

Public Service Enterprise Group PEG

www.pseg.com

Please read Disclaimer at bottom of these notes!

“Public Service Enterprise Group (PSEG) is a publicly traded (NYSE:PEG), integrated generation and energy company headquartered in Newark, New Jersey. Its main subsidiaries are: Public Service Electric and Gas Company (PSE&G), PSEG Power LLC, and PSEG Energy Holdings LLC. PSE&G is a regulated New Jersey utility delivering gas and electric safely and reliably to about 70% of New Jersey's population. PSEG Power is a major wholesale energy supplier in the Northeast with three main subsidiaries: PSEG Fossil LLC, PSEG Nuclear LLC, and PSEG Energy Resources & Trade LLC (PSEG ER&T). PSEG Energy Holdings is a company with both domestic and international investments, and has two main energy-related businesses: PSEG Global and PSEG Resources.”

PSEG Website 6/7/11

PSEG Presentation May 2011

PSE&G

Reliability One Award
winner for Mid-Atlantic
Region – 9th year in a row

Regulatory agreements
and cost control provide
opportunity for improved
returns

Investment program
focused on growth and
providing customers with
clean, reliable energy

PSEG Power

Strong platform open to
improvement in the
market

Low-cost generating fleet
combined with fuel
flexibility supports
margins

Hedging strategy
mitigates near-term risk

Major environmental
compliance capital
program completed

PSEG Energy Holdings

Reducing risk

Building a platform for
renewables and investing
through PPA-supported
projects

International lease
investments terminated

Holdings recourse debt
paid down

...with balance sheet to support growth.

June 7, 2011 (32.08)

Thesis:

Financially strong utility, focused in the Northeast, with a concentration in New Jersey. As with other utilities and power companies, their earnings are depressed because of price sensitivity to Natural Gas Prices. I expect that recovery of prices will occur at some point. Dividend yield of 4.23% at current price. Has paid a consistent dividend for over 100 years. Most financial metrics seem strong. These would include P/E, ROE and Dividend Payout Ratios.

Fundamental Analysis:

Company Name	PSEG
Symbol	PEG
Date Worked On	7-Jun-11
Base Year	31-Dec-11
Price	\$32.38
Shares Outstanding	507
Market Capitalization	\$16,417
Cash and CE	\$900
Long Term Debt	\$7,697
Minority Interests	\$0
Goodwill	\$16
Intangibles	\$135
Other Intangibles	\$0
Enterprise Value	\$23,214
Short Term Debt	\$1,211
Stockholders Equity	\$9,959
Depreciation and Amortization	\$1,000

CapEx	\$2,325
Revenues	\$12,500
Total Assets	\$8,256
Net Income	\$1,300
Dividend Per Share	\$1.37
Interest Expense	\$520
Net Income Before Taxes	\$2,203
Enterprise Value Per Share	\$45.79
Price To Enterprise Value	70.72%
Total Debt	\$8,908
Total Debt / Net Income	685.23%
Total Debt Per Share	\$17.57
Tangible Book Value	\$9,808
Book Value Per Share	\$19.64
Tangible Book Value Per Share	\$19.35
Price / Book Value	164.84%
Price / Tangible Book Value	167.38%
Price / Earnings Ratio	12.63
Enterprise Value / Earnings Ratio	17.86
Earnings Yield	7.92%
Earnings / Enterprise Value	5.60%
Price To Sales Ratio	131.33%
Net Income / Total Assets	15.75%
Total Assets / (Revenues/365)	241.08
Enterprise Value / Revenues	185.71%

Goodwill / Total Assets	0.19%
Goodwill / Stockholders Equity	0.16%
Debt / Equity	89.45%
Average P/E Last 10 Years	0.0
Operating Cash Flow	\$2,300
Operating Cash Flow Per Share	\$4.54
Free Operating Cash Flow	(\$25)
Free Operating Cash Flow Per Share	(0.05)
Free Operating Cash Flow Flow Yield	-0.15%
Price / Free Operating Cash Flow	(656.67)
Revenues Per Share	\$24.65
Net Income Per Share	\$2.56
Return on Equity	13.05%
Bond Rating (S&P)	BBB Positive
Growth Rate	7.00%
Dividend Yield	4.23%
Dividend / Net Income	53.43%
Dividend / Cash Flow	-2778.36%
Interest Coverage Ratio	5.24
Insider Activity	Buying
Buy-Backs	Small
Dilution	No
Management Compensation	High
Price to consider to buy more	\$35.00

Price to sell or consider reducing	\$42.00
Action (Buy, Hold or Sell)	Buy
Portfolio Allocation Suggestion	5%
Share Outstanding	507.00
Share Price	\$32.00
Market Capitalization	\$16,224.00
Less: Cash and Short Term Investments	(\$900.00)
Add: Long Term Debt	\$7,697.00
Minority Interest	\$0.00
Enterprise Value	\$23,021.00
EV per share	\$45.41
Stockholders' Equity	\$9,959.00
Adjustments:	
Goodwill	(\$16.00)
Tradenames	\$0.00
Other Intangibles	(\$135.00)
Net Stockholders' Equity	\$9,808.00
Adjusted Book Value per Share	\$19.35

Revenue	\$12,500.00
Net Margin % before tax	18.25%
Net Margin before taxes	\$2,281.25
Tax Rate	41.00%
Corporate Taxes	\$935.31
Net Income after Taxes	\$1,345.94
Net Margin %	10.77%
Shares Outstanding	507.00

eps	\$2.65
-----	--------

FV of current equity and future earnings	07-Jun-11
Adjusted Stockholder's Equity	\$9,808.00
Net Income after Taxes	\$1,345.94
Growth Rate of Net Profit for 10N	5.00%
Growth Rate of Net Profit after 10N through 15N	4.00%
FV of Net Profit in 10N	\$2,192.39
FV of Net Profit in 15N	\$2,667.38
FV of tangible book value plus Net Profits for 10N	\$32,905.26
FV of tangible book value plus Net Profits for years 11 - 15N	\$51,908.97
Current Enterprise Value	\$23,021.00
FV of tangible book value plus Net Profits for 10N	(\$32,905.26)
Years	10
ROI on tangible book value plus Net Profits for 10N	3.64%
FV of tangible book value plus Net Profits for 10N	\$32,905.26
FV of tangible book value multiplier	1.50
FV of Tangible Book Value using BV multiplier in year 10	\$49,357.88
Current Enterprise Value	\$23,021.00
FV of tangible book value plus Net Profits for years 11 - 15N	(\$51,908.97)
Years	15
ROI on tangible book value plus Net Profits for 15N	5.57%
FV of tangible book value plus Net Profits for 15N	\$51,908.97
FV of tangible book value multiplier	1.5
FV of Tangible Book Value using BV multiplier in year 15	\$78,901.63
Potential Future EV using BV multiplier above	
Current Enterprise Value	\$23,021.00
FV of Tangible Book Value using BV multiplier in year 10	(\$49,357.88)
Years	10
ROI on FV of Tangible Book Value using BV multiplier in year 10	7.93%
Current Enterprise Value	\$23,021.00
FV of Tangible Book Value using BV multiplier in year 15	(\$78,901.63)
Years	15
ROI on FV of Tangible Book Value using BV multiplier in year 15	8.56%

Sanity Checks:	
P/E in future	
FV of Net Profit in 15N	\$2,667
P/E estimate	13.50
Market Cap on above	-\$36,010
Years	15
Current Enterprise Value	\$23,021
ROI in 15N using above	2.97%
Potential Revenue Growth	
Current Revenues	\$12,500
Growth Rate of Revenues for 10N	5.00%
Growth Rate of Revenues after 10N through 15N	4.00%
FV of Revenues in 10N	(\$20,361)
FV of Revenues in 15N	\$24,772
FV of Revenues in 15N	\$24,772
Revenue Multiplier based on AI Meyer Rule of Thumb net margins	2
Possible Market Cap year 15	(\$49,545)
Years	15
Current Enterprise Value	\$23,021
ROI in 15N using above	5%

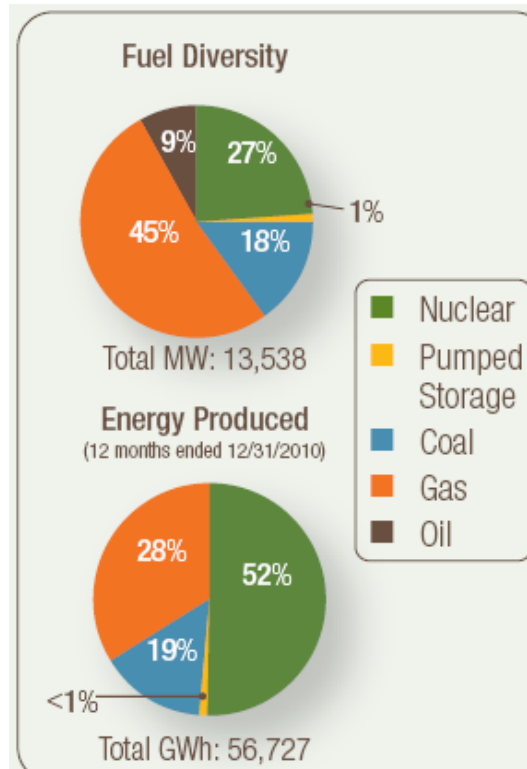
Company	Public Service
Report Date	07-Jun-11
Price	32.38
Growth Rate	10.00%
Price/Sales	1.31
Price/ Net Cash Flow	(647.60)
Price/ Net Book Value	1.67
P/E Ratio Current	12.22
P/E Ratio Year 2	12.90
Current Ratio	1.28

Quick Ratio	1.28
LT Debt / Shr. Equity	77.29%
LT Debt / Current Assets	172.35%
Return on Shr. Equity	13.05%
Earnings Per Share	\$2.65
Projected EPS Year 2	\$2.51
Projected EPS Year 3	\$2.76
Projected EPS Year 4	\$3.04
Projected EPS Year 5	\$3.34
PEG Ratio (Current)	1.22
PEG Ratio Year 2	1.29
PEGY Ratio (Current)	0.86
PEGY Ratio Year 2	0.91
Graham Ratio (current)	20.45
Graham Ratio Year 2	21.59
Growth Flow Ratio (<12=nrml)	12.22
Cash King (s/b > 10 %)	-0.20%
Flow Ratio (s/b < 1.25)	1.56
Intrinsic Value (current)	60.42
Intrinsic Value Year 2	57.23
Intrinsic Value Year 3	62.95
Intrinsic Value Year 4	69.25
Intrinsic Value Year 5	76.17
Intrinsic Value / Price (current)	86.60%
Intrinsic Value / Price Year 2	76.74%
Intrinsic Value / Price Year 3	94.41%
Intrinsic Value / Price Year 4	113.85%
Intrinsic Value / Price Year 5	135.24%

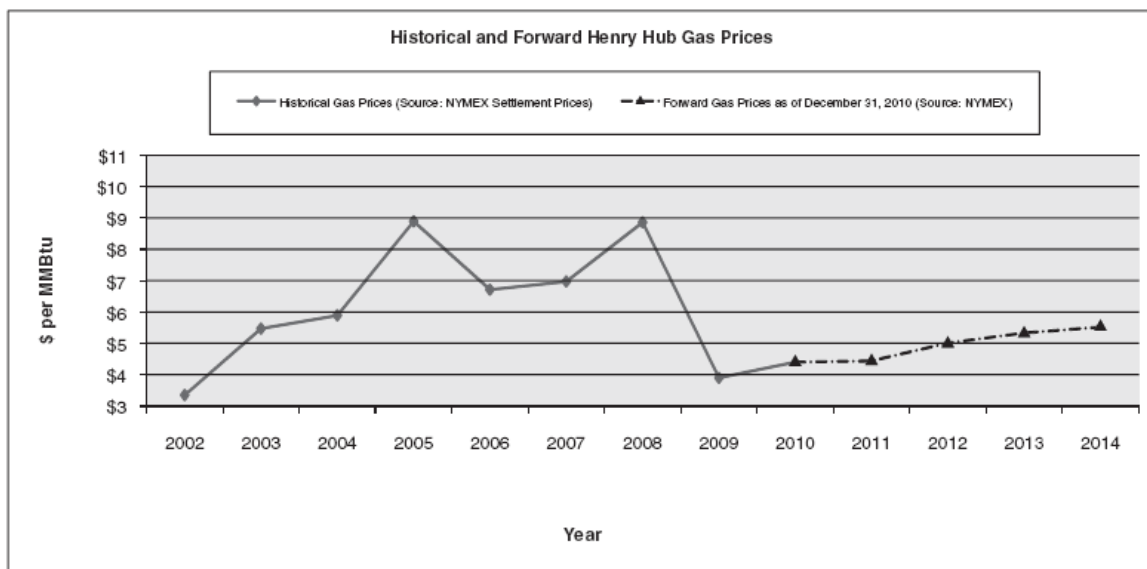
2011 Guidance from 1Q11 Earnings Presentation: \$2.50 - \$2.75

PSEG 2011 Operating Earnings Guidance - By Subsidiary

\$ millions (except EPS)	2011E	2010A
PSEG Power	\$ 765 – \$ 855	\$ 1,091
PSE&G	\$ 495 – \$ 520	\$ 430
PSEG Energy Holdings	\$ 0 – \$ 5	\$ 49
Enterprise	\$ 5 – \$ 15	\$ 14
<i>Operating Earnings*</i>	\$ 1,265 – \$ 1,395	\$ 1,584
<i>Earnings per Share</i>	\$ 2.50 – \$ 2.75	\$ 3.12



Henry Hub Forward Prices



Credit Ratings - Outlook from Standard & Poors, and Moody's was raised to Positive during 1Q11

	<u>Moody's(A)</u>	<u>S&P(B)</u>	<u>Fitch(C)</u>
PSEG:			
Outlook	Stable	Stable	Stable
Commercial Paper	P2	A2	F2
Power:			
Outlook	Stable	Stable	Stable
Senior Notes	Baa1	BBB	BBB+
PSE&G:			
Outlook	Stable	Stable	Stable
Mortgage Bonds	A2	A-	A
Commercial Paper	P2	A2	F2

- (A) Moody's ratings range from Aaa (highest) to C (lowest) for long-term securities and P1 (highest) to NP (lowest) for short-term securities.
- (B) S&P ratings range from AAA (highest) to D (lowest) for long-term securities and A1 (highest) to D (lowest) for short-term securities.
- (C) Fitch ratings range from AAA (highest) to D (lowest) for long-term securities and F1 (highest) to D (lowest) for short-term securities.

Morningstar 5/16/11

Public Service Enterprise Group PEG [NYSE] | ★★★

Last Price	Fair Value	Consider Buy	Consider Sell	Uncertainty	Economic Moat™	Stewardship	Morningstar Credit Rating	Industry
32.38 USD	36.00 USD	25.20 USD	50.40 USD	Medium	Narrow	B	BBB+	Utilities - Diversified

“On a consolidated basis, we think the company can achieve \$3.50 per share of normalized long-run earnings by 2014.”

Value Line 5/27/11

Weak power prices will cause decline in earnings. Projects earnings will start to recover in 2013. Recovery catalyst will be power auctions. “We don't recommend this equity.”

Argus 3/18/11 (Projects eps of \$2.70 F2011)

Growth & Valuation Analysis

GROWTH ANALYSIS

(\$ in Millions, except per share data)	2006	2007	2008	2009	2010
Revenue	11,762	12,853	13,322	12,035	11,793
COGS	6,553	6,523	7,295	5,433	5,261
Gross Profit	5,209	6,330	6,027	6,602	6,532
SG&A	—	—	—	—	—
R&D	—	—	—	—	—
Operating Income	1,726	2,926	2,613	3,116	2,937
Interest Expense	719	647	594	521	472
Pretax Income	—	—	1,909	2,636	2,616
Income Taxes	460	1,060	926	1,042	1,059
Tax Rate (%)	—	—	49	40	40
Net Income	739	1,335	1,188	1,592	1,564
Diluted Shares Outstanding	505	509	508	507	507
EPS	1.46	2.62	2.34	3.14	3.08
Dividend	1.14	1.17	1.29	1.33	1.37

GROWTH RATES (%)

Revenue	-0.7	9.3	3.6	-9.7	-2.0
Operating Income	-8.6	69.5	-10.7	19.2	-5.7
Net Income	11.8	80.6	-11.0	34.0	-1.8
EPS	-21.6	94.0	-25.8	62.7	-2.2
Dividend	1.8	2.6	10.3	3.1	3.0
Sustainable Growth Rate	2.7	10.4	5.2	11.1	9.4

VALUATION ANALYSIS

Price: High	\$36.31	\$49.88	\$52.30	\$34.14	\$34.93
Price: Low	\$29.50	\$32.16	\$22.09	\$23.65	\$29.01
Price/Sales: High-Low	1.6 - 1.3	2.0 - 1.3	2.0 - 0.8	1.4 - 1.0	1.5 - 1.2
P/E: High-Low	24.9 - 20.2	19.0 - 12.3	22.4 - 9.4	10.9 - 7.5	11.3 - 9.4
Price/Cash Flow: High-Low	— - —	— - —	— - —	— - —	— - —

Standard & Poors 3/14/11

Per Share Data (\$)	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Tangible Book Value	18.74	17.09	15.22	14.23	12.23	10.79	10.71	10.42	7.39	8.47
Earnings	3.07	3.14	1.93	2.59	1.49	1.76	1.52	1.86	1.00	1.84
S&P Core Earnings	3.30	3.33	1.85	2.59	1.92	1.70	1.49	2.02	1.53	1.58
Dividends	1.37	1.33	1.29	1.17	1.14	1.12	1.10	1.08	1.08	1.08
Payout Ratio	45%	42%	67%	45%	77%	64%	73%	58%	109%	59%
Prices:High	34.93	34.14	52.30	49.88	36.31	34.24	26.32	22.25	23.63	25.78
Prices:Low	29.01	23.65	22.09	32.16	29.50	24.66	19.05	16.05	10.00	18.44
P/E Ratio:High	11	11	27	19	24	20	17	12	24	14
P/E Ratio:Low	9	8	11	12	20	14	13	9	10	10

Income Statement Analysis (Million \$)

Revenue	11,793	12,406	13,322	12,853	12,164	12,430	10,996	11,116	8,390	9,815
Depreciation	955	838	792	783	832	748	719	527	571	522
Maintenance	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Fixed Charges Coverage	6.53	5.97	4.18	4.10	2.73	2.55	2.21	2.43	2.38	2.46
Construction Credits	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Effective Tax Rate	40.5%	39.6%	48.5%	44.5%	NM	38.7%	38.2%	35.3%	37.3%	NM
Net Income	1,557	1,592	983	1,319	752	858	721	852	416	763
S&P Core Earnings	1,673	1,682	945	1,316	967	834	708	925	638	656

Balance Sheet & Other Financial Data (Million \$)

Gross Property	23,272	22,069	20,818	19,310	18,851	18,896	19,121	17,406	16,562	14,886
Capital Expenditures	2,160	1,794	1,771	1,348	1,015	1,024	1,255	1,351	1,814	2,053
Net Property	16,390	15,440	14,433	13,275	13,002	13,336	13,750	12,422	11,449	10,064
Capitalization:Long Term Debt	7,819	7,725	8,085	8,742	10,450	11,359	13,005	13,025	12,391	11,061
Capitalization:% Long Term Debt	44.8	46.8	51.0	54.5	60.8	65.4	69.4	70.2	75.7	72.8
Capitalization:Preferred	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Capitalization:% Preferred	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Capitalization:Common	9,633	8,788	7,771	7,299	6,747	6,022	5,739	5,529	3,987	4,137
Capitalization:% Common	55.2	53.2	49.0	45.5	39.2	34.6	30.6	29.8	24.3	27.2
Total Capital	18,581	17,044	19,721	20,495	21,659	21,629	23,091	22,750	19,302	18,403
% Operating Ratio	84.1	83.3	87.3	85.0	78.7	88.6	87.5	86.5	78.8	76.9
% Earned on Net Property	18.8	20.9	18.9	23.3	15.1	15.9	14.9	17.3	14.3	21.3
% Return on Revenue	13.2	12.8	7.4	10.3	6.2	6.9	6.6	7.7	5.0	7.8
% Return on Invested Capital	11.4	12.4	7.8	9.3	9.3	7.6	6.9	8.1	9.3	9.6
% Return on Common Equity	16.9	19.2	13.0	18.8	11.8	14.6	12.8	18.1	10.2	18.8

May 25, 2005

Current price is 55.25, dividend yield is 4.05%.

February 18, 2003

Current price is 34, dividend yield is an attractive 6.50 %. Reading a DBAB report dated 2/7/03, they claim " 6.4 % dividend is extremely secure ". Recent pricing increases lead DBAB to feel their growth estimates of 7 % are supported. We are currently using 6.0 % growth rates.

January 7, 2003

Started review of PEG. Yield is 6.00 % , dividend of 2.16 with price at 36.50. Dividend payout ratio is at 61.00 % , value line expects it to drop to 56 % in 2003. History shows that payout ratio is below current levels, generally in the mid 60's to high 70's. Historically PEG has had a greater div %, although a higher payout % as well. We need to monitor if low payout is because of higher price or lower payout ratio. I suspect it is because of ratio, since PEG is trading below historic multiple of cash

flow for the last 11 years. Cap spending has been high lately. PE ratio is on low side at 8.0, range has been 10 to 13. S&P bond rating is A -, stable outlook. Long Term Debt ratio is at 65.0 %, this is definitely on high side of history. VL gives it a 2 Safety Rating and NJR gives it a C.

Intangibles have created negative book value. Most certainly something to watch in future. To me, this is more of a speculative play, primarily because of the high intangibles and scuttlebutt about another Enron.. Price to sales ratio is quite low. Hence , if intangibles are not an issue, then this could blossom to a nice return. Again, this is more of a speculative situation. Yields on 04 are 2.0 %, 05 at 3.0. 07 at 3.6 , '12 at 4.75 %, 2014 callable at 6.0 %.

Disclaimer

If you are a client of ours, and if you have questions regarding the company or investment mentioned in this report please call our office. If you are not a client of Redfield, Blonsky & Co. LLC Investment Management Division and are reading these notes, we urge you to do your own research. We will not be responsible for any person making an investment decision based on these notes. These notes are a "by-product" of our research. We are not responsible for the accuracy of these notes. We are not responsible for errors that may occur in these notes. Please do not rely on us to monitor or update this or any other report we may issue. In theory, we could come across some type of data or idea, which causes us to eliminate our long or short position of the company or investment mentioned in this report from our portfolios. We will not notify reader's revisions to these notes. We are not responsible to keep readers of these notes updated for changes or material errors or for any reason whatsoever. We manage portfolios for clients, and those clients are our greatest concern as it relates to investing. Certain clients of Redfield, Blonsky & Co LLC may not have the company or investment mentioned in this report in their portfolios. There could be various reasons for this. Again, if you would like to discuss the company or investment mentioned in this report , please contact Ronald R. Redfield, CPA, PFS (partner in charge of investment management division).

Information herein is believed to be reliable, but its accuracy and completeness cannot be guaranteed. Opinions, estimates, and projections constitute our judgment and are subject to change without notice. This publication is provided to you for information purposes only and is not intended as an offer or solicitation. Redfield, Blonsky & Co. LLC and Ronald R Redfield, CPA, PFS, may hold a position or act as an advisor on any investments mentioned in a report or discussion.