

# BUILDING AND PRESERVING **THE RIGHT ENERGY MIX**



Public Service Enterprise Group (PSEG), a diversified energy holding company with approximately \$40 billion in assets, is one of the nation's most reliable electric and gas transmission and distribution utilities, as well as a leading wholesale energy producer.

## 2016 Highlights

### PSEG

- Continued to deliver strong results despite a challenging energy marketplace.
- Maintained a strong financial position, supporting our investment program and dividend growth.
- Named to Forbes 'Just 100' List of top corporate citizens, Fortune 'World's Most Admired Companies' and Dow Jones Sustainability North America Index (ninth consecutive year).

### PSE&G

- Increased investment in transmission and delivery infrastructure.
- Recognized as most reliable utility in the region for 15th consecutive year.
- Received approval for three-year, \$80 million extension of Solar 4 All® program to build additional 33 megawatts of solar farms on landfills and brownfields.

### PSEG Power

- Continued investment of more than \$2 billion in new combined-cycle natural gas power plants in Sewaren, N.J., Bridgeport, Connecticut, and Prince George's County, Maryland.
- Announced that the company's coal-fired generating units in New Jersey will be retired in June 2017.
- PSEG Solar Source doubled the size of its portfolio, adding six facilities in five states and bringing total operating capacity to 326 megawatts.

### PSEG Long Island

- Increased critical J.D. Power residential customer satisfaction survey score by 40 points and achieved lowest customer complaint rates among all New York utilities.

#### ON OUR COVER:

When completed in 2018, PSEG Power's Sewaren 7 Generating Station – a 540-megawatt dual-fuel combined-cycle generating station – will bring clean, state-of-the-art generating technology, enhanced electric system reliability and environmental and economic benefits to the region. Construction of the facility underscores PSEG's commitment to providing the right energy mix for our customers.



The forward-looking statements about PSEG's expectations made throughout this report are based on information currently available and on reasonable assumptions. As noted in our Forward-Looking Statements disclaimer on the inside back cover of this report, we face a number of risks and uncertainties. Actual results could be materially different, as historical results are not necessarily indicative of future earnings. For more information, please refer to PSEG reports that are filed periodically with the Securities and Exchange Commission.

# A message from the chairman



**RALPH IZZO**  
Chairman, President and Chief Executive Officer

**In 2016, our industry continued to be reshaped by the economics of natural gas, the promise of renewables and our customers' evolving expectations.**

Our company has responded successfully to these market forces by increasing its focus and its investment in our utility and regulated assets, leading PSE&G to an increased percentage of 2016 earnings. At the same time, we have continued to improve the economic efficiency of our PSEG Power portfolio, providing customers with safe, reliable, economic and greener energy in an evolving generation marketplace.

I am pleased to report that, in 2016, we made excellent progress toward our business objectives.

We delivered strong results in 2016 with full-year non-GAAP operating earnings at the upper end of our revised guidance and solidly within our initial guidance.

Our strong financial position has allowed us to steadily increase our dividend. In February 2017, we raised our indicative annual dividend rate to \$1.72 per share from \$1.64 per share. This was the 13th increase in our dividend in the last 14 years. We are proud of our track record of having paid dividends for 110 consecutive years.

We remain well-positioned to finance our capital program without the need to issue equity, while still having the opportunity for consistent and sustainable growth in our dividend.

Our commitment, as always, is to deliver sustainable, long-term value to our customers, our communities, our employees and our shareholders by focusing on three core commitments: operational excellence, financial strength and disciplined investment.

## Operational Excellence

Reliability is the foundation for long-term excellence in the energy industry and PSE&G is recognized as a national leader in this measure. In 2016, PSE&G was named the Mid-Atlantic region's most reliable electric utility for the 15th consecutive year by PA Consulting, an industry-benchmarking group.

Reliability at PSEG also means ensuring that our power plants are operating at peak efficiency to provide power when needed, at the most affordable cost to the customer.

dividend  
per share

2014

\$1.48

2015

\$1.56

2016

\$1.64

In October, we announced that our last two coal-burning generating units in New Jersey will be retired on June 1, 2017. A few months earlier, we began construction on Sewaren 7, a 540-megawatt dual-fuel combined-cycle power plant. The \$600 million plant is expected to be operational in 2018. Progress also continued on construction of a 755-megawatt combined-cycle plant at the Keys Energy Center in Maryland and development of a 485-megawatt facility in Bridgeport, Connecticut.

PSE&G's residential gas customers have reaped the benefits of plentiful natural gas supplies with lower prices while we continue to make investments and upgrades to modernize our distribution system. In 2016, PSE&G reduced residential gas rates for the seventh consecutive year. Since 2009, we have reduced residential gas customers' bills by about 50 percent, saving the typical customer more than \$800 a year. PSE&G also has issued bill credits since 2012 totaling approximately \$800 million, or \$590 per typical customer.

In 2016, we significantly improved our employee safety record, achieving the lowest rate of reportable injuries in our company's history.

We continue to be an industry leader in connecting with customers using social media. Among utilities, PSE&G has one of the largest audiences on Twitter, with more than 100,000 followers. PSEG Long Island grew its Facebook audience by 132 percent.

PSEG Long Island currently has the lowest rate of customer complaints to the state regulatory agency out of all electric and gas utilities in New York.

## Financial Strength

Over time, PSEG has emphasized the importance of financial strength as a key differentiator in our business. We have been proactive in taking a broad range of measures to maintain and further enhance our strong financial position.

For several years, we have focused on investments in our utility business and regulated assets. As a result, PSE&G net income grew 13 percent in 2016, adding to a streak of 16 percent annual growth since 2009. Today, the utility represents a more substantial share of earnings, and its share is forecast to continue to grow in 2017.

Growth of the utility is offsetting the challenges in our PSEG Power company, which are primarily due to a changing energy marketplace driven by lower electricity prices. Nevertheless, we continue to find ways to increase the efficiency and performance of PSEG Power assets while lowering costs – without compromising safety or reliability.

Our strong balance sheet is one key to our financial strength. We continue to maintain a solid financial profile capable of meeting our growth objectives, without diluting our current shareholders through the issuance of new equity.



Gas Modernization Program – May 26, 2016, Montclair, NJ

## Disciplined Investment

Our five-year capital investment program stands at approximately \$15 billion, with regulated utility investments representing more than 80 percent of our planned capital expenditures.

In 2016, we continued progress in our three-year, \$905 million Gas System Modernization Program, moving forward with the replacement of our aging system of cast-iron and unprotected steel gas mains. In collaboration with Google, the Environmental Defense Fund and Colorado State University, PSE&G upgraded its leak-detection capabilities to prioritize repairs and significantly reduce methane emissions.

We continue to move ahead with our three-year, \$1.2 billion Energy Strong program to harden and improve the resiliency of our electric and gas systems. In 2016, we reached another key milestone when we energized the Sewaren Switching Station – the first elevated station placed into service as part of Energy Strong.

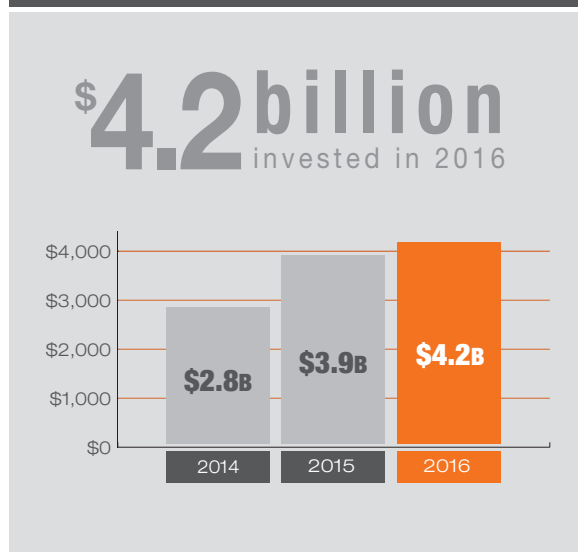
In November, the New Jersey Board of Public Utilities approved a three-year, \$80 million extension to PSE&G's Solar 4 All® program. This extension of the program allows construction of an additional 33 megawatts of solar farms on landfills and brownfields.

Meanwhile, on the non-utility portion of our solar investments, PSEG Power's Solar Source portfolio doubled in size during 2016, bringing its total operating capacity to 326 megawatts in 13 states, with another 70 megawatts under construction.

PSE&G continues to invest in energy efficiency as a key to realizing a sustainable energy future. In 2016, we were presented with an Association of Energy Service Professionals award for installing energy efficiency measures in multifamily housing.

We continue to benefit from having two complementary businesses. In PSE&G, we have a leading electric and gas utility that continues to see growth, and has been expanding its investments in projects that focus on meeting customer needs by providing reliable, efficient and clean energy at an attractive return. And in PSEG Power, we have a competitive generation business with a strong focus on getting the most value from its diverse, low-cost and environmentally advantaged assets. These two businesses have provided for consistently strong results by our company.

## PSEG total capital investments



## Building on Good, Strong Values

PSEG's core values – starting with fundamental commitments to safety and integrity – continue to guide our company. Our success for more than a century has been based on putting our energy to work for the greater benefit of our customers, our shareholders and the larger society around us.

It is a particular point of pride that, in 2016, PSEG was named to the first-ever Forbes "Just 100" list of companies celebrated for their commitment as strong corporate citizens. PSEG was recognized for its success in creating jobs, conducting business in an ethical manner, providing competitive retirement and health benefits, and caring about the communities in which it operates.

PSEG also was named – for the ninth consecutive year – to the Dow Jones Sustainability North America Index, which recognizes companies for their commitment to economic, environmental and social responsibility.

PSEG also continues to be honored as a top employer, particularly for military veterans. Victory Media named the company one of the top employers in the U.S. for providing training and employment opportunities to veterans.



Lawrence Livermore National Laboratory – April 26, 2016, Livermore, CA

## Embracing Change

In the coming year, we expect to continue our leadership role in the energy industry while navigating an ever-changing marketplace.

Energy markets continue to evolve in response to the persistence of low-priced natural gas. We are meeting these challenges with increased investments in our regulated utility and extended cost-efficiencies for our PSEG Power assets, while delivering the benefits of low-priced natural gas to our customers. This year, we intend to invest \$4.7 billion to enhance the efficiency and reliability of our businesses at PSE&G and PSEG Power – a record amount for PSEG to invest in any one year – while meeting our commitments to provide safe, clean and affordable energy.

We continue to monitor the effects of low natural gas prices on the revenues of our nuclear generating facilities at Salem and Hope Creek, which are critically important to the state of New Jersey. Our management team is committed to the continued implementation of disciplined cost control at these facilities and will continue to advocate for policies that recognize nuclear power as a source of clean energy and an important part of a diverse, reliable energy portfolio.

We also expect to seek approval of new investments in energy efficiency and electric vehicles, and are working to file documents for a distribution base rate case at PSE&G by November 2017.

The rate of change in our business is increasing. Throughout this evolution, we are able to keep pace thanks, in large part, to the commitment of our dedicated workforce. I continue to be grateful for their efforts and contributions.

We remain as dedicated as ever to growing a brighter energy future responsibly, reliably and efficiently. We thank you, our shareholders, for your loyalty and support. We will continue to work hard to maintain your confidence and trust.

Sincerely,

Ralph Izzo  
Chairman, President and Chief Executive Officer  
Public Service Enterprise Group

February 27, 2017

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REPORT

We invite you to review PSEG's 2016 Annual Report **online** at **[INVESTOR.PSEG.COM/ANNUAL-QUARTERLY-REPORTS](http://INVESTOR.PSEG.COM/ANNUAL-QUARTERLY-REPORTS)**

# Board of Directors

**Willie A. Deese** is the retired Executive Vice President of Merck & Co., Inc, Kenilworth, NJ, which develops, manufactures and distributes pharmaceuticals.

**Albert R. Gamper, Jr.** is the retired Chairman of the Board and Chief Executive Officer of CIT Group, Inc., Livingston, NJ, a commercial insurance company.

**William V. Hickey** is the retired Chairman of the Board and Chief Executive Officer of Sealed Air Corporation, Elmwood Park, NJ, which manufactures food and specialty protective packaging materials and systems.

**Ralph Izzo** is Chairman of the Board, President and Chief Executive Officer of PSEG.

**Shirley Ann Jackson** is President of Rensselaer Polytechnic Institute, Troy, NY.

**David Lilley** is the retired Chairman of the Board, President and Chief Executive Officer of Cytec Industries Inc., Woodland Park, NJ, which is a global specialty chemicals and materials company.

**Thomas A. Renyi** is the retired Executive Chairman of The Bank of New York Mellon Corporation, New York, NY, a provider of banking and other financial services to corporations and individuals.

**Hak Cheol (H.C.) Shin** is the Executive Vice President, International Operations of 3M Company, St. Paul, MN, a diversified technology company, with product lines in consumer and office, healthcare electronics, industrial, graphics, transportation, safety and telecommunications markets.

**Richard J. Swift** is the retired Chairman of the Financial Accounting Standards Advisory Council and retired Chairman of the Board, President and Chief Executive Officer of Foster Wheeler Ltd., Clinton, NJ, which provides design, engineering, construction, manufacturing, management, plant operations and environmental services.

**Susan Tomasky** is the retired President – AEP Transmission of American Electric Power Corporation, Columbus, OH, an electric utility holding company with generation, transmission and distribution businesses.

**Alfred W. Zollar** is the retired General Manager – Tivoli Software division of International Business Machines Corporation, Armonk, NY, a worldwide information technology and consulting company, and served in various leadership roles, including senior management positions, in every IBM software group division.

## Stockholder Information

### Stock Exchange Listings

New York (PSEG Common Stock) Trading Symbol: **PEG**

### Annual Meeting

Please note that the annual meeting of stockholders of Public Service Enterprise Group Incorporated will be held on **Tuesday, April 18, 2017 at 1 p.m.** at the **Newark Museum, 49 Washington St., Newark, NJ.**

### Stockholder Services

Please include your shareholder account number in any inquiry you may have about stock transfer, dividends, dividend reinvestment, direct deposit, missing or lost certificates, change of address requests, or for any other account specific request.

### Stockholder Services on the Internet

Please visit the Wells Fargo Shareowner Services site: [www.shareowneronline.com](http://www.shareowneronline.com). The Wells Fargo Shareowner Online website offers online access and transaction processing to shareholders.

### How to Contact Shareowner Services

Toll free: **800-242-0813**

(weekdays, 8 a.m. – 8 p.m. ET)

Web: [www.shareowneronline.com](http://www.shareowneronline.com)

### Mailing Address:

Wells Fargo Shareowner Services  
P.O. Box 64874, St. Paul, MN 55164-0874

### Security Analysts and Institutional Investors

For information contact: Vice President – Investor Relations: **973-430-6565**

### Transfer Agent

The transfer agent for the Common Stock is: Wells Fargo Bank, NA, Shareowner Services PO Box 64874, St. Paul, MN 55164-0874

### Enterprise Direct

PSEG offers Enterprise Direct, a stock purchase and dividend reinvestment plan. For additional information, including a plan prospectus and an enrollment form, call or send us an e-mail with your current mailing address.

### Dividends

Dividends on the common stock of PSEG, as declared by the Board of Directors, are generally payable on the last business day of March, June, September and December of each year.

### Direct Deposit of Dividends

No more dividend checks delayed in the mail. No waiting in bank lines. Your quarterly common stock dividend payments can be deposited electronically to your personal checking or savings account. More information, including instructions and a downloadable form, is available on the Wells Fargo Shareowner Services website [www.shareowneronline.com](http://www.shareowneronline.com) or by contacting

Wells Fargo Shareowner Services by phone. It's a free service.

### Deposit of Certificates

To eliminate the risk and cost of loss, shareholders can deposit their certificates with Wells Fargo Shareowner Services, or take advantage of DRS, a convenient service for holding and tracking your shares and still receive a paid dividend. For more information, contact Wells Fargo Shareowner Services on the web or by phone.

### Go Green With Electronic Delivery

Sign up to receive future proxy statements and related documents such as the Annual Report and Form 10-K by electronic delivery. It will help PSEG fulfill its commitment to reduce our environmental impact. Log on to the appropriate site listed below, depending on the nature of your ownership:

- If you are a stockholder of record, please go to [www.proxyconsent.com/peg](http://www.proxyconsent.com/peg)
- For shares held in the ESPP, go to <https://enroll.icsdelivery.com/peg>
- For shares held in Employees Benefit Plans, go to [www.proxyconsent.com/peg](http://www.proxyconsent.com/peg)
- If your shares are held by a bank or broker, go to <https://enroll.icsdelivery.com/peg>

Forward-Looking Statements – The statements contained in this communication about our and our subsidiaries' future performance, including, without limitation, future revenues, earnings, strategies, prospects, consequences and all other statements that are not purely historical, are "forward-looking statements" within the meaning of The Private Securities Litigation Reform Act of 1995. Such forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ materially from those anticipated. Such statements are based on management's beliefs as well as assumptions made by and information currently available to management. When used herein, the words "anticipate," "intend," "estimate," "believe," "expect," "plan," "should," "hypothetical," "potential," "forecast," "project," variations of such words and similar expressions are intended to identify forward-looking statements. Factors that may cause actual results to differ are often presented with the forward-looking statements themselves. Other factors that could cause actual results to differ materially from those contemplated in any forward-looking statements made by us herein are discussed in 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), and available on our website: <http://investor.pseg.com/sec-filings>. All of the forward-looking statements made in this communication are qualified by these cautionary statements and we cannot assure you that the results or developments anticipated by management will be realized or even if realized, will have the expected consequences to, or effects on, us or our business, prospects, financial condition, results of operations or cash flows. Readers are cautioned not to place undue reliance on these forward-looking statements in making any investment decision. Forward-looking statements made in this communication apply only as of the date hereof. While we may elect to update forward-looking statements from time to time, we specifically disclaim any obligation to do so, even in light of new information or future events, unless otherwise required by applicable securities laws.



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