under the standards provided in 1 through 6 above. In making this determination, a Director’s position as a Director or less than 5% equity holder of another company with which the Company does business will not be considered a material relationship that impairs the Director’s

independence if the aggregate of payments made by the Company to that other company, or received by the Company from that other company, in its most recent fiscal year, were less than the greater of \$1 million or 5% of the recipient's consolidated gross revenues in that year. In making this determination, a commercial transaction will not be deemed to affect a Director's independence if and to the extent that the transaction involves A) the sale of electricity or gas or related products or services in the ordinary course of business, B) the purchase of goods or services at rates or charges that are determined by competitive bidding or are set with reference to prevailing prices set by a well-established commodity market, C) the purchase of services of a common carrier or commercial banking services or participation as an underwriter or placement agent in an offering of debt or equity securities in the ordinary course of business of the Company, D) the collection or remittance of funds as billing or collection agent for competitive suppliers or service providers or similar collections and remittances, or E) the purchase of goods or services at rates or charges that are fixed in conformity with law or governmental authority. In addition, a purchase of electricity or gas or related products or services from the Company, by a Director or a Director's immediate family member, in the ordinary course of business of the Company, will not be considered a material relationship that impairs the Director's independence. Notwithstanding the foregoing, the Board will not treat a Director's relationship with the Company as categorically immaterial if the relationship is required to be disclosed by the Company pursuant to Item 404 of Regulation S-K.

10. The Board will annually review other relationships Directors have with charitable and other tax-exempt organizations and determine whether any of those relationships are material relationships that impair a Director's independence, even though those relationships would not be regarded as material relationships that affect independence under the standard provided in item 7 above. In making this determination, a Director's relationship with a charity or other tax-exempt organization to which the Company makes contributions will not be considered a material relationship that impairs the Director's independence if the aggregate contributions made by the Company to that organization in its most recent fiscal year were less than the greater of \$1 million or 5% of that organization's consolidated gross receipts in that year. For purposes of this rule, payments made by the Company to a charitable or other tax-exempt organization under matching gifts programs or payments for services or rental or use of facilities will not be considered "contributions."
11. If a Director has a business or other relationship that does not fit within the rules stated above regarding Director independence, the Board may determine that the Director is independent after considering all relevant facts and circumstances.
12. The immediate family of a Director includes the Director's spouse, parents, children, siblings, mothers and fathers-in-law, sons and daughters-in-law, brothers and sisters-in-law, and anyone (other than domestic employees) who shares the Director's home.
13. Members of the Audit Committee and Organization and Compensation Committee must meet additional requirements to be considered independent for Committee purposes, as described below for these Committees.

Presiding Director

The non-management directors designate an independent director who serves as Presiding Director. The Presiding Director has the following duties and responsibilities:

- 1 . Chairs executive sessions of the Board;
- 2 . Consults with the Chairman of the Board on Board Agendas;
- 3 . Advises the Chairman of the Board on the quality and timeliness of information;
- 4 . Serves on the Executive Committee; and
- 5 . Receives from the Corporate Secretary communications to the non-management directors.

The designation of Presiding Director rotates among the independent Directors willing to serve in the position. Each Presiding Director serves for a term of two years commencing at the organizational meeting of the Board following the annual meeting of the Company's stockholders; provided that a Presiding Director may serve in that position for up to an additional twelve consecutive months after expiration of his or her two-year term if approved by the vote of the non-management directors.

Board Nominees

The Corporate Governance Committee, on behalf of the Board, seeks candidates for the Board with an attained position of leadership in their field of endeavor, breadth of experience and sound business judgment. This Committee monitors the composition of the Board to assure that it contains a reasonable balance of professional interests, business experience, financial expertise, diversity and independent Directors. The Committee also considers the amount of time that a person will likely have to devote to his or her duties as a Director, including non-PSEG responsibilities as an executive officer, board member or trustee of businesses and charitable institutions, and the contribution by Directors to the ongoing business of PSEG. The Committee further evaluates the continuity current Directors bring to service on the Board versus the benefit from new ideas and perspectives that new members bring to the Board. The Committee does not believe it is appropriate to set absolute limits on outside board memberships for Directors, other than the CEO, or the length of a Director's term. The Committee monitors the above factors so that the Board contains an effective mix of people to best further PSEG's long-term business interests.

Board Compensation

Director compensation shall be reviewed periodically by the Corporate Governance Committee, which shall make recommendations to the Board for changes. The Board will periodically modify compensation of Board members, Committee Chairs and the Presiding Director as appropriate. It is the Board's intention to provide compensation to non-management Directors that is comparable to Director compensation for other large global energy companies, in order to be able to attract and retain high quality Board members. This compensation is expected to include a retainer, which may include PSEG common stock, meeting fees, restricted stock compensation and reimbursement for expenses for attending Board and Committee meetings and related functions. Directors who are compensated as officers or employees shall not receive any additional compensation for Board membership. In accordance with PSEG's Certificate of

Incorporation, the Company shall provide indemnity and reimbursement of expenses to the full extent permitted by law. PSEG provides Directors and officers' insurance to cover responsibilities of Directors and officers.

Committees

The standing Committees of the Board, and a synopsis of their functions and any membership requirements, are set forth below. Each Committee periodically assesses its role and modifies it as required to meet current business needs and legal requirements. Each Committee meets in executive session at each meeting, unless waived by the Committee. Generally, each Chair of a Board Committee serves a four-year term. To coordinate the oversight of risk management activities, the Board endeavors to assure that the Chair of the Audit Committee serves on the Finance Committee and the Chair of the Finance Committee serves on the Audit Committee.

Audit Committee

Assists the Board in fulfilling its responsibility for oversight of the integrity of PSEG's financial statements, and the quality and integrity of the accounting, auditing and financial reporting practices of the Company, with open and free access to all information of PSEG and its subsidiaries. Reviews independence of the independent auditor, and is solely responsible for the appointment, termination, compensation and oversight of the work of the independent auditor. Reviews with the independent auditor, management and the internal auditors, the annual audited and quarterly financial statements, and the acceptability and the quality of PSEG's financial statements and its accounting, reporting and auditing practices. Reviews the adequacy of internal controls. Reviews risk management controls. Generally discusses earnings press releases, financial information and earnings guidance, which have been provided to analysts and rating agencies, and policies with respect to risk assessment and risk management. Recommends to the Board the inclusion of the audited financial statements in PSEG's Form 10-K Annual Report to the Securities and Exchange Commission. Issues an annual Audit Committee Report for inclusion in the Proxy Statement. Provides oversight of the internal audit and environmental, health and safety audit functions of the Company. Reviews the status of pending material litigation, legal and business conduct compliance and insurance programs.

Membership Requirements: Three or more independent Directors, as defined by the Board, who meet NYSE requirements for financial literacy, including at least one member with accounting or financial management expertise. In addition to meeting the requirements for being an independent Director, members shall receive no direct or indirect compensation from the Company or its subsidiaries other than as a Director or Committee member, and shall not be affiliated with the Company or its subsidiaries, in accordance with applicable legal requirements. A Director who serves on the audit committees of more than three public companies may serve on the Audit Committee of this Corporation only if the Board determines that such simultaneous service will not impair the ability of such Director to serve on the Audit Committee.

Meeting Frequency: At least four times a year.

Corporate Governance Committee

Monitors the composition of the Board to assure that it contains a reasonable balance of professional interests, business experience, financial expertise and independence. Considers the qualifications of Board members and evaluates prospective nominees identified by the Committee or by other Board members, management, stockholders or other sources. May retain search firms to assist in the identification of director candidates and consultants to review and recommend Directors' compensation. Recommends to the Board membership changes and nominees to maintain the requisite balance. Recommends Committee Chairs and members to the Board for all Board Committees. Studies and makes recommendations to the Board with respect to compensation for Directors who are not officers. Provides input to the Organization and Compensation Committee regarding performance of the Chairman of the Board.

Assists the Board in periodically evaluating the governance practices of the Board and its Committees, including a review of the size, structure and composition of the Board and its Committees and their governance practices. Oversees self-assessment process of the Board and its Committees. Considers and makes recommendations for the Directors' orientation and for Directors' continuing education. Makes recommendations to the Board to improve the effectiveness of the Board and its Committees, as required.

Membership Requirements: Three or more independent Directors.

Meeting Frequency: At least two times per year.

Executive Committee

Has and may exercise all the authority of the Board when the Board is not in session. The Executive Committee meets only if it is impracticable to convene the full Board.

Membership Requirements: The Chairman of the Board, the Presiding Director and at least one additional independent Director.

Meeting Frequency: Meets only on call.

Finance Committee

Considers financial policies, or changes therein, including dividend policy, before presentation to the Board. Periodically reviews financial planning and risk tolerance. Makes recommendations to the Board regarding the issuance and sale of securities and approves issuance of equity securities. Reviews and makes recommendations regarding project investment, cash investment guidelines and delegation of authority. Reviews performance of the trust funds of the pension plans of PSEG and the Nuclear Decommissioning Trust Funds of PSEG Nuclear LLC.

Membership Requirements: Three or more members, the majority of which are independent Directors.

Meeting Frequency: At least three times per year.

Fossil Generation Operations Oversight Committee

Provides an independent basis for evaluating the safety and effectiveness of the fossil generation operations of PSEG Fossil LLC and PSEG Energy Holdings L.L.C. Evaluates overall management attention to safety, plant performance, regulatory matters and large construction projects, and to improvement in operations.

Membership Requirements: Three or more independent Directors.

Meeting Frequency: At least three times per year.

Nuclear Generation Operations Oversight Committee

Provides an independent basis for evaluating the safety and effectiveness of the nuclear generation operations of PSEG Nuclear LLC. Evaluates overall management attention to safety, plant performance, regulatory matters and large construction projects, and to improvement in operations.

Membership Requirements: Three or more independent Directors.

Meeting Frequency: At least three times per year.

Organization and Compensation Committee

Reviews, approves and modifies, as necessary, PSEG's executive compensation policy. Studies and makes recommendations to the Board concerning corporate organization in general, and compensation for certain executives. Administers the compensation program for executive officers and key employees. Reviews and makes recommendations to the Board with respect to certain incentive compensation programs for officers and other key employees and certain benefit plans for officers. Reviews and approves corporate goals and objectives relevant to CEO compensation (Five Year Business Plan), evaluates the CEO's performance in light of those goals and objectives, and, with the independent Board members, determines and approves the CEO's compensation level based on this evaluation. Administers certain benefit plans for officers. Reviews management's succession and development plans, and performance reviews for the CEO and certain other key members of management. Retains compensation consultants to assist in designing compensation programs that are consistent with comparable industry practices. Recommends to the Board the inclusion of the Compensation Discussion and Analysis in PSEG's Form 10-K Annual Report to the SEC. Issues Organization and Compensation Committee Report for inclusion in the Proxy Statement.

Membership Requirements: Three or more independent Directors. In addition, members of the Organization and Compensation Committee shall be Directors who are “outside directors” as defined for purposes of Section 162(m) of the Internal Revenue Code.

Meeting Frequency: At least two times per year.

Director Stock Ownership and Transactions

All Directors are required to own beneficially at least 4,000 shares (including any restricted stock, whether or not vested, any stock units under the 2007 Directors’ Equity Plan, and any phantom stock units under the Directors’ Deferred Compensation Plan) of PSEG common stock within three years after their election to the Board. Directors are required to report transactions involving PSEG securities to the Corporate Secretary. The Company assists Directors and executive officers in the preparation and filing of Section 16 reports. Directors are to comply with the Company’s Insider Trading Policy.

Board Meeting Frequency

The Board is scheduled to meet at least six times per year. During the months when the Board does not hold regularly scheduled meetings, the CEO provides the members of the Board with a summary of current financial and operating results of the Company.

Executive Sessions

The Board meets in executive session without management in attendance at every meeting unless waived by the Board. In addition, the independent Directors will meet in executive session at least once a year with only independent Directors present (if there are any non-management directors who are not independent). The non-management Directors or the independent Directors, as appropriate, will meet in executive session 1) when the Board evaluates the performance of the CEO, 2) when it determines the compensation of the CEO, and 3) at any other time that such Directors desire to meet in executive session. The Presiding Director shall preside at all executive sessions of the Board and shall report the results of such sessions to the Chairman of the Board to the extent directed by the Directors participating in such sessions.

Board Agendas

The Chairman of the Board establishes the preliminary agenda for each meeting of the Board in consultation with the Presiding Director. Preliminary Committee agendas are discussed with the respective Committee chairs. The members of the Board and its Committees receive these preliminary agendas and associated materials in advance of the Board and Committee meetings and are requested to provide any additional agenda items.

Meeting Attendance and Preparation

Each Director is expected to attend all Board meetings and all meetings of Committees of which the Director is a member. The Board recognizes that, on occasion, meetings will need to be scheduled on short notice and conflicts in schedules will arise that preclude Director attendance. However, the Board expects each Director will make every effort to keep absences to a minimum. The Board encourages personal attendance and discourages attendance telephonically, unless required by special circumstances. Unless a meeting is specifically designated as “telephonic”, the Chair or Chair pro tem should be physically present at the meeting. The Office of the Corporate Secretary records Director attendance for all Board and Committee meetings and provides a quarterly written report to each Director that contains the Director’s year-to-date attendance record. Meeting materials are provided to Board and Committee members prior to meetings, and members are expected to review such materials prior to each meeting. The Presiding Director regularly advises the Chairman of the Board as to the quality and timeliness of information provided to directors. Each Director is also expected to attend the Annual Meeting of Stockholders.

Board and Committee Performance

The Corporate Governance Committee assists the Board in evaluating the governance practices and performance of the Board and its Committees. The evaluation process includes an annual survey of the individual views of all independent Directors. A summary of the results of the assessments is shared with the full Board, and changes are made as deemed appropriate.

Standards of Integrity and Conflicts of Interest

The general guidelines for business conduct are contained in the Company’s Standards of Integrity. The Board endorses the Standards of Integrity and operates in accordance therewith. PSEG conducts its operations so as to avoid conflicts of interest. If a Board member, or an immediate member of his or her family, encounters a conflict of interest or proposes to accept a position with an entity which may present a conflict of interest, he or she will notify the Chair of the Corporate Governance Committee, so that the issue can be reviewed prior to becoming effective. Potential conflicts of interest to be reported by Directors include, but are not limited to, positions Directors and their immediate family members hold as Directors, officers, or employees of other companies with which the Company does business or proposes to do business and charitable and other tax-exempt organizations to which the Company makes contributions or proposes to make contributions.

Limits on Other Board Memberships

The CEO will not simultaneously serve as a Director of more than three public companies, including PSEG. Without Board approval, a Director may not serve as a member of the Audit Committee of PSEG if he or she serves on the audit committee of more than three public companies. Prior to accepting election as a director to a public company, the CEO and any Director will consult with the Chair of the Corporate Governance Committee to review potential conflicts and time demands of the new directorship.

Director Orientation and Continuing Education

New Directors receive an orientation packet produced and maintained by the Office of the Corporate Secretary. An orientation program, including visits to corporate facilities and discussions with associates from various levels in the organization, will be afforded to new Directors. Continuing education is provided to Directors on topics of importance to the business, finances and governance of the Company. Relevant experience and education of Directors from non-PSEG sources are considered.

Retirement Policy For Directors

Under the Retirement Policy for Directors, Directors who have never been employees of the PSEG group of companies may not serve as Directors beyond the Annual Meeting of Stockholders following their seventy-second birthday. Directors who are former chief executive officers of PSEG may not serve as Directors beyond the Annual Meeting of Stockholders following termination of active employment with the PSEG group of companies, unless otherwise determined by the Board, and may not serve beyond their seventy-second birthday. Directors who are former employees, other than chief executive officers, may not serve as Directors beyond the Annual Meeting of Stockholders following termination of active employment with the PSEG group of companies. In accordance with this policy, new nominees are expected to be able to serve for at least five years.

Change in Director Employment Responsibilities

Directors offer their resignation from the Board for consideration by the Corporate Governance Committee upon a change in their primary employment responsibilities.

Business and Financial Review

The Board annually reviews the Five-Year Business Plans of the Company and its principal operating companies. Upon the recommendations of the Finance Committee and the Audit Committee, the Board annually establishes a Risk Management Policy, which includes policies for risk management, issuance and retirement of debt, cash investments and capital investment. Throughout the year, the Board monitors management's performance against the business plan and the risk management policy.

Communication with Non-Management Directors

Shareholders and other interested parties may communicate directly with the Board, including the non-management Directors of PSEG, by writing to the Corporate Secretary of PSEG and indicating who should receive the communication. Unless the context otherwise requires, the Corporate Secretary will provide the communication to the Presiding Director and to the Chair of the Board Committee most closely associated with the nature of the request. The Corporate Secretary will directly forward communications raising substantial issues, but has discretion to exclude from transmittal communications that are commercial advertisements, other forms of solicitation or individual service or billing complaints (although all communications are

available to the Directors upon request). Shareholder recommendations of nominees for Director will be forwarded to the Chair of the Corporate Governance Committee before the Corporate Governance Committee meets to consider nominees for Director.

Corporate Spokesperson

The Board believes that management should speak for the Company. Individual Directors may, from time to time, meet or otherwise communicate with various constituencies that are involved with the Company, but it is expected that Board members will do this with knowledge of management, and in most cases, at the request of management. Board members shall refer any requests for public comment to the CEO.

Management Attendance at Board Meetings

The Chairman of the Board may invite members of senior management to regularly attend Board or Committee meetings or portions thereof for purposes of reporting and/or participating in discussions.

Loans to Directors and Executive Officers

The Company will not make loans to any of its Directors or executive officers.