

PUBLIC SERVICE ENTERPRISE GROUP INC  
Form DEF 14A  
March 09, 2015  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**WASHINGTON, D.C. 20549**

**SCHEDULE 14A INFORMATION**

**Proxy Statement Pursuant to Section 14(a) of the**  
**Securities Exchange Act of 1934**  
**(Amendment No. \_)**

Filed by the Registrant                       Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material under §240.14a-12

**PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED**

(Name of Registrant as Specified in Its Charter)

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(Name of Person(s) Filing Proxy Statement if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

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(1) Amount Previously Paid:

(2) Form Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:



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**Public Service Enterprise Group Incorporated**

**80 Park Plaza, P.O. Box 1171, Newark, New Jersey 07101-1171**

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS  
AND PROXY STATEMENT**

**Date** April 21, 2015 at 1:00 P.M.

**Location** The Robert Treat Hotel  
50 Park Place  
Newark, New Jersey 07102

- Items of Business**
1. Elect ten members of the Board of Directors to hold office until the Annual Meeting of Stockholders in 2016, each until his or her respective successor is elected and qualified;
  2. Consider and act upon an advisory vote on the approval of executive compensation;
  3. Consider and act upon the ratification of the appointment of Deloitte & Touche LLP as independent auditor for 2015; and
  4. Transact such other business as may properly come before the meeting or any adjournment or postponement thereof.

**Record Date** Stockholders entitled to vote at the meeting are the holders of Common Stock of record on February 20, 2015.

Scan this **QR Code** to view the  
2015 PSEG Proxy  
Statement

By order of the Board of Directors,

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and Annual Report on  
your

M. Courtney McCormick

*Secretary*

mobile device.

March 3, 2015

**Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Stockholders**

**to be Held on April 21, 2015: The Proxy Statement and Annual Report to Stockholders are available at**

**[www.ezodproxy.com/pseg/2015/ar](http://www.ezodproxy.com/pseg/2015/ar)**

**IMPORTANT!**

**YOUR VOTE IS IMPORTANT, REGARDLESS OF THE NUMBER OF SHARES YOU OWN. PLEASE SIGN, DATE AND MAIL THE ACCOMPANYING PROXY CARD OR VOTING INSTRUCTION FORM PROMPTLY. YOU MAY ALSO VOTE VIA THE INTERNET OR BY TELEPHONE. PLEASE USE THE INTERNET ADDRESS OR TOLL-FREE NUMBER SHOWN ON YOUR PROXY CARD OR VOTING INSTRUCTION FORM.**

**YOU MAY HAVE MULTIPLE ACCOUNTS AND THEREFORE RECEIVE MORE THAN ONE PROXY CARD OR VOTING INSTRUCTION FORM AND RELATED MATERIALS. PLEASE VOTE EACH PROXY CARD AND VOTING INSTRUCTION FORM THAT YOU RECEIVE. THANK YOU FOR VOTING.**

The approximate date on which this Proxy Statement and the accompanying proxy card were first sent or given to security holders and made available electronically via the Internet was March 9, 2015.

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**HOW TO USE THIS PROXY STATEMENT**

**Public Service Enterprise Group Incorporated (we, us, our, PSEG or the Company)** is distributing this Proxy Statement in connection with our 2015 Annual Meeting of Stockholders.

**Go Green with Electronic Delivery**

You can help us and the environment by choosing to receive future proxy statements and related documents such as the Annual Report and Form 10-K by electronic delivery. Doing so will save us the expense of printing and mailing copies to you. It will also help us fulfill our commitment to reduce our environmental impact. You may sign-up for future electronic delivery at the website below, depending on the nature of your ownership. Please note that these are not the same sites to use for voting. For further information about how to vote, see pages 1 and 7.

If you are a stockholder of record, please go to [www.proxyconsent.com/peg](http://www.proxyconsent.com/peg).

For shares held in the Employee Stock Purchase Plan (ESPP), go to <https://enroll.icsdelivery.com/peg>.

For shares held in Employee Benefit Plans, go to [www.proxyconsent.com/peg](http://www.proxyconsent.com/peg).

If your shares are held by a bank or broker, please go to <https://enroll.icsdelivery.com/peg>.

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**Forward-Looking Statements**

The statements contained in this Proxy Statement 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 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 information currently available and 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 any forward-looking statements made herein. 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), and available on our website: <http://investor.pseg.com/sec-filings>. These reports address in further detail our business, industry issues and other factors that could cause actual results to differ materially from those indicated in this Proxy Statement. In addition, any forward-looking statements included herein represent our estimates only as of the date hereof and should not be relied upon as representing our estimates as of any subsequent date. While we may elect to update forward-looking statements from time to time, we specifically disclaim any obligation to do so, even if our internal estimates change, unless otherwise required by applicable securities laws.

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## PROXY STATEMENT SUMMARY

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## OUR COMPANY

PSEG is a holding company that directly owns five subsidiaries:

**Public Service Electric and Gas Company (PSE&G)**, an operating electric and gas utility in New Jersey;

**PSEG Power LLC (Power)**, an electric generation and wholesale energy trading company;

**PSEG Long Island LLC (PSEG LI)**, an operator of an electric utility transmission and distribution system in New York under a contract with the Long Island Power Authority;

**PSEG Energy Holdings L.L.C. (Energy Holdings)**, an owner of energy-related investments; and

**PSEG Services Corporation (Services)**, which provides management and administrative services to us and our subsidiaries.

## ANNUAL MEETING PROPOSALS

Proposals	Board Recommendation	Page Number for More Information
1. <b>Election of Directors</b> vote to elect ten director nominees to serve one-year terms.	<i>FOR</i>	<b>9</b>
2. <b>Approval of Executive Compensation</b> advisory vote to approve the executive compensation of the named executive officers.	<i>FOR</i>	<b>32</b>
3. <b>Ratification of Auditor</b> ratification of the appointment of Deloitte & Touche LLP as independent auditor for 2015.	<i>FOR</i>	<b>67</b>

## **VOTING AND PROCEDURES**

Voting is strongly encouraged. We urge you to sign, date and return the accompanying proxy card or voting instruction form whether or not you plan to attend the Annual Meeting. For stockholders of record, we have provided several alternative voting methods, including voting via the Internet or the toll-free telephone number listed below. For shares held by a bank or broker, including those in the various stockholder and employee plans that we offer, please follow the voting instructions you receive from your bank, broker or plan administrator. Most banks and brokers are likely to provide you with methods for internet or toll-free telephone voting.

### **Annual Meeting of Stockholders**

**Date and Time**            April 21, 2015 at 1:00 P.M.

**Location**                **The Robert Treat Hotel, 50 Park Place, Newark, NJ.**

**Record Date**            February 20, 2015

                                 Holders of Common Stock outstanding on the record date will have one vote per share.

### **Voting Methods for Stockholders of Record**

*2015 Proxy Statement*    **1**

**Table of Contents****PROXY STATEMENT SUMMARY****To Submit Proposals for 2016 Annual Meeting****Final Date** November 10, 2015 (last day for receipt by us)**Contact** Corporate Secretary, PSEG, 80 Park Plaza, T4B, P.O. Box 1171

Newark, New Jersey 07101-1171

**NOMINEES FOR ELECTION AS DIRECTOR**

Name	Director			Committee
	Age	Since	Primary Occupation	Memberships
<b>Albert R. Gamper, Jr.</b>	73	2000	Retired Chairman of the Board and CEO of CIT Group	Lead Director, A, E, F
<b>William V. Hickey</b>	70	2001	Retired Chairman of the Board and CEO of Sealed Air Corporation	F(Chair), FG, NG, O
<b>Ralph Izzo</b>	57	2006	Chairman of the Board, President and CEO of PSEG	E (Chair)
<b>Shirley Ann Jackson</b>	68	2001	President of Rensselaer Polytechnic Institute	E, F, FG (Chair), NG (Chair), O
<b>David Lilley</b>	68	2009	Retired Chairman of the Board, President and CEO of Cytec Industries	A (Chair), F, O
<b>Thomas A. Renyi</b>	69	2003	Retired Executive Chairman of The Bank of New York Mellon	A, CG (Chair), O
<b>Hak Cheol (H.C.) Shin</b>	57	2008	Executive Vice President International Operations of 3M Company	A, F, FG, NG
<b>Richard J. Swift</b>	70	1994	Retired Chairman of the Board, President and CEO of Foster Wheeler	CG, E, FG, NG, O (Chair)
<b>Susan Tomasky</b>	62	2012	Retired President AEP Transmission of American Electric Power Corporation	A, CG
<b>Alfred W. Zollar</b>	60	2012	Retired General Manager Tivoli Software Division of IBM Corporation	CG, FG, NG

A=Audit CG=Corporate Governance E=Executive F=Finance FG=Fossil Generation NG=Nuclear Generation O=Organization and Compensation

We believe that our directors are a diverse group of highly qualified leaders with a broad range of business, industry, academic and public service experience. Their skills in the areas of accounting, finance, construction, consumer products, sales, government, law, operations, management, science, technology and risk management serve us well. For additional information about individual skills and qualifications of each individual, please refer to the chart on page 22 and biographical data on pages 23 to 27.

**CORPORATE GOVERNANCE**

We have adopted what we believe are strong corporate governance standards and practices to assure effective management by our executives and oversight by our Board of Directors (Board). We are committed to good governance because it promotes the long-term interests of stockholders, as well as accountability and trust in our company. These measures include the following:

<b>Independent Directors</b>	<b>Board Leadership</b>	<b>Risk Management</b>	<b>Code of Ethics</b>
<p>Established standards for director independence are set forth in our Corporate Governance Principles (Principles). All of our current directors and nominees are independent under our Principles and the requirements of the New York Stock Exchange (NYSE), except Ralph Izzo, our Chairman of the Board, President and Chief Executive Officer (CEO), who is an employee of the Company.</p>	<p>Our Board leadership structure consists of a Chairman (who is also our CEO), a Lead Director, who is elected by the independent directors, and strong committee chairs. This provides for independent Board leadership, while ensuring that the individual managing day-to-day operations is responsible for leading the Board discussions on key business and strategic issues.</p>	<p>Risk management is a key part of our strategic planning and business operations. We believe that we have an effective system of risk management with appropriate controls and Board oversight.</p>	<p>We are committed to operating in accordance with the highest ethical and legal standards. Our Standards of Integrity (Standards) establish a set of common expectations for behavior to which each director and employee must adhere.</p>

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**PROXY STATEMENT SUMMARY**

**Corporate Governance Highlights**

<ul style="list-style-type: none"> <li>ü Annual Election of Directors</li> <li>ü Majority Voting for Directors</li> <li>ü Independent Board (all but CEO)</li> <li>ü Independent Lead Director</li> <li>ü Regular Executive Sessions of Independent Directors</li> <li>ü Independent Committee Chairs and Members</li> <li>ü Annual CEO Evaluation</li> <li>ü Annual Board and Committee Self-Evaluations</li> </ul>	<ul style="list-style-type: none"> <li>ü Succession Planning</li> <li>ü Risk Oversight by the Board and Committees</li> <li>ü Standards of Integrity</li> <li>ü Stockholders Right to Call Special Meetings</li> <li>ü Stockholder Engagement</li> <li>ü No Poison Pill (Stockholder Rights Plan)</li> <li>ü Commitment to Sustainability</li> <li>ü Annual Political Contributions Report</li> </ul>
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**BUSINESS PERFORMANCE**

Our business plan is designed to achieve growth while managing the risks associated with fluctuations in commodity prices and changes in consumer demand. In 2014, we continued our focus on operational excellence, financial strength and disciplined investment. These guiding principles have provided the base from which we have been able to execute our strategic initiatives, including:

Growing our utility operations and improving reliability through continued investment in transmission and distribution infrastructure projects with greater diversity of regulatory oversight; and



Maintaining a diverse, reliable and flexible generation fleet to allow us to capitalize on opportunities as they arise in the locations in which we operate.

For a comprehensive assessment of the Company's performance, please review the entire Proxy Statement and our Annual Report on Form 10-K for the year ended December 31, 2014 (Form 10-K), which can be found on our website <http://investor.pseg.com/sec-filings> and on the SEC's website [www.sec.gov](http://www.sec.gov). A copy of our Form 10-K has been provided to each person solicited by means of this Proxy Statement.

### Financial Highlights

	2014	2013
Dollars in Millions, except per share amounts	(\$)	(\$)
Total Revenues	10,886	9,968
Income from Continuing Operations	1,518	1,243
Net Income	1,518	1,243
Total Assets	35,333	32,522
Earnings Per Share (EPS) - Diluted		
Income from Continuing Operations	2.99	2.45
Net Income	2.99	2.45
Dividends Paid per Share	1.48	1.44
Market Price per Share - Year-end	41.41	32.04

### EXECUTIVE COMPENSATION

#### Compensation Philosophy

We have designed a competitive executive compensation program benchmarked against our peers that we believe helps us recruit and retain top talent while closely linking pay to performance with the ultimate goal of aligning our leadership team with stockholders' interests. Our incentives put a significant portion of our executives' pay, including that of our CEO and Named Executive Officers (NEOs), at risk based on performance. These pay-at-risk incentives are targeted to pay out at approximately the median of our peer group when we deliver on our pre-established financial and operating goals.

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**PROXY STATEMENT SUMMARY**

In overseeing executive compensation, our Board utilizes an independent compensation consultant which provides only compensation services to the Board. A detailed discussion of our executive compensation program, including its elements, the factors we use in determining compensation and our governance features, appears in the CD&A. The key components of our executive compensation program are:

<b>Fixed</b>	Base Salary	Experience, performance and competitive market.
<b>Performance-Based</b>	Annual cash incentive under our Senior Management Incentive Compensation Plan (SMICP)	<p>Emphasis on EPS as the corporate financial objective with additional operational metrics.</p> <p>Payment from zero to 150% of target percentage of salary, and up to 200% for exceptional performance.</p>
<b>Performance-Based</b>	Equity-based incentive awards under our Long-Term Incentive Plan (LTIP)	<p>60% performance share units (PSUs) with payment, if any, measured over a three-year period based upon Return on Invested Capital (ROIC) vs. our business plan and peers and relative Total Shareholder Return (TSR), with the opportunity to earn between zero and 200% of target based on performance.</p> <p>40% restricted stock units (RSUs), which cliff vest at the end of three years.</p>
	Market-based retirement and post-employment benefits	<p>Double trigger change-in-control provisions.</p> <p>No excise-tax gross-ups.</p>

We have adopted executive compensation governance measures that we believe support good governance practices and further align our executives' interests with those of stockholders while discouraging executives from taking excessive risk.

**Compensation Governance Highlights**

ü	Pay for Performance Alignment	ü	No Hedging or Pledging
ü	Annual Compensation Risk Assessment	ü	Clawback Provisions
ü	Stock Ownership and Retention Policies	ü	Common Stock Trading Pre-Clearance

**Pay for Performance**

For 2014, the target annual and long-term incentive pay, representing pay at risk, for our CEO and other NEOs as a group was 86% and 70%, respectively, of targeted total direct compensation, as discussed in the CD&A under Compensation Philosophy-Pay Mix.

We compared our recent financial performance with the compensation of our CEO and NEOs relative to our peer companies. The financial measures we examined were above the median of our peer group of companies and our executive compensation was at the peer median. Thus, we have concluded that our performance and executive compensation are appropriately aligned.

Further, performance is reflected in the actual value paid upon vesting of the one-year annual cash incentive payments and the three-year equity incentive compensation awards:

Approved SMICP payments for 2014 were above target relative to internal goals, which were heavily weighted towards earnings;

For the PSUs granted under the LTIP for the three-year performance period ended December 31, 2014, actual payout was above target, based on our TSR compared to peer companies and ROIC in relation to target.

These compensation amounts reflect the effect on earnings of our strategic initiatives and the rebalancing of our business mix. The following table provides highlights of the compensation for our CEO and other NEOs in 2014 as reported in the 2014 Summary Compensation Table in this Proxy Statement. For the complete details of compensation, please review the entire Proxy Statement.

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NEO	Equity Incentive	Non-Equity Incentive	Total Compensation
	Base Salary	Compensation Plan Compensation	
	2014	2014	2014
	(\$)	(\$)	(\$) <sup>(1)</sup>
<b>Ralph Izzo</b>	1,142,307	5,723,686	1,636,100
<b>Caroline Dorsa</b>	673,006	1,249,737	625,200
<b>William Levis</b>	669,540	2,100,614	583,600
<b>Ralph A. LaRossa</b>	640,866	1,000,178	604,800
<b>J. A. Bouknight, Jr.</b> <sup>(2)</sup>	308,643	851,182	244,800
<b>Tamara L. Linde</b> <sup>(3)</sup>	397,010	438,705	305,100

(1) Reflects all compensation, including change in pension value and all other, as reported in the 2014 Summary Compensation Table.

(2) Retired on July 1, 2014.

(3) Elected to position effective July 2, 2014.

**Key Recent Executive Compensation Actions**

In overseeing our executive compensation program, our O&CC, working with its consultant, continued to emphasize our results-oriented philosophy. During 2014, we:

Reviewed our compensation philosophy and all key elements of our executive compensation program in light of our strategy and objectives, as well as the results of the 95% approval of the Say-on-Pay vote received at the 2014 Annual Meeting of Stockholders;

Confirmed the pay for performance alignment of executive compensation with financial results and approved benchmarked salaries, incentive awards and payouts in accordance with established criteria; and

Added relative ROIC compared to peers as a third factor in measuring three-year performance to determine PSU payouts under the LTIP.

For a more comprehensive discussion, see our CD&A.

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**ANNUAL MEETING, VOTING AND PROCEDURES**

**ANNUAL MEETING, VOTING AND PROCEDURES**

**Proxy Statement**

This Proxy Statement is provided by us on behalf of the Board. A proxy is a person you have legally designated to vote the stock you own. We are asking you to designate as proxies the individuals named by us on the proxy card, voting instruction form or electronic instruction associated with this Proxy Statement to vote at the 2015 Annual Meeting of Stockholders scheduled to be held on April 21, 2015 and at all adjournments or postponements of that meeting. For instructions on how to vote, please see Proxy Card and Voting of Shares section below.

The mailing address of our principal executive offices is 80 Park Plaza, P.O. Box 1171, Newark, New Jersey 07101-1171, telephone (973) 430-7000. Our Internet website is [www.pseg.com](http://www.pseg.com).

**Annual Report on Form 10-K**

**We have provided without charge to each person solicited by means of this Proxy Statement a copy of our Form 10-K for 2014, which has been filed with the Securities and Exchange Commission (SEC), including a list briefly describing the related exhibits.** You may request copies of the exhibits by writing to: Vice President-Investor Relations, Public Service Enterprise Group Incorporated, 80 Park Plaza, T6B, P.O. Box 1171, Newark, New Jersey 07101-1171. The Form 10-K is also available on our website <http://investor.pseg.com/sec-filings>.

**Delivery of Documents and Internet Availability**

We use several different methods to deliver the proxy statement and voting materials to you, including the U.S. Mail and the Internet. Each stockholder receives his or her own proxy card, voting instruction form or electronic instructions for voting. For detailed information on how to vote, see Proxy Card and Voting of Shares below.

***One Copy per Household***

We have sent only a single copy of our Annual Report to Stockholders, including our Form 10-K, and Proxy Statement, to any household with two or more stockholders having the same last name and address unless one of the stockholders has requested individual copies. This householding saves our company printing and delivery costs. If you share an address with another stockholder and receive only a single copy of one of those documents, you may request an additional copy by writing to the above address or contacting us at (973) 430-6566.

***Electronic Delivery***

Stockholders may choose to no longer receive printed copies of our Annual Report, Form 10-K and Proxy Statement and instead receive and view them electronically over the internet. If you would like to receive these documents, as well as other stockholder communications and materials, electronically in the future and save us the cost of printing and mailing them to you, you may do so by following the instructions at the websites shown on page (i) above, under

Go Green with Electronic Delivery. If your shares are held in the name of a bank or broker, please follow that organization's instructions for electronic delivery. You may also follow the instructions provided for future electronic delivery if you vote via the Internet.

If you receive our future Proxy Statements, Annual Reports and Forms 10-K electronically over the Internet, you will receive each year an e-mail message containing the Internet address to access these documents. The e-mail will also include instructions for voting via the Internet as you will not receive a separate proxy card.

### **Annual Meeting**

This year we will be holding our Annual Meeting at a new location, the Robert Treat Hotel, in Newark, New Jersey. Please note the new address, 50 Park Place, Newark, New Jersey 07102.

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**ANNUAL MEETING, VOTING AND PROCEDURES**

Holders of record of the 506,361,758 shares of Common Stock outstanding on February 20, 2015 will have one vote per share. A quorum will consist of the holders of Common Stock entitled to cast a majority of the votes at the Annual Meeting, present in person or represented by proxy. All votes cast by proxy or in person will be counted. Abstentions and broker non-votes will not be counted, except for the purpose of establishing a quorum. All votes will be tabulated by an independent inspector of elections.

Election of directors under Proposal 1 is subject to our majority vote requirement described below. The say-on-pay vote presented in Proposal 2 is advisory and non-binding, whether or not approved by a majority of the votes cast. A majority of the votes cast is needed for ratification of the appointment of the auditor under Proposal 3.

**Proxy Card and Voting of Shares: How to Vote**

***Stockholders of Record***

Every vote is important. We urge you to vote whether or not you plan to attend the Annual Meeting. You may specify your choices by marking the appropriate boxes on the enclosed proxy card. Once done, kindly sign, date and return the accompanying proxy card, or you may vote your proxy using the toll-free telephone number listed on the proxy card or via the Internet at the electronic address provided above and also listed on the proxy card. When a proxy card is returned properly dated and signed, or properly voted telephonically or electronically, the shares represented by the proxy will be voted by the persons named as proxies in accordance with the voting stockholder's directions. If you are a stockholder of record, your shares will not be voted unless you provide a proxy by return mail, telephonically or electronically or vote in person at the Annual Meeting.

***Shares Held in Plans***

***Enterprise Direct:*** The proxy card includes any shares registered in the names shown on the proxy in Enterprise Direct (our dividend reinvestment and stock purchase plan). If a proxy card is dated, signed and returned without specifying choices, the shares will be voted as recommended by the Board. If you vote telephonically or electronically, you should follow the directions given during the call or on the computer screen. If no instructions are received from you with respect to any shares held in Enterprise Direct, the administrator of the plan will vote those shares in accordance with the recommendations of the Board.

***PSEG ESPP:*** If you are a participant in the ESPP, you will receive a separate voting instruction form from the administrator of the plan. If no instructions are received from you with respect to any shares held in the ESPP, the administrator of the plan may vote those shares in accordance with the recommendations of the Board.

***PSEG Employee Benefit Plans:*** If you are a participant in the Thrift and Tax-Deferred Savings Plan or the Employee Savings Plan of PSEG (PSEG Savings Plans) or either of the two Incentive Thrift Plans (Incentive Thrift Plans) of Long Island Electric Utility Servco LLC, a subsidiary of PSEG LI, you will receive a separate

proxy card from the respective plan's trustee for shares that have been allocated to your accounts. The trustee will vote the shares of Common Stock beneficially owned by you under the respective plan in accordance with your instructions. If no instructions are received with respect to the PSEG Savings Plans, the shares will not be voted. If no instructions are received with respect to the Incentive Thrift Plans, the respective trustee will vote your shares in the same proportion as those shares as to which it receives instructions from other participants in the plan in which you participate.

***Shares Held by Banks or Brokers***

If your shares are held in the name of a bank or broker, you should follow the voting directions on the instruction form received from your bank or broker. For such shares, while the availability of telephone or Internet voting will depend on the processes of your bank or broker, we believe that most will make such voting methods available. In accordance with the rules of the NYSE, if no instructions are received from you by a bank or broker with respect to such shares, the bank or broker may use its discretion to vote your shares that are held by it only in regard to Proposal 3, Ratification of the Appointment of Independent Auditor and the shares will not be voted on the other proposals presented in this Proxy Statement.

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**ANNUAL MEETING, VOTING AND PROCEDURES**

***Revoking a Proxy***

You may revoke a proxy given in the form of the card which accompanies this Proxy Statement or a vote made telephonically or electronically. However, by law, your presence at the Annual Meeting will not revoke a proxy you have given unless you file a written notice of such revocation with the Secretary of PSEG prior to the voting of the proxies at the Annual Meeting or you vote the shares subject to the proxy by written ballot. The Secretary's mailing address appears below.

**Solicitation**

The cost of soliciting proxies in the form accompanying this Proxy Statement will be borne by us. In addition to solicitation by mail, proxies may be solicited by our directors, officers and employees, none of whom will be directly compensated for such services, in person or by telephone, electronically or by facsimile. We have also retained Morrow & Co. to assist in the distribution and solicitation of proxies from brokers, bank nominees, other institutional holders and certain large individual holders. The anticipated cost of such services is approximately \$15,000, plus reimbursement of expenses.

**Date for Submission of Stockholder Proposals**

In accordance with SEC rules, stockholders may submit proposals intended for inclusion in the Proxy Statement in connection with our 2016 Annual Meeting of Stockholders. Such proposals should be sent to: Corporate Secretary, Public Service Enterprise Group Incorporated, 80 Park Plaza, T4B, P.O. Box 1171, Newark, New Jersey 07101-1171, and must be received by November 10, 2015.

**Discretionary Proxy Voting Authority**

If any matters not described in this Proxy Statement are properly presented at the Annual Meeting, the persons named in the enclosed proxy card or their substitutes will vote proxies so given in respect of any such matters in accordance with their best judgment. As of the date of this Proxy Statement, the Board and management did not know of any other matters which might be presented for stockholder action at the Annual Meeting.

If we are not notified by January 26, 2016 of any proposal intended to be presented for consideration at the 2016 Annual Meeting of Stockholders, then the persons named by us shall have discretionary voting authority with respect to such proposal if presented at that Annual Meeting.

**Voting Tabulation Results**

Proxies and ballots will be received and tabulated by an independent inspector of elections. We will announce preliminary voting results at the Annual Meeting. We will disclose the final voting results in a Current Report on Form 8-K to be filed with the SEC on or before April 27, 2015. The Form 8-K will be available on our website at <http://investor.pseg.com/sec-filings> and on the SEC's website at [www.sec.gov](http://www.sec.gov).

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**ELECTION OF DIRECTORS**

**Proposal 1**

**ELECTION OF DIRECTORS**

You are being asked to vote on the election of ten individuals nominated by your Board to serve as the Directors of our Company. Below, we have provided information about the Board, director independence, our leadership structure, risk management oversight, Board committees, code of ethics and related matters of corporate governance. We also describe our provisions for majority voting, our director qualifications, diversity and retirement criteria and each nominee's specific experience, skills and qualifications. We also report to you information about security ownership and director compensation. All of the nominees currently serve as directors of the Company and were elected to their positions by the stockholders. **As recommended by the Board, we ask you to vote FOR all nominees.**

**CORPORATE GOVERNANCE**

**Board of Directors**

Our business and affairs are managed by or under the direction of the Board, which delegates certain responsibilities to its committees and to management consistent with our By-Laws. The Board has adopted and operates under the Principles which reflect our current governance practices in accordance with applicable statutory and regulatory requirements, including those of the SEC and the NYSE. The Principles provide written guidelines for directors and management to effectively pursue and support the Company's business objectives. The Principles are reviewed periodically by the Corporate Governance Committee, which recommends appropriate changes to the Board. You can request copies of our By-Laws and Principles or view them at <http://investor.pseg.com/corporate-governance>.

The Board provides direction and oversight of the conduct of our business by management. In fulfilling these responsibilities, the Board performs the following principal functions:

Approves corporate strategy, major management initiatives and significant investments;

Monitors and provides oversight of financial and business integrity and performance, including risk management;

Selects, evaluates the performance of, and approves succession plans for the CEO and other senior executives;

Selects nominees for election to the Board; and

Evaluates Board processes and performance.

The Board has full and free access to all members of management and may hire its own consultants and advisors as it deems necessary.

### **Independence**

Under our Principles and the requirements of the NYSE, the Board must consist of a majority of independent directors. The Board has established standards for director independence, which are set forth in the Principles.

### **Communications with the Board**

You, as a stockholder, and other interested parties may communicate directly with the Board, including the independent directors, by writing to:

**M. Courtney McCormick, Secretary**

### **Public Service Enterprise Group Incorporated**

**80 Park Plaza, T4B, P.O. Box 1171, Newark, New Jersey 07101-1171**

and indicating who should receive the communication. Unless the context otherwise requires, the Secretary will provide the communication to the Lead Director and to the Chair of the Board committee most closely associated with the nature of the request. The Secretary has the discretion not to forward communications that are commercial advertisements, other forms of soliciting material or billing complaints. All communications are available to any member of the Board upon his or her request.

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**CORPORATE GOVERNANCE**

The Board annually reviews other commercial relationships of directors and determines whether any of those relationships are material relationships that impair a director's independence.

The Board has determined that all of the current directors, all of whom are nominees for election, are independent under our Principles and the requirements of the NYSE, except Ralph Izzo, our Chairman of the Board, President and CEO. These determinations were based upon a review of the responses submitted by each director to questionnaires we provided to them, relevant business records, publicly available information and applicable SEC and NYSE requirements.

**Leadership Structure**

Under our By-Laws, our senior leadership may include a Chairman of the Board, a President and a CEO, which positions may be held by one person or may be divided between two different people. As provided in its charter, the Corporate Governance Committee has the responsibility to assess the structure of the Board and periodically evaluate the Board's governance practices as well as the Principles. Building on the advice of the Corporate Governance Committee, the Board applies its experience and knowledge of our business to establish what it believes to be the most effective form of organization. In doing so, it utilizes its understanding of the challenges and opportunities we face and its evaluation of the individuals who are involved.

Based on that analysis and evaluation, the Board has determined that, at the present time and given our present officers and personnel, it is in the best interests of the Company and stockholders for a single individual to hold all three positions of Chairman of the Board, President and CEO. The Board believes that this strikes a desirable balance allowing us to benefit from the advantages of efficiency, coordination and accountability. Ralph Izzo currently holds these positions. As such, he has plenary powers of supervision and direction of our business and affairs and he also presides at all meetings of the Board and of stockholders. The Board believes that Mr. Izzo possesses the attributes of experience, judgment, vision, managerial skill and overall leadership ability essential for our continued success. Mr. Izzo's in-depth knowledge and understanding of our strategy, operations, risk profile, regulatory and environmental circumstances and financial condition best position him to head our Board and provide leadership to management, employees, investors, customers, officials and the public. The diverse experience and independence of the other directors allows the Board to maintain effective oversight of operations, long-range planning, finances and risk management.

***Lead Director***

In addition to the Chairman, President and CEO, our leadership structure is designed to rely on the contributions of our Lead Director. The Lead Director provides the independent directors with a key means for collaboration and communication regarding Board agendas and the information directors receive from management. Importantly, all directors play an active role in overseeing the company's business both at the Board and committee levels, bringing fresh and differing viewpoints. The Lead Director coordinates with the Chairs of our various Board committees in setting agendas for committee meetings. Albert R. Gamper, Jr. currently serves as Lead Director. In that capacity, he complements the talents and contributions of Mr. Izzo and promotes confidence in our governance structure by providing an additional perspective to that of management.

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**CORPORATE GOVERNANCE**

The Lead Director is an independent director designated annually by the independent directors with the expectation that he or she will typically serve in that capacity for four years. The Lead Director may be appointed to serve up to twelve additional months beyond the four years if approved by a majority of the independent directors. Mr. Gamper was designated as our Lead Director in April 2014 for a term expiring at the first meeting of directors after the 2015 Annual Meeting of Stockholders. Mr. Gamper has served as Lead Director since April 2011. The Corporate Governance Committee expects to make a recommendation regarding the individual to serve as Lead Director at its first meeting following the 2015 Annual Meeting, in accordance with our policy.

The Board believes that our leadership structure has been designed with the appropriate controls to support the efficacy of this arrangement without jeopardizing the integrity of the governance process. As discussed below, our Principles also set forth various expectations and criteria for Board membership. All directors must adhere to our Standards and exercise their responsibilities in a manner consistent with our best interests and those of our stockholders and their fiduciary duties established by applicable law.

**Risk Management Oversight**

The Board is responsible for the oversight of risk at PSEG, both as a whole and through delegation to Board committees, which meet regularly and report back to the full Board. All committees play significant roles in carrying out the risk oversight function. In particular:

The Audit Committee oversees risk related to the Company's financial statements, the financial reporting process, accounting and legal matters. The Audit Committee provides oversight on legal and business compliance, financial reporting, disclosure controls and procedures and risk management controls, as well as policies with respect to risk assessment and risk management. Our Chief Risk Officer and Chief Financial Officer report on risk management to the Audit Committee at its meetings and, through the reports of the Audit Committee Chair, to the Board.

The Finance Committee oversees financing transactions and approves appropriate commodity portfolio risk tolerance limits. Compliance is monitored through regular reporting to the Board. The Finance Committee is responsible for monitoring risk related to our investments in our pension and post-retirement benefits and nuclear decommissioning trusts and receives periodic reports on their performance at least annually.

The Fossil Generation Operations Oversight Committee and the Nuclear Generation Operations Oversight Committee monitor and evaluate risks associated with our electric station operations, including risks associated with environmental, safety and other compliance and personnel and performance matters.

The O&CC considers the risks and rewards associated with our compensation and human resources philosophy and programs. As discussed below, the O&CC has reviewed our compensation policies and practices as they

relate to risk management and seeks to administer our compensation plans so as to appropriately balance the incentive nature of the compensation with mechanisms that serve to mitigate risk.

The Corporate Governance Committee evaluates Board and committee performance, monitors composition of the Board and the qualifications of the Board members and nominees, assists the Board in administering corporate governance practices and oversees our political participation activities and expenditures. In doing so, the Corporate Governance Committee seeks to ensure our governance and leadership structure is appropriately designed to mitigate reputational risk.

***Risk Management Policy***

Risk management is also a key part of our strategic planning and business operations. The Board has approved a Risk Management Policy and it reviews and adopts the Company's Financial Risk Management Practice. In accordance with the Risk Management Policy, we maintain and execute a Risk Management Program for identifying, quantifying, monitoring, managing and reporting on our risks, including emerging issues such as cybersecurity. The Financial Risk Management Practice serves to define the major roles, responsibilities and procedures, including controls and reporting, necessary to actively manage our financial risk exposure consistent with our business plans. It is reviewed annually and approved by the Audit Committee and the Finance Committee and recommended to the Board for its approval.



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**CORPORATE GOVERNANCE**

***Risk Management Committee***

Under the Risk Management Policy, we have established a Risk Management Committee (RMC) consisting of senior executives. The RMC is charged with, among other things:

Establishing the framework for implementing the Risk Management Policy;

Establishing limits and controls and managing risk within established tolerances; and

Considering and addressing major implications to our generation, transmission and distribution businesses that have a bearing on the management of risks that could impact financial results.

In addition, our Capital Review Committee, which also consists of senior management employees, provides oversight and reviews proposed capital projects. Investments above a stated amount require approval of our Board or our respective subsidiary's board, as applicable. Our Compliance Committee of senior management personnel reviews various compliance issues, including the approval of our Standards, and regularly reports to the Audit Committee.

Our Delegation of Authority provisions set forth the respective authority levels at which management and employees are authorized to conduct business.

The Board believes that we have an effective system of risk management practices with appropriate controls and Board oversight.

**Talent Management and Succession Planning**

Our business planning process includes key aspects of workforce development. We believe that we utilize a rigorous and disciplined process to evaluate talent and provide for succession planning in relation to our business objectives. This starts at the local level and continues through senior management, with direct involvement of our CEO and Board. We periodically review our workforce challenges, progress on achieving our commitment to diversity and effectiveness of our organizational structure and staffing.

The Board takes very seriously its responsibility to provide for an orderly process of succession within the ranks of our senior management. Periodically, at least annually, the O&CC reviews with the CEO succession plans for key leadership positions to assure that highly qualified candidates are available should the need arise to fill vacancies. We seek to maintain a continuity of management through appropriate recruitment and retention methods, including market-based and performance-measured compensation and career advancement and training opportunities.

**Director Orientation and Continuing Education**

New directors receive an orientation program and materials, which includes visits to our facilities and presentations by senior management to familiarize them with our strategic plans, operations, significant financial, accounting, regulatory and risk management issues, compliance programs, the Standards, principal officers and internal and independent auditors. During each year, continuing education is provided to all directors on topics of importance to our business.

### **Meetings of the Board, Committees and Stockholders**

The Board holds regularly scheduled meetings and meets on other occasions when circumstances require. Board and committee meetings are scheduled over most of an entire work day and usually begin on the prior afternoon or evening. Each committee executes its responsibilities, as described below, and the Board receives reports from the committee Chairs on the significant matters considered and actions taken. A Board meeting typically focuses on the strategic and more important issues facing us. Directors spend additional time preparing for Board and committee meetings they attend and they are called upon for counsel between meetings.

Our Principles provide that the Board will meet at least six times each year and in executive session without management in attendance at every meeting, unless waived by the Board. When the Board meets in executive sessions, the Lead Director presides. In addition, each Board committee, except the Executive Committee, meets in executive session at each of its meetings, unless waived by the respective committee.

Special meetings of the Board of Directors may be called by the Chairman of the Board, CEO, or a majority of the directors by written request at anytime. Special meetings of the stockholders may be called at any time by the Board of Directors or by the CEO or upon the written request of the holders of a majority of the capital stock entitled to cast votes.

**Table of Contents****CORPORATE GOVERNANCE**

<b>2014 Meetings and Executive Sessions</b>		
<b>Board/Committee</b>	<b>Meetings</b>	<b>Executive Sessions</b>
PSEG Board	9*	8
PSE&G Board	6	6
Audit	8	6
Corporate Governance	4	2
Executive	1	0
Finance	4	0
Fossil Generation Operations Oversight	3**	2
Nuclear Generation Operations Oversight	3***	2
O&CC	5	4
* Includes all-day Business Strategy Session and two special meetings		
** One meeting held at a generating station		
*** One meeting held at the site of nuclear generating stations we operate		

**Attendance**

Under our Principles, each director is expected to attend all Board meetings and all meetings of committees of which such director is a member, as well as the Annual Meeting of Stockholders. Meeting materials are provided to Board and Committee members in advance of each meeting, and members are expected to review such materials prior to each meeting. During 2014, each director attended at least 75% of the aggregate number of meetings of the Board and the committees on which he or she served. All of the directors except two attended the 2014 Annual Meeting of Stockholders.

**Board Committee Responsibilities**

The Board committees, their principal functions, membership requirements and minimum number of meetings held are described below. Each committee has open and free access to all Company information, may require any of our officers or employees to furnish it with information, documents or reports that it deems necessary or desirable in carrying out its duties, is empowered to investigate any matter involving us and may retain appropriate resources to assist it in discharging its responsibilities.

Each committee, other than the Executive Committee, operates pursuant to a charter that defines its roles and responsibilities and annually conducts a performance evaluation of its activities and a review of its charter. The authority of the Executive Committee is set forth in our By-Laws. The committee charters and our By-Laws are posted on our website, [www.pseg.com/info/investors/governance/committees.jsp](http://www.pseg.com/info/investors/governance/committees.jsp). We will send you a copy of any or all of them upon request.

Each committee reports its activities to the Board. Each committee Chair is appointed annually with the expectation that he or she will typically serve in that capacity for four years. A Chair may be appointed to serve up to twelve additional months beyond the four years if approved by a majority of the independent directors.

A list of current committee membership requirements can be found below:

Committee	Membership Requirements
<b>Audit</b>	<p>Consists of three or more independent directors, in accordance with SEC and NYSE rules, who must meet NYSE requirements for financial literacy. At least one member must have accounting or financial management expertise. The committee meets at least four times per year.</p> <p>Members may receive no direct or indirect compensation from us or our subsidiaries, other than as a director or committee member, and may not be affiliated with us or our subsidiaries. Under our Principles, without Board approval, a director may not serve as a member of our Audit Committee if he or she serves on the Audit Committee of more than three public companies, including ours.</p>
<b>Corporate Governance</b>	<p>Consists of three or more independent directors who meet at least two times per year.</p>
<b>Executive</b>	<p>Consists of the Chairman of the Board, the Lead Director and at least one additional independent director.</p>
<b>Finance</b>	<p>Consists of three or more independent directors who meet at least three times per year.</p>
<b>Fossil Generation</b>	<p>Consists of three or more independent directors who meet at least three times per year.</p>
<b>Operations Oversight</b>	<p>Consists of three or more independent directors who meet at least three times per year.</p>
<b>Nuclear Generation</b>	
<b>Operations Oversight</b>	

**Organization & Compensation**

Consists of three or more independent directors in accordance with SEC and NYSE rules, who meet at least two times per year.

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**CORPORATE GOVERNANCE**

Each Committee of the Board is responsible for the following activities:

***Audit Committee***

Assisting the Board in fulfilling its responsibility for oversight of the integrity of our financial statements and the quality and integrity of our accounting, auditing and financial reporting practices;

Appointing, terminating, compensating, including preapproving all services and fees, and overseeing the work of the independent auditor, which reports directly to the Audit Committee;

Reviewing the independence of the independent auditor, as well as Public Company Accounting Oversight Board (PCAOB) and peer review reports of the independent auditor's performance;

Reviewing with the independent auditor, management and internal auditors our annual audited and quarterly financial statements and the acceptability and quality of our financial statements and our accounting, reporting and auditing practices;

Reviewing with the independent auditor any audit issues or difficulties and management's response, and resolving disagreements which may arise between management and the independent auditor regarding financial reporting;

Providing oversight to our internal audit and environmental, health and safety audit functions and legal and business conduct compliance program;

Reviewing the status of pending material litigation;

Reviewing risk management controls and disclosure controls and procedures;

Reviewing earnings press releases, financial information and earnings guidance provided to analysts and rating agencies; and

Recommending to the Board the inclusion of the audited financial statements in our Form 10-K.

The Audit Committee Report appears below under Proposal 3. Ratification of the Appointment of Independent Auditor in this Proxy Statement.

*Corporate Governance Committee*

Assisting the Board in administering the corporate governance practices of the Board and its committees;

Monitoring the composition of the Board to assure a reasonable balance of professional interests, business experience, financial expertise, diversity and independence;

Considering the qualifications of Board members and evaluating prospective nominees, including those identified by the Committee or by other Board members, management, stockholders or other sources, and recommending to the Board membership changes and nominees;

Making a recommendation to the Board as to whether to accept the tendered resignation of any director who fails to receive a majority of votes cast for that director's election in an uncontested election;

Recommending to the Board the chairs and members of Board committees;

Evaluating performance 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, including interactions with management;

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**CORPORATE GOVERNANCE**

Making recommendations to the Board to improve effectiveness of the Board and its committees;

Overseeing the directors' orientation and continuing education;

Reviewing and making recommendations to the Board with respect to compensation of directors;

Providing input to the O&CC regarding the performance of the CEO as Chairman of the Board;

Periodically reviewing the Charters of the Board committees and recommending appropriate changes; and

Reviewing our political participation activities and expenses.

The nomination process and criteria utilized are described below under Nominees and Election.

***Executive Committee***

Except as otherwise provided by law, the Executive Committee may exercise all the authority of the Board when the Board is not in session.

***Finance Committee***

Reviewing and making recommendations to the Board regarding corporate financial policies and processes and significant financial decisions;

Reviewing and recommending to the Board annually our financial plan;

Reviewing and making recommendations to the Board regarding our dividend policy and capital structure;

Discussing with management the application and effects of our policies with respect to risk assessment and risk management, including the limits and authorities contained in the Financial Risk Management Practice;

Reviewing and recommending to the Board authorizations with respect to the issuance, sale and redemption of securities by us and our subsidiaries;



Reviewing with the Chairs of the Thrift and Pension and the Nuclear Decommissioning Trust Investment Committees, and monitoring, the investment guidelines for and investment performance of the respective trust funds;

Reviewing with management our cash management policies and practices; and

Reviewing with management credit agency ratings and analyses.

***Fossil Generation Operations Oversight Committee***

Evaluating the effectiveness of our fossil generation operations, focusing on safety, plant performance, regulatory matters, large construction projects and improvement in operations;

Reviewing labor and human relations, environmental, health and safety and legal and compliance issues related to our fossil generation operations; and

Reviewing the results of major inspections, evaluations and audit findings by external oversight groups and management's response.

***Nuclear Generation Operations Oversight Committee***

Evaluating the effectiveness of our nuclear generation operations, focusing on safety, plant performance, regulatory matters, large construction projects and improvement in operations;

Reviewing labor and human relations, environmental, health and safety and legal and compliance issues related to our nuclear generation operations; and

Reviewing the results of major inspections, evaluations and audit findings by external oversight groups and management's response.

***Organization and Compensation Committee (O&CC)***

Reviewing, approving and modifying, as necessary, our executive compensation policy, programs, plans and awards;

Reviewing the stockholder advisory vote on say-on-pay and considering any action it deems appropriate in light of that vote;

Reviewing executive compensation levels and targets for consistency and alignment with compensation policy and strategic and operating objectives;

Reviewing the risk to us of our compensation policies and practices;

Retaining, compensating, overseeing and annually reviewing the performance of its advisors, including its compensation consultant;

Reviewing the independence of its compensation consultant and advisors;

Reviewing and making recommendations to the Board concerning corporate organization in general and executive compensation including incentive plans and equity-based plans;

Administering our incentive compensation plans;

Reviewing and approving corporate goals and objectives relevant to CEO compensation;

Evaluating the CEO's performance in light of those goals and objectives and, with the independent Board members, determining and approving the CEO's compensation based on such evaluation;

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**CORPORATE GOVERNANCE**

Annually reviewing performance of certain other key members of management;

Annually reviewing management succession and development plans;

Monitoring compliance with the Stock Ownership and Retention Policy; and

Reviewing the CD&A and providing its report in this Proxy Statement.

The O&CC Report on Executive Compensation appears below under Proposal 2. Advisory Vote on the Approval of Executive Compensation.

**Compensation Consultant**

The O&CC has the authority to retain advisors and compensation consultants, with sole authority for their hiring and firing. The O&CC is directly responsible for such appointment, compensation and oversight in accordance with the applicable SEC requirements and NYSE standards. Since September 2009, the O&CC has retained Compensation Advisory Partners LLC (CAP) as its independent compensation consultant to provide it with information and advice that is not influenced by management. CAP is an executive compensation consulting firm that does not perform any other services for us or our subsidiaries. CAP provides advice to the O&CC on executive compensation and may also provide advice to the Corporate Governance Committee on matters pertaining to compensation of directors who are not executive officers. CAP may not perform any other services for us without obtaining the prior approval of the Chair of the O&CC.

In furtherance of CAP's independence, management receives copies of certain materials provided by CAP to the O&CC only after the materials have been provided to the O&CC. The scope of CAP's assignment is to provide general advice relating to all aspects of executive compensation, including the review of our current compensation programs and levels, benefit plans, provision of comparative industry trends and peer data and the recommendation of program and pay level changes. Responsibility for assignment to and evaluation of work by CAP is solely that of the O&CC and, with respect to the compensation of non-employee directors, the Corporate Governance Committee.

We pay the fees of any compensation consultant retained by the O&CC. Additional information regarding any such services performed in the past year is included in the CD&A below. The O&CC also utilizes the services of our internal compensation professionals.

***Determination of Compensation Consultant's Independence***

The SEC and NYSE require compensation committees to assess the independence of their advisors and determine whether any conflicts of interest exist. In July 2014, the O&CC reviewed CAP's independence relative to the following factors: (i) CAP's provision of other services to the Company; (ii) the amount of fees CAP receives from the Company

as a percentage of CAP's total revenue; (iii) the policies and procedures of CAP that are designed to prevent conflicts of interest; (iv) any business or personal relationship between O&CC members and CAP or its compensation consultants; (v) any PSEG stock owned by CAP or its compensation consultants; (vi) any business or personal relationship between our executive officers and CAP or any of its compensation consultants; and (vii) other factors that would be relevant to CAP's independence from management. On the basis of such review, the O&CC concluded that CAP is independent and no conflicts of interest exist.

***Compensation Committee Interlocks and Insider Participation***

During 2014, each of the following individuals served as a member of the O&CC: William V. Hickey, Shirley Ann Jackson, David Lilley, Thomas A. Renyi, and Richard J. Swift (Chair). No member of the O&CC was an officer or employee or a former officer or employee of any PSEG company. None of our officers served as a director of or on the compensation committee of any of the companies for which any of these individuals served as an officer. No member of the O&CC had a direct or indirect material interest in any transaction with us.

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**CORPORATE GOVERNANCE**

**Code of Ethics**

The Standards are posted on our website, [www.pseg.com/info/investors/governance/documents.jsp](http://www.pseg.com/info/investors/governance/documents.jsp). We will send you a copy on request.

We will post on that website:

Any amendment (other than one that is technical, administrative or non-substantive) that we adopt to the Standards; and

Any grant by us of a waiver from the Standards that applies to any director, principal executive officer, principal financial officer, principal accounting officer or Controller, or persons performing similar functions, for us or our direct subsidiaries noted above, and that relates to any element enumerated by an applicable SEC requirement.

A waiver of any provision of the Standards may be granted in exceptional circumstances, but only for substantial cause. A waiver for any director or executive officer may be made only by the Board and, if granted, must be promptly disclosed to our stockholders. In 2014, we did not grant any waivers to the Standards.

**Political Contributions**

As a highly regulated company whose operations can be significantly impacted by public policies, it is essential that PSEG takes an active role in the political process. PSEG regularly communicates with government officials on issues affecting our business, participates in trades associations that focus on policies which may influence our company and makes political contributions that align with the long-term interests of PSEG and its stockholders.

***Our Practice and Board Oversight***

We are committed to participating in an ethical manner and in full compliance with all federal, state and local laws. We have established a Corporate Political Participation Practice that sets forth a controls process pursuant to which our senior management monitors, assesses and approves certain political contributions. The Corporate Governance Committee also oversees our political activities and contributions in accordance with the Practice. We believe this Practice allows us to minimize reputational and political risks and continue to focus on our operational excellence. Stockholders may view our Practice at [www.pseg.com/info/investors/governance/documents.jsp](http://www.pseg.com/info/investors/governance/documents.jsp).

***Annual Political Contributions Report***

PSEG continues to value thoughtful stockholder engagement. Based on our communications with stockholders, we have expanded our level of disclosure by creating an annual political contributions report to be published in 2016. The

report will include our corporate contributions to candidates, trade associations and other political and social welfare organizations. PSEG will request that trade associations to which it paid total annual payments of \$50,000 or more identify the portion of dues or payments received from PSEG that were used for expenditures or contributions that, if made directly by PSEG, would not have been deductible under Section 162(e)(1)(B) of the Internal Revenue Code (IRC). The report will be made available on our website.

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**NOMINEES AND ELECTION**

**Transactions with Related Persons**

There were no transactions during 2014, and there are no transactions currently proposed, in which we were or are to be a participant and the amount involved exceeded \$120,000 and in which any related person (director, nominee, executive officer or their immediate family members) had or will have a direct or indirect material interest.

Our policies and procedures with regard to transactions with related parties, including the review, approval or ratification of any such transactions, the standards applied and the responsibilities for application are set forth in our Principles, our Business Conduct Compliance Program (Compliance Program) and the Standards. These are our only written policies and procedures regarding the review, approval or ratification of transactions with related persons.

The Principles provide that a director must notify the Chair of the Corporate Governance Committee if he or she encounters a conflict of interest or proposes to accept a position with an entity which may present a conflict of interest, so that the issue may be reviewed. Potential conflicts of interest include positions that directors or immediate family members hold as directors, officers or employees of other companies with which we do business or propose to do business and charitable and other tax-exempt organizations to which we contribute or propose to contribute.

The Compliance Program establishes an organizational structure and validates the Standards and its mandated procedures, practices and programs. The Audit Committee has overall responsibility for oversight of the Compliance Program and has delegated to our Compliance Committee overall responsibility for the design, implementation and execution of the Compliance Program. The Compliance Committee's duties include assurance that we take all reasonable steps to coordinate organization-wide ethics and compliance activities, consistent enforcement of the Standards, including the detection and prevention of wrongdoing as a result of compliance investigations and otherwise foster a culture for ethical behavior and a commitment to legal compliance. The Compliance Committee, comprised of members of senior management, is chaired by our Executive Vice President and General Counsel, who has overall responsibility for administering the Compliance Program.

The Standards establish a written set of common expectations of behavior for all directors, officers and employees regarding business relationships, personal conduct (including, among other things, corporate opportunities, conflicts of interest and supplier, competitor and governmental relations), safeguarding of Company property, business controls and compliance with regulatory requirements. In addition, the Standards mandate procedures for seeking ethical guidance, reporting concerns, investigation and discipline. Our Executive Vice President and General Counsel has overall responsibility for administering the Standards.

Our written management practices provide that any capital investment with a non-PSEG entity or its affiliate, for which one of our directors or officers serves as a director or executive officer, must be approved by our Board.

**NOMINEES AND ELECTION**

## **Election**

Directors elected at each annual meeting are elected to serve one-year terms. Directors whose terms are to expire are eligible for re-nomination and will be considered by the Corporate Governance Committee in accordance with its policies and the retirement policy for directors, which are summarized in this Proxy Statement. Each of the current directors has been nominated for re-election.

Our By-Laws currently provide that the Board shall consist of not less than three nor more than 16 directors as shall be fixed from time to time by the Board. The number of directors is currently fixed at ten.

The nominees listed below were selected by the directors upon the recommendation of the Corporate Governance Committee. As discussed above under Annual Meeting, Voting and Procedures, proxies will be voted in accordance with your instructions as indicated on the enclosed proxy card, voting instruction form or when voting by telephone or Internet.

If at the time of the 2015 Annual Meeting any of the nominees listed below should be unable to serve, which is not anticipated, it is the intention of the persons designated as proxies to vote, in their discretion, for other nominees, unless the number of directors constituting a full Board is reduced.

## **Majority Voting for Election of Directors**

Our By-laws provide that in an uncontested election, each director shall be elected by a majority of the votes cast with respect to the director. A majority of votes cast means that the number of shares cast for a director's election exceeds the number of votes cast against that director. We do not include as votes cast (i) shares which are marked withheld, (ii) abstentions and (iii) shares as to which a stockholder has given no authority or direction.

As provided in our Principles, the Board has adopted a policy whereby any incumbent director receiving a majority vote against must promptly tender an offer of resignation. As a result, in uncontested elections, the Board will nominate for election or re-election as a director only candidates who have agreed promptly to tender a letter of resignation in the event that the number of shares voted for that director does not exceed the number of shares voted against that director. If an incumbent director fails to receive the required majority vote, the Corporate Governance Committee will consider the matter and then make a recommendation to the Board as to whether or not to accept the resignation. The Board will make the determination on whether or not to accept the recommendation of the Corporate Governance Committee.

## ***Failure to Receive a Majority Vote***

The Principles further provide that no director who fails to receive a majority vote in an uncontested election shall participate in either the recommendation of the Corporate Governance Committee or the determination of the Board with respect to his or her resignation letter or that of any other director in regard to that year's Annual Meeting election. Any such director may, however, participate in any and all other matters of the Board and its various committees to the fullest extent to which he or she would otherwise be permitted in accordance with applicable law and the Principles. If a majority of the Corporate Governance Committee fails to receive a majority vote, then the remaining independent directors will determine whether to accept one or more of the applicable resignations. If three or fewer independent directors do not receive a majority vote in the same election, then all independent directors may participate in any discussions or actions with respect to accepting or rejecting the resignation offers (except that no director will vote to accept or reject his or her own resignation offer).



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**NOMINEES AND ELECTION**

In evaluating tendered resignations, the Corporate Governance Committee and the Board may consider all factors they deem relevant, including, but not limited to, the stated reason(s) for the against vote, the impact that the acceptance of the resignation would have upon our compliance with applicable law or regulation, the potential triggering of any change in control or similar provision in contracts, benefit plans or otherwise, the qualifications of the director and his or her past and anticipated future contributions to us.

The Corporate Governance Committee and the Board may consider possible remedies or actions to take in lieu of or in addition to accepting or rejecting of the resignation, such as development and implementation of a plan to address and cure the issues underlying the failure to receive a majority vote.

Following the Board's determination, we will publicly disclose the decision and, as applicable, the reasons for accepting or rejecting the resignation. To the extent that the Board accepts one or more resignations, the Corporate Governance Committee may recommend to the Board, and the Board will then determine, whether to fill any vacancy.

**Ability, Diversity and Independence of Directors**

The Board believes that a nominee for director should be selected on the basis of the individual's ability, diversity of background and experience and soundness of judgment, from among candidates with an attained position of leadership in their field of endeavor. As noted above, a majority of the Board must consist of independent directors in accordance with our Principles and NYSE requirements.

The Board is guided by its consideration of how to best enhance its capability to oversee the affairs of the Company. It does not believe that adopting arbitrary or inflexible policies will achieve that purpose. Rather it looks to promote better governance through a more dynamic examination and understanding of its members' abilities to meet evolving challenges. It values the mix of skills and experience, independence from management, fresh perspectives and seasoned knowledge that collectively help to guide the Company.

**Director Qualifications and Availability**

In addition, it is the Board's policy that a nominee recommended initially for election be able to serve at least five years, consistent with the Board's retirement policy. The Board believes that the ability of a director to serve for at least five years is a reasonable expectation in order for us to receive an appropriate benefit from the individual's abilities. This is especially so in light of the time invested by a director to become knowledgeable about our complex business operations. The Board believes that these age and service limitations provide it with a means for achieving a reasonable balance of veteran and new directors.

The Corporate Governance 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 business or charitable institutions and the contributions by directors to our ongoing business. The Corporate Governance Committee considers the qualifications of incumbent directors and potential new nominees, as well as the continuity of service and the benefit of new ideas and perspectives, before making recommendations to the Board for

election or re-election. The Board then selects nominees based on the Corporate Governance Committee's recommendation.

The Corporate Governance Committee does not believe it is appropriate to set absolute term limits on the length of a director's term. Directors who have served on the Board for an extended period of time are able to provide valuable insight into the operations and future of the Company based on their experience with and understanding of our history, policies and objectives. In selecting individuals for our Company, with its long investment horizon, the Corporate Governance Committee weighs the need for both director refreshment and institutional memory.

Prior to accepting an invitation to serve as a director of another public company, the CEO and any directors must submit a letter to the Corporate Governance Committee so as to allow it to review potential conflicts and time demands of the new directorship. Any director who undertakes or assumes a new principal occupation, position or responsibility from that which he or she held when he or she was elected to the Board must submit a letter to the Corporate Governance Committee volunteering to resign from the Board. The Board does not believe that in every instance a director who undertakes or assumes a new occupation, position or responsibility from that which he or she held when the director joined the Board should necessarily leave the Board. The Corporate Governance Committee reviews the relevant details of such director's new position and determines the continued appropriateness of Board membership under the circumstances.

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**NOMINEES AND ELECTION**

The Corporate Governance Committee and the Board believe that the experience gained through other directorships provides us with a breadth of valuable knowledge and insight. Exposure to other industries, management and issues gives a director a perspective not necessarily otherwise available to him or her from a more limited range of experience. The Corporate Governance Committee carefully monitors the attendance and participation of each director to assure that he or she demonstrates an appropriate level of commitment and effort in serving on our Board. In renominating the current directors, the Corporate Governance Committee and the Board determined that each director had successfully balanced the demands on his or her time and attention in meeting the fiduciary obligations to us.

**Nominees and Nomination Process**

The present terms of all ten directors, **Albert R. Gamper, Jr., William V. Hickey, Ralph Izzo, Shirley Ann Jackson, David Lilley, Thomas A. Renyi, Hak Cheol Shin, Richard J. Swift, Susan Tomasky and Alfred W. Zollar**, expire at the 2015 Annual Meeting. Each director has been re-nominated. Each will be presented for election to serve until the 2016 Annual Meeting, or until his or her respective successor is elected and qualified. All nominees were elected to their present terms by our stockholders.

The Corporate Governance Committee on occasion may pay a fee to an executive search firm to assist it in identifying and evaluating potential director nominees meeting our criteria, which are described further above. Any such firm's function would be to assist the Committee in identifying potential candidates for its consideration. During 2014, we did not engage a third-party firm to conduct a search for potential candidates.

The Corporate Governance Committee will consider stockholders' recommendations for nominees for election to the Board. Such recommendations must be submitted in writing to M. Courtney McCormick, Secretary, Public Service Enterprise Group Incorporated, 80 Park Plaza, T4B, P.O. Box 1171, Newark, New Jersey 07101-1171. Nominations must be made in compliance with the procedures set forth in our By-Laws and accompanied by the written consent of any such person to serve if nominated and elected and by biographical material to permit evaluation of the individual recommended. Our By-Laws require that stockholder nominations must be submitted at least 90 days in advance of an Annual Meeting of Stockholders.

The Corporate Governance Committee utilizes the same criteria to evaluate all potential nominees, including those recommended by stockholders or from other sources.

We show below for each nominee:

The period of service as a director;

Age as of the date of the Annual Meeting;

Present committee memberships;

Business experience during at least the last five years; and

Other directorships during the past five years.

We also discuss the specific experience, qualifications, attributes and skills that led to the conclusion that he or she should serve as one of our directors. Each nominee's beneficial ownership of Common Stock is shown under Security Ownership of Directors, Management and Certain Beneficial Owners. Compensation for service as a director is shown in the Director Compensation Table and accompanying narrative.

As discussed above, the Corporate Governance Committee and the Board recommend and nominate for election those individuals they deem qualified and capable of serving as directors pursuant to the criteria they have set. Each of the nominees this year meets these standards.

### **Committee Membership**

Current committee assignments are presented in the following table. From time to time, Committee assignments and chairs are changed to best utilize the talents of our directors. The last such changes occurred in April 2014. Ongoing committee assignments for all directors are expected to be made at the organizational meeting following the 2015 Annual Meeting of Stockholders.

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**NOMINEES AND ELECTION**

	Audit	Corporate Governance	Executive	Finance	Fossil Generation Operations Oversight	Nuclear Generation Operations Oversight	Organization & Compensation
<b>Albert R. Gamper, Jr.</b>	ü		ü	ü			
<b>Lead Director</b>							
<b>William V. Hickey</b>				Chair	ü	ü	ü
<b>Ralph Izzo</b>			Chair				
<b>Shirley Ann Jackson</b>			ü	ü	Chair	Chair	ü
<b>David Lilley</b>	Chair			ü			ü
<b>Thomas A. Renyi</b>	ü	Chair					ü
<b>Hak Cheol Shin</b>	ü			ü	ü	ü	
<b>Richard J. Swift</b>		ü	ü		ü	ü	Chair
<b>Susan Tomasky</b>	ü	ü					
<b>Alfred W. Zollar</b>		ü			ü	ü	

During 2014, Albert R. Gamper, Jr., Ralph Izzo, Shirley Ann Jackson and Richard J. Swift also served on the Board of Directors of PSE&G. Mr. Izzo also serves on the Boards of Directors of Power, Energy Holdings and Services.

### **Director Retirement**

The Board seeks to maintain an orderly transition for retirement and proper succession planning. Under the Board's retirement policy, set forth in our Principles, directors who have never been employees of the PSEG group of companies may not serve as directors beyond the Annual Meeting of Stockholders held in the calendar year following their seventy-second birthday. If however, the Corporate Governance Committee and the Board determine that there is good cause to extend any such director's Board service, he or she may be re-nominated following the age of seventy-two, but in no event beyond the age of seventy-five, and remain in service for the full term until the next Annual Meeting of Stockholders held in the calendar year following his or her seventy-fifth birthday.

Mr. Gamper attained age 72 in March 2014. As provided in the Principles, he is eligible to serve beyond the expiration of his term at the 2015 Annual Meeting upon the determination of the Corporate Governance Committee and the Board. The Corporate Governance Committee and the Board have determined that Mr. Gamper's experience, especially his contributions as Lead Director for the past four years, are of particular value to us at this time and warrant an extension of his service for another year. Accordingly, he has been re-nominated for election.

Directors who are former PSEG CEOs 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 CEOs, may not serve as directors beyond the Annual Meeting of Stockholders following termination of active employment with the PSEG group of companies.

### **Stock Ownership**

Our Principles require that directors own shares of our Common Stock (including any restricted stock, whether or not vested, any stock units under the Directors' Equity Plan and any phantom stock under the Directors' Deferred Compensation Plan) equal to four times the annual cash retainer (currently \$85,000) within five years after election to the Board. All incumbent directors currently meet this requirement. Additional details can be found in the table under Security Ownership of Directors, Management and Certain Beneficial Owners below.

### **Board Composition and Individual Qualifications**

The Board is comprised of individuals with a diverse mix of knowledge, expertise and backgrounds. We have business leaders from industries including banking, science and technology, energy, consumer products and manufacturing as well as those who have excelled in academia and public service. As a group, they complement one another with a desirable mix of competencies and skills necessary to oversee our businesses. Our Board members have dealt widely with the types of issues facing us, including achieving optimal operational and financial performance, managing for growth, meeting regulatory, environmental and safety requirements, overseeing risk management and corporate governance, maintaining an engaged and diverse workforce and adapting to rapidly evolving business conditions.

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**NOMINEES AND ELECTION**

The Corporate Governance Committee and the Board periodically review the skills and qualifications that they determine are necessary for the proper oversight of the Company by the directors in furtherance of their fiduciary duties. The Committee and the Board remain focused on ensuring that the individual and collective abilities of the directors continue to meet the governance needs of the Company. They are committed to nominating individuals who satisfy the applicable criteria for outstanding service to our Company and who together comprise the appropriate Board membership composition in light of evolving business demands. The Board evaluates the effectiveness of each director in contributing to the Board's work and the potential of each new nominee.

**Biographical Information for Nominees for Election as Director**

Shown below is the relevant business and biographical information for each of the individuals nominated for election to the Board.

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**NOMINEES AND ELECTION**

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR ALL NOMINEES**

**ALBERT R. GAMPER, JR.,** age 73

*Director since 2000*

**Experience**

Lead Director since April 2011.

Director of PSE&G.

Chairman of the Board of CIT Group, Inc., Livingston, New Jersey, a commercial insurance company, from July 2004 until December 2004; Chairman of the Board and Chief Executive Officer of CIT Group, Inc. from September 2003 to July 2004; Chairman of the Board, President and Chief Executive Officer from June 2002 to September 2003; President and Chief Executive Officer from February 2002 to June 2002; Chairman of the Board, President and Chief Executive Officer from January 2000 to June 2001; President and Chief Executive Officer from December 1989 to December 1999. President and Chief Executive Officer of Tyco Capital Corporation from June 2001 to February 2002.

Trustee to the Fidelity Group of Funds.

**Skills and Qualifications**

***Management/Finance/Risk Management*** Mr. Gamper acquired extensive management experience in financial services as Chairman of the Board, President and Chief Executive Officer of CIT Group, Inc. Moreover, in that role he had ultimate responsibility for financial matters and the overall operations of that company.

The Board values Mr. Gamper's background considering our capital structure, liquidity needs and need to assess and oversee credit and other risks. He brings perspective and



leadership to management and governance oversight.

**WILLIAM V. HICKEY**, age 70

*Director since 2001*

**Experience**

Chairman of the Board of Sealed Air Corporation, Elmwood Park, New Jersey, which manufactures food and specialty protective packaging materials and systems, from March 2013 until May 2013; Chairman of the Board and Chief Executive Officer from September 2012 to February 2013, President and Chief Executive officer from March 2000 to August 2012; President and Chief Operating Officer from December 1996 to February 2000.

Director of Sensient Technologies Corporation.

**Skills and Qualifications**

***Manufacturing/Product Development/Consumer Products/  
Accounting/Finance/Management/Technology*** Mr. Hickey has a strong industrial and commercial manufacturing background from his service as President and Chief Executive Officer at Sealed Air Corporation. He is also a Certified Public Accountant and, as CEO of Sealed Air Corporation, he had ultimate responsibility for financial matters and overall business performance.

Mr. Hickey's executive managerial experience with product innovation, development, production and marketing contributes to the Board's ability to oversee our Company and focus on operational excellence.

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NOMINEES AND ELECTION

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR ALL NOMINEES**

**RALPH IZZO**, age 57

*Director since 2006*

Experience

Chairman of the Board, President and Chief Executive Officer of PSEG since April 2007.

Chair of the Executive Committee.

Director of PSE&G, Power, Energy Holdings and Services.

President and Chief Operating Officer of PSEG from October 2006 to April 2007;  
President and Chief Operating Officer of PSE&G from October 2003 to October 2006.

Director of the Williams Companies, Inc.

Skills and Qualifications

***Management/Strategic Planning/Finance/Industry Operations/Risk Management/Engineering/Technology/Scientific Research/Government*** During Dr. Izzo's tenure as our Chairman of the Board, President and CEO, he has developed broad experience in general management, strategic planning, finance and risk management, as well as a thorough understanding of our business operations and the challenges and opportunities of our industry.

Dr. Izzo's background as a research physicist is of much benefit to a company that deals with many technical and scientific matters. His prior service as an energy and policy analyst at the federal and state levels is a significant asset as we position ourselves as a

leader in the energy industry and public policy arena.

**SHIRLEY ANN JACKSON**, age 68

*Director since 2001*

**Experience**

Director of PSE&G.

President of Rensselaer Polytechnic Institute, Troy, New York, since July 1999.

Former director of PSEG from 1987 to 1995.

Chair, U.S. Nuclear Regulatory Commission (NRC) from July 1995 to July 1999.

Director of FedEx Corporation, IBM Corporation, Marathon Oil Corporation and Medtronic, Inc.

Former director of NYSE Euronext.

**Skills and Qualifications**

***Management/Government/Science/Technology/Finance/Generating Plant Operations***

Dr. Jackson is a distinguished scientist, who also brings an array of executive, governmental, scientific and academic experience from her years as Chair of the NRC and President of Rensselaer Polytechnic Institute. Her responsibilities as the head of a major university include financial matters.

We are a heavily regulated business which is very much affected by public policy and scientific developments, so Dr. Jackson's experience and continued involvement in energy policy, scientific research and development, technology and innovation, security and financial services industry oversight is highly valued by the Board. Her background as a nuclear physicist and former NRC Chair is important as we have extensive nuclear operations.

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**NOMINEES AND ELECTION**

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR ALL NOMINEES**

**DAVID LILLEY**, age 68

*Director since 2009*

**Experience**

Chairman of the Board, President and Chief Executive Officer of Cytec Industries, Inc., Woodland Park, New Jersey, a global specialty chemicals and materials company from January 1999 until December 2008; President and Chief Executive Officer from May 1998 to January 1999; President and Chief Operating Officer from January 1997 to May 1998.

Director of Rockwell Collins, Inc. and Tesoro Corporation.

Former director of Arch Chemicals, Inc.

**Skills and Qualifications**

***Product Development/Manufacturing/Sales/Finance/Management*** Mr. Lilley has experience in product development, manufacturing and sales, gained from his years as Chairman of the Board, President and Chief Executive Officer at Cytec Industries. In this role he also had ultimate responsibility for financial matters and overall business performance.

Mr. Lilley's leadership is very important to us in light of the Board's oversight of our operations and adherence to safety and environmental requirements.

**THOMAS A. RENYI**, age 69

*Director since 2003*

**Experience**

Executive Chairman of The Bank of New York Mellon Corporation, New York, New York, a provider of banking and other financial services to corporations and individuals, from July 2007 until August 2008.

Chairman of the Board and Chief Executive Officer of The Bank of New York Company, Inc. and The Bank of New York from February 1998 to July 2007.

Director of Hartford Financial Services Group, Inc. and Royal Bank of Canada.

Former director of RiskMetrics Group.

**Skills and Qualifications**

***Finance/Management/Customer Satisfaction/Risk Management*** Mr. Renyi had a long career with The Bank of New York Mellon and its predecessor, The Bank of New York, where he served as Chairman of the Board and Chief Executive Officer. In that capacity, he had substantial responsibility for the successful implementation of two major mergers. As a result, he brings to us a deep knowledge of finance, as well as significant experience in oversight of the operations of a major enterprise and meeting customer expectations.

The Board views Mr. Renyi's background as highly valuable in the oversight of risk management and our continued focus on financial strength, disciplined investment and operational excellence.

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**NOMINEES AND ELECTION**

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR ALL NOMINEES**

**HAK CHEOL (H.C.) SHIN**, age 57

*Director since 2008*

**Experience**

Executive Vice President International Operations, of 3M Company, St. Paul, Minnesota, a diversified technology company, with product lines in consumer and office, healthcare electronics, industrial, graphics, transportation, safety and telecommunications markets, since May 2011.

Executive Vice President-Industrial and Transportation Business of 3M Company from January 2006 to May 2011; Executive Vice President-Industrial Business from June 2005 to January 2006; Division Vice President-Industrial Adhesives and Tapes Division from July 2003 to June 2005; Division Vice President-Electronics Markets Materials Division from October 2002 to June 2003; Division Vice President-Superabrasives and Microfinishing Systems Division from March 2001 to October 2002.

**Skills and Qualifications**

***Technology/Manufacturing/Consumer Products/Customer Satisfaction/Management***

Mr. Shin brings diversified experience in the areas of technology, manufacturing, consumer products and customer satisfaction acquired through various senior positions at 3M Company, a company noted for innovation and operational excellence.

Mr. Shin's skills are important as we seek operational excellence and invest in renewable energy technology, while satisfying customer expectations and maintaining reliability.

**RICHARD J. SWIFT**, age 70

*Director since 1994*

**Experience**

Lead Director from February 2010 until April 2011.

Presiding Director from June 2007 until February 2010.

Director of PSE&G.

Former Chairman of the Financial Accounting Standards Advisory Council from January 2002 to December 2006.

Chairman of the Board, President and Chief Executive Officer of Foster Wheeler, Ltd., Clinton, New Jersey, which provides design, engineering, construction, manufacturing, management, plant operations and environmental services, from April 1994 until October 2001.

Director of CVS Caremark Corporation, Hubbell Incorporated, Ingersoll-Rand Limited and Kaman Corporation.

**Skills and Qualifications**

***Management/Engineering/Construction/Generating Plant Operations/Finance/Manufacturing/ Risk Management*** Mr. Swift is a licensed professional engineer who brings a strong managerial background in engineering, construction and generating plant operations as CEO at Foster Wheeler, Ltd. Mr. Swift also served as Chairman of the Financial Accounting Standards Advisory Council and brings us finance and risk management experience.

The Board believes that we benefit significantly from Mr. Swift's experience as we are heavily engaged in similar endeavors in our generation and utility businesses. While CEO at Foster Wheeler, he had ultimate responsibility for financial matters.

**NOMINEES AND ELECTION**

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR ALL NOMINEES**

**SUSAN TOMASKY**, age 62

*Director since 2012*

**Experience**

President-AEP Transmission of American Electric Power Corporation, Columbus, Ohio, an electric utility holding company with generation, transmission and distribution businesses, from May 2008 to July 2011.

Executive Vice President – Shared Services of American Electric Power Corporation from September 2006 to May 2008; Executive Vice President and Chief Financial Officer from September 2001 to September 2006; Executive Vice President and General Counsel and Corporate Secretary from July 1998 to September 2001.

Former General Counsel, U.S. Federal Energy Regulatory Commission (FERC), from March 1993 to June 1997.

Director of Tesoro Corporation and Summit Midstream Partners, LP.

**Skills and Qualifications**

***Industry Operations/Management/Finance/Legal/Government/Risk Management***

Ms. Tomasky has broad electric industry executive experience having served in key leadership positions involving transmission operations, services, finance, law and governance at one of the largest utility holding companies in the United States. Her service at the FERC is highly valuable to us as several of our businesses are subject to that agency's regulation.



The Board views Ms. Tomasky's background as providing a valuable resource and perspective on utility management, finance, law, risk management and governmental regulation.

**ALFRED W. ZOLLAR**, age 60

*Director since 2012*

**Experience**

Executive Partner, Siris Capital Group, LLC, a private equity firm, since February 2014; General Manager – Tivoli Software division of International Business Machines Corporation (IBM), Armonk, New York, a worldwide information technology and consulting company, from July 2004 to January 2011; General Manager – eServer iSeries from January 2003 to July 2004; President and Chief Executive Officer – Lotus Software division from January 2000 to 2003; Division General Manager – Network Computer Software division from 1996 to 2000.

Director of Chubb Corporation.

**Skills and Qualifications**

***Management/Technology/Product Development/Customer Satisfaction*** Mr. Zollar brings a wealth of knowledge from his executive leadership, product development and information technology experience. He has served in various leadership roles, including senior management positions, in every IBM software group division.

The Board believes that Mr. Zollar's executive and managerial experience in business development and technology greatly contributes to our oversight of operational excellence, customer satisfaction and cybersecurity.

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**Table of Contents****SECURITY OWNERSHIP****SECURITY OWNERSHIP OF DIRECTORS, MANAGEMENT AND CERTAIN BENEFICIAL OWNERS**

The following table sets forth, as of February 20, 2015, beneficial ownership of our Common Stock by the directors, nominees and currently serving executive officers named in the 2014 Summary Compensation Table. None of these amounts exceeds 1% of our Common Stock outstanding. The table also sets forth, as of such date, beneficial ownership in shares by any person or group known to us to be the beneficial owner of more than five percent of our Common Stock. According to the schedule 13G filed by the respective owner with the SEC, these securities were acquired and are held in the ordinary course of business and not for the purpose of changing or influencing the control of the Company.

Name	Owned	Restricted		Phantom	Deferred	Stock	Amount of	Percent
	Shares	Stock	Stock					
	(#) <sup>(1)</sup>	(#) <sup>(2)</sup>	Units	Shares	Shares	(#) <sup>(6)</sup>	Ownership	Stock
			(#) <sup>(3)</sup>	(#) <sup>(4)</sup>	(#) <sup>(5)</sup>		of Common	Percent
							Stock	of Class

**Directors:**

Albert R. Gamper, Jr.	9,079	9,600	27,786	25,500	-	-	71,965	<1%
William V. Hickey	6,332	9,600	27,786	20,092	-	-	63,810	<1%
Shirley Ann Jackson	5,604	9,600	27,786	-	-	-	42,990	<1%
David Lilley	-	-	21,646	19,868	-	-	41,514	<1%
Thomas A. Renyi	-	8,800	27,786	41,461	-	-	78,047	<1%
Hak Cheol Shin	-	-	24,663	-	-	-	24,663	<1%
Richard J. Swift	304	14,400	27,786	49,571	-	-	92,061	<1%
Susan Tomasky	-	-	10,196	-	-	-	10,196	<1%
Alfred W. Zollar	-	-	10,020	-	-	-	10,020	<1%

**NEOs:**

Caroline Dorsa	83,651	-	47,546	-	-	127,400	258,597	<1%
Ralph Izzo	473,257	-	230,723	-	280,125	1,274,100	2,258,205	<1%
Ralph A. LaRossa	59,846	-	73,471	-	45,260	215,400	393,977	<1%
William Levis	50,474	-	80,615	-	-	115,500	246,589	<1%
Tamara L. Linde	22,648	-	12,662	-	-	-	35,310	<1%

**All Directors, NEOs****and Executive****Officers of the****Company as a**

<b><u>Group (16 Persons):</u></b>	750,752	52,000	670,117	156,492	325,385	1,732,400	3,687,146	<1%
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**Certain Beneficial****Owners:**

Blackrock, Inc. <sup>(7)</sup>	-	-	-	-	-	-	35,094,885	6.9%
Vanguard Group, Inc. <sup>(8)</sup>	-	-	-	-	-	-	28,989,266	5.7%
State Street Corporation <sup>(9)</sup>	-	-	-	-	-	-	25,873,909	5.1%

- (1) Includes all shares, if any, held directly, in brokerage accounts, under the Thrift and Tax-Deferred Savings Plan (401(k) Plan), Enterprise Direct, ESPP, shares owned jointly by or with a spouse and shares held in a trust or a custodial account. Beneficial ownership is disclaimed as to 360 shares by an executive officer.
- (2) Includes restricted stock granted to directors under the former Stock Plan for Outside Directors.
- (3) Includes restricted stock units granted to executive officers under the LTIP and stock units granted to directors under the Equity Compensation Plan for Outside Directors (Directors Equity Plan), with no voting rights.
- (4) Includes phantom shares accrued under the Directors Deferred Compensation Plan for those individuals who have elected to have the earnings on their deferred payments calculated based upon the performance of our Common Stock, with no voting rights.
- (5) Includes shares deferred under the Equity Deferral Plan, with no voting rights.
- (6) Stock options granted under the LTIP, all of which are exercisable currently. Unexercised stock options have no voting rights.
- (7) As reported on Schedule 13G/A filed February 9, 2015. Address: 55 East 52<sup>nd</sup> Street, NY, NY 10022.
- (8) As reported on Schedule 13G/A filed on February 10, 2015. Address: 100 Vanguard Blvd., Malvern, PA 19355.
- (9) As reported on Schedule 13G filed on February 11, 2015. Address: One Lincoln Street, Boston, MA 02111.

Table of Contents**DIRECTOR COMPENSATION****Section 16(a) Beneficial Ownership Reporting Compliance**

During 2015, none of our directors or executive officers was late in filing a Form 3, 4 or 5 in accordance with the requirements of Section 16(a) of the Securities Exchange Act of 1934, as amended (Exchange Act), with regard to transactions involving our Common Stock.

**DIRECTOR COMPENSATION****2014 DIRECTOR COMPENSATION TABLE**

	Fees Earned or Paid in Cash (\$) <sup>(1)</sup>	Stock Awards (\$) <sup>(2)</sup>	Option Awards (\$)	Non-Equity Incentive Compensation (\$)	Change in Pension Value and Nonqualified Deferred Compensation (\$)	Earnings All Other Compensation (\$) <sup>(3)</sup>	Total (\$)
<b>Albert R. Gamper, Jr.</b>	128,750	120,004	-	-	-	150	248,904
<b>William V. Hickey</b>	114,375	120,004	-	-	-	150	234,529
<b>Shirley Ann Jackson</b>	120,000	120,004	-	-	-	-	240,004
<b>David Lilley</b>	123,750	120,004	-	-	-	150	243,904
<b>Thomas A. Renyi</b>	112,500	120,004	-	-	-	-	232,504
<b>Hak Cheol Shin</b>	113,750	120,004	-	-	-	-	233,754
<b>Richard J. Swift</b>	128,125	120,004	-	-	-	5,150	253,279
<b>Susan Tomasky</b>	100,000	120,004	-	-	-	-	220,004
<b>Alfred W. Zollar</b>	101,875	120,004	-	-	-	-	221,879

- (1) Includes all meeting fees, chair/committee retainer fees and the annual retainer as described below. Includes the following amounts deferred pursuant to the Directors' Deferred Compensation Plan, described below:

Gamper (\$)	Hickey (\$)	Jackson (\$)	Lilley (\$)	Renyi (\$)	Shin (\$)	Swift (\$)	Tomasky (\$)	Zollar (\$)
-	114,375	120,000	123,750	112,500	-	-	-	-

- (2) For each the grant date fair value of the award on May 1, 2014, equated to 2,966 stock units, rounded up to the nearest whole share, based on the then current market price of the Common Stock of \$40.46. In addition, each individual's account is credited with additional stock units on the quarterly dividend dates at the then current dividend rate.

The following table shows outstanding stock units granted under the Directors' Equity Plan and restricted stock granted under the prior Stock Plan for Outside Directors, as of December 31, 2014:

	Gamper (#)	Hickey (#)	Jackson (#)	Lilley (#)	Renyi (#)	Shin (#)	Swift (#)	Tomasky (#)	Zollar (#)
Stock Units	27,786	27,786	27,786	21,646	27,786	24,663	27,786	10,196	10,020
Restricted Stock	9,600	9,600	9,600	-	8,800	-	14,400	-	-

- (3) Consists of charitable contributions made by us on behalf of each individual and under our educational matching gift program.

#### **Director Fees and Plans**

A director who is an employee of a PSEG Company receives no additional compensation for services as a director. Mr. Izzo receives no compensation as a director. His compensation as an employee is shown in this Proxy Statement in the executive compensation tables and CD&A.

Directors are compensated in accordance with the schedule below. All amounts are paid in cash, except the equity grant, which is paid in Common Stock units equal to the amount shown. All payments to the Chairs and Committee members, as indicated, are per assignment and incremental to the annual retainer and equity grant.

In December 2013, the Board's Compensation Consultant, CAP, provided an analysis of director compensation using the executive compensation peer group. Based on its recommendation, the Corporate Governance Committee recommended and the Board approved changes effective May 1, 2014, as set forth in the table below:

**Table of Contents****DIRECTOR COMPENSATION**

	<b>Fee Schedule</b>	<b>Fee Schedule</b>
	<b>1/1/2014-4/30/2014</b>	<b>5/1/2014-12/31/2014</b>
	(\$)	(\$)
Annual Retainer	70,000	85,000
Annual Equity Grant	110,000	120,000
Lead Director	25,000	30,000
Audit Committee Chair	25,000	30,000
O&CC Chair	15,000	30,000
Other Committee Chair	12,500	12,500
Audit Committee Member	10,000	12,500
Other Committee Member	5,000	7,500

***Directors Equity Plan***

The Directors Equity Plan is a deferred compensation plan and, under its terms, each outside director is granted an award of stock units each May 1st (in an amount determined from time-to-time by the Board) which is recorded in a bookkeeping account in her/his name and accrues credits equivalent to the dividends on shares of our Common Stock. If a director fails to remain a member of the Board (other than on account of disability or death) until the earlier of the succeeding April 30th or the next Annual Meeting of Stockholders, the award for that year will be prorated to reflect actual service. Distributions under the Directors Equity Plan are made in shares of our Common Stock after the director terminates service on the Board in accordance with distribution elections made by her/him, which may be either in a lump-sum payment or, with respect to grants made prior to 2012, in annual payments over a period of up to ten years.

Under the Directors Equity Plan, with respect to grants made beginning in 2012, directors may elect to commence distribution of a particular year's deferrals either upon termination of service or after a specified number of years thereafter. A director may elect to receive distribution of such deferrals in the form of a lump-sum payment, or annual

installments over a period of three to fifteen years. Distribution elections must be made prior to the date that services giving rise to the awards are performed.

Shares granted under the prior Stock Plan for Outside Directors are subject to forfeiture if a director leaves service prior to age 72, except after a change-in-control or if waived by non-participating directors.

### ***Directors' Deferred Compensation Plan***

Under the Directors' Deferred Compensation Plan, directors who are not employees may elect to defer any portion of their cash retainer by making appropriate elections in the calendar year prior to the year in which the services giving rise to such compensation being deferred is rendered. At the same time he/she elects to defer such compensation, the participant must make an election as to the timing and the form of distribution from his/her Directors' Deferred Compensation Plan account. Distributions are made in cash or, at the election of the participant in the case of amounts credited with earnings by reference to the performance of our Common Stock, in shares of Common Stock.

For amounts deferred prior to 2012, distributions may commence (a) on the thirtieth day after the date he/she terminates service as a director or, in the alternative, (b) on January 15th of any calendar year following termination of service elected by him/her, but in any event no later than the later of (i) January of the year following the year of his/her 71st birthday or (ii) January following termination of service. Participants may elect to receive the distribution of their Directors' Deferred Compensation account in the form of one lump-sum payment, or annual distributions over a period selected by the participant, up to 10 years.

With respect to compensation deferred beginning in 2012, directors may elect to commence distribution of a particular year's deferrals, either (a) within 30 days of termination of service, or (b) a specified number of years following termination of service. They may elect to receive distribution of such deferrals in the form of a lump-sum payment, or annual installments over a period of three to fifteen years.

Participants may make changes of distribution elections on a prospective basis. Participants may also make changes of distribution elections with respect to prior deferred compensation as long as any such new distribution election is made at least one year prior to the date that the commencement of the distribution would otherwise have occurred and the revised commencement date is at least five years later than the date that the commencement of the distribution would otherwise have occurred.

**Table of Contents****DIRECTOR COMPENSATION****Investments**

Participants may choose to have amounts deferred under the Directors' Deferred Compensation Plan credited with earnings based on (i) the performance of one or more of pre-mixed lifestyle investment portfolio funds, (ii) at the rate of Prime plus 1/2%, capped at 120% of the applicable federal long-term rate, or (iii) by reference to the performance of our Common Stock, in such percentages designated by the participant. These are the same investment options offered under our 401(k) plan to employees (except the Schwab Personal Choice Retirement Account). A participant who fails to provide a designation will accrue earnings on his/her account at the rate of Prime plus 1/2%, capped at 120% of the applicable federal long-term rate. A participant may change fund selection daily, except for the Common Stock Fund, for which selection may be made only prior to deferral.

The one-year rates of return as of December 31, 2014 for the offered funds as computed by the recordkeeper for the Directors' Deferred Compensation Plan were as follows:

<b>Rates of Return</b>			
<b>Pre-Mixed Portfolios</b>		<b>Target Retirement Funds</b>	
Conservative Portfolio	4.72%	Target Retirement Income	5.62%
Moderate Portfolio	4.84%	Target Retirement 2010	5.91%
Aggressive Portfolio	5.58%	Target Retirement 2015	6.57%
<b>Funds</b>		Target Retirement 2020	7.14%
Stable Value	1.82%	Target Retirement 2025	7.16%
Diversified Bond	5.76%	Target Retirement 2030	7.16%
Fidelity Intermediate Bond <sup>(1)</sup>	0.92%	Target Retirement 2035	7.16%
Large Company Stock Index	13.61%	Target Retirement 2040	7.20%
Mid-Cap Index	13.73%	Target Retirement 2045	7.16%
Institutional Developed Markets Index	-5.65%	Target Retirement 2050	7.16%
Small Cap Index	7.48%	Target Retirement 2055	7.20%
Enterprise Common Stock	36.73%	Target Retirement 2060	7.16%
<b>Other</b>			
Prime Plus 1/2%	3.64%		

(1) Partial year rate of return from date added to choices available to participants.



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**EXECUTIVE COMPENSATION**

**Proposal 2**

**ADVISORY VOTE ON THE APPROVAL OF EXECUTIVE  
COMPENSATION**

**Say-On-Pay**

As required by Section 14A of the Exchange Act, we are providing you with an opportunity to cast an advisory vote on our executive compensation programs as described in this Proxy Statement. This is commonly referred to as say-on-pay. We plan to do this each year, in accordance with the applicable rules of the SEC.

This vote is advisory and, thus, it is non-binding on us and the Board. However, management, the O&CC and the Board intend to carefully review the voting results and take them into consideration when making future decisions regarding our executive compensation. In accordance with applicable SEC requirements, we will disclose to you in our future proxy statements how our compensation policies and decisions have taken into account the results of the most recent stockholder advisory vote on our executive compensation.

**95%**

of stockholders  
voted in favor of  
say-on-pay proposal

At our 2014 annual meeting, stockholders showed significant support for our executive compensation program, with approximately 95% voting in favor of our say-on-pay proposal.

We strongly encourage investor feedback and will continue to review and make changes to our executive compensation program in recognition of investor concerns, evolving trends and best practices.

We were gratified by this say-on-pay result and believe this demonstrated strong support for our executive compensation policies and practices and our approach to aligning pay and performance. In furtherance of our pay for performance philosophy, we continuously review and make changes to our executive compensation program in recognition of investor concerns, evolving trends and best practices. We annually review and adjust, as necessary, the compensation of our executives in light of their performance, their role in our management, our business results and our financial condition. Based on this review, we made individual determinations about the compensation of our CEO and the other NEOs, as discussed below. We did not make any significant changes to our program for 2014.

We have disclosed in this Proxy Statement an overview of the philosophy and elements of our executive compensation program, as well as the details of the individual compensation paid or awarded to each of our NEOs and

our process for making those determinations. We have provided below the Report of our O&CC, the CD&A and the compensation tables. In our CD&A, we have explained the reasons supporting our executive pay decisions as reported in the various tables and accompanying narrative included in this Proxy Statement.

We believe our executive compensation is reasonable and appropriate, reflecting market conditions. We are asking you to indicate your support of our executive compensation program as described in this Proxy Statement. This vote is not intended to address any specific item of compensation or any specific individual. Rather, it is an indication of your agreement with the overall philosophy, policies, practices and compensation of our executive officers as described in this Proxy Statement. Accordingly, as recommended by the Board, we ask for you to vote in favor of the following resolution:

**Resolved, that the stockholders hereby approve, on an advisory basis, the compensation of the NEOs, as disclosed in the Company's Proxy Statement for the 2015 Annual Meeting of Stockholders pursuant to the applicable rules of the SEC, including the CD&A, compensation tables and narrative discussion.**

**The Board of Directors recommends a vote FOR the resolution in this proposal.**

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**COMPENSATION DISCUSSION AND ANALYSIS**

**COMPENSATION COMMITTEE REPORT**

The Organization and Compensation Committee of the Board of Directors has reviewed and discussed the Compensation Discussion and Analysis included in this Proxy Statement with management and with Compensation Advisory Partners LLC, the Committee's compensation consultant. Based on such review and discussions, the Organization and Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this Proxy Statement.

Members of the Organization and Compensation Committee:

Richard J. Swift, Chair	David Lilley
William V. Hickey	Thomas A. Renyi
Shirley Ann Jackson	
February 17, 2015	

**COMPENSATION DISCUSSION AND ANALYSIS (CD&A)**

This CD&A explains our executive compensation philosophy, the material elements of our executive compensation program and the decisions made regarding the compensation of our CEO and the NEOs in this Proxy Statement. We have provided an Executive Summary consisting of an overview of the key aspects of our program and recent actions followed by a more detailed analysis and specific information concerning compensation, including:

**Compensation Philosophy;**

**Elements of Executive Compensation; and**

**Executive Compensation Governance Features and Controls.**

We provide an explanation of the data reported in the tables in this Proxy Statement, with respect to pay for performance, say-on-pay, compensation risk, the components of our compensation, calculations as to SMICP and LTIP incentive payouts and certain compensation policies.

In the CD&A Executive Summary we specifically address those areas which we believe are of utmost interest to our stockholders. A complete reading of the CD&A provides a more thorough description of our compensation program and explanation of our recent activities:

The mix of salary, cash incentive compensation and equity incentive compensation;

The weighting of performance measures used to determine compensation;

The criteria used for target pay positioning;

The reasons for selecting particular companies as peers for benchmarking compensation;

The manner in which equity awards are determined; and

The rationale for severance and change-in-control arrangements.

We have designed this CD&A to be forthcoming and transparent in demonstrating that our executive compensation program is based on well-established principles thoughtfully carried out under the oversight of the O&CC for the long-term benefit of our stockholders.

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### CD&A EXECUTIVE SUMMARY

#### CD&A Executive Summary

Executive compensation is governed under the direction and authority of the O&CC. The O&CC is made up of directors who are independent under NYSE rules and our requirements for independent directors. The O&CC receives advice from its independent compensation consultant, CAP, which provides only compensation consulting services to the Board and not to management.

#### Executive Compensation Philosophy - Pay Mix and Peer Group

Our executive compensation program is designed to closely link pay and performance and align the interests of our executives with stockholders. We have structured our program to tie executive compensation to the successful execution of our strategic plans, meeting our financial and operational goals and delivery of strong returns while balancing the concerns of our multiple stakeholders. This translates into higher compensation in years of strong performance and stockholder returns and lower compensation when performance is not as strong. We provide a peer-competitive compensation package to attract and retain exceptional executive talent needed for long-term success, with incentives for our executives to achieve outstanding individual performance and business results. Our senior management team, headed by our NEOs, continues to provide strategic and management leadership as we focus on operational excellence, financial strength and disciplined investment.

The O&CC annually reviews and evaluates the philosophy, objectives, design and effectiveness of our compensation program, including the performance of the NEOs. The O&CC maintains the flexibility to make decisions about the program and actual compensation levels and awards based on achievement of our business objectives and relevant circumstances affecting our Company. In addition to the established performance measures, these may include economic, market and competitive conditions, regulatory and legal requirements, internal pay equity considerations and peer group best practices. The O&CC and the entire Board seek to assure alignment of pay with performance in order to create value without encouraging excessive risk taking. Our directors are committed to acting in the best interest of stockholders as responsible stewards overseeing our executive compensation program.

Our compensation consists primarily of the following components:

**Base Salary:** We pay a base salary which is determined based on position responsibilities, individual experience, performance, internal equity and the competitive market for the position. This is reviewed annually and adjusted when appropriate.

**Annual Cash Incentive:** We provide an opportunity for an annual cash incentive through our SMICP with actual payment determined by the achievement of key financial and operating goals (at the individual, business unit and PSEG level) using multiple performance measures, with a strong emphasis on EPS and with the O&CC exercising overall judgment. Individual payments are generally capped at 150% of target, with the potential for up to 200% in circumstances of exceptional performance.

**Equity-Based Incentive Awards:** Equity-based awards are provided under our LTIP, consisting of PSUs (60%), as well as RSUs (40%). Payout of PSUs, if any, is dependent on achievement of long-range financial targets measured

by ROIC as compared to both our three-year plan and relative to peers and the market performance of our Common Stock with reference to TSR relative to our peers. LTIP PSU payouts may be as low as zero and are capped at 200% of target. The value of RSUs, which cliff vest after three years, is dependent on the market price of our Common Stock.

**Retirement and Post-Employment Benefits:** We provide benefits that are comparable to those of companies with whom we compete for executive talent.

We benchmark executive compensation, including that of the NEOs, to a peer group of companies in our industry. To most effectively evaluate executive compensation, we believe that an analysis of the pay mix, or Total Direct Compensation (base salary plus target annual incentive and target long-term incentive) is a better measure for evaluating executive compensation as opposed to focusing on each of the elements individually. We target Total Direct Compensation at the median of the industry peer group within a range that recognizes differences in roles, performance, job scope, tenure and volatility of market data from year to year:

We consider a range of +/-20% in relation to a comparable position to be within the competitive benchmark median;

In determining the mix of the elements of Total Direct Compensation, we exercise judgment, using the competitive analysis as a general guideline;

The overwhelming amount of our CEO's and NEOs' compensation is performance-based and tied to stockholders' interests rather than to base salary; and

For 2014, the target percentage of incentive compensation, both annual and long-term, constituted 86% of targeted Total Direct Compensation for our CEO and 70% for our other NEOs as a group.

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**CD&A EXECUTIVE SUMMARY**

**Executive Compensation Practices**

The table below highlights our executive compensation practices which remain consistent with our compensation philosophy. The left column outlines the practices we believe are conducive to encouraging sound performance by our senior executives and the right column describes those practices that we have chosen not to implement because we do not believe they further our stockholders' long-term interests.

**2014 PSEG Performance Highlights**

Our long-range strategy, with its emphasis on business fundamentals, helped to drive performance. Earnings for 2014 were improved compared to the prior year and above our targeted range. This was due primarily to higher transmission revenue at PSE&G, Power's access to and management of natural gas supplies as well as lower costs primarily related to pension and post-employment benefits. These factors were partially offset by lower volumes of electricity sold at lower average pricing, lower capacity prices and higher generation cost at Power. The price of our Common Stock was significantly higher at year-end compared to the prior year. Financial highlights are included in the Executive Summary to this Proxy Statement on page 3 above. You can find a more comprehensive discussion of our 2014 business and financial performance in our Form 10-K.

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**CD&A EXECUTIVE SUMMARY**

**Pay for Performance**

We focus on operational excellence, financial strength and disciplined investment to achieve growth while managing risk. Our strategy has been to emphasize utility investment, mitigate merchant generation risk and operate in a cost-efficient manner. We have aligned our compensation structure with the performance results we expect our executives to attain in carrying out this strategy. We show below a chart comparing the relative contributions to earnings of PSE&G and Power over the past five years, together with the percentage increase of capital expenditures (CapEx) at PSE&G compared to total investment in our Company. Also shown is the comparison of Compound Annual Growth Rate (CAGR) at PSE&G and Power over the five-year period. We believe that this graph demonstrates the value to stockholders of our business strategy and the success we have achieved under our NEOs leadership of the Company. This impact on our earnings is reflected in the realized pay of our NEOs, since our executive compensation program links incentive payouts to earnings measures over multiple time frames.

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**CD&A EXECUTIVE SUMMARY**

The analytical judgment and operational and managerial abilities that we expect of our senior executives are critical factors in positioning us for the future. Their performance in improving our operating efficiencies, actively influencing legislative and regulatory policies and adjusting our business mix by shifting investment to best take advantage of emerging opportunities for growth, particularly in connection with utility rate-regulated returns, have led to the accomplishments noted above. While these activities are not easily measured over the short-term by reference solely to current EPS and stock price in comparison to the levels in the recent past, the ability of our management team to address these challenges successfully are vital skills on which we place significant value in setting total compensation for our NEOs. We believe that our performance-based compensation programs have and will continue to deliver the appropriate compensation based on our results relative to both our business plan and our peers, helping us manage through an evolving business environment. As a result of the continued focus on operational excellence, financial strength and disciplined investment, the O&CC believes that our management team has effectively responded to challenging conditions.

**Say-On-Pay, Stockholder Engagement and Transparent Disclosure**

We provide our stockholders with an annual opportunity to cast an advisory say-on-pay vote. We believe that this voting opportunity can provide valuable insights into our stockholders' views on our compensation programs.

**At the 2014 Annual Meeting, our stockholders voted approximately 95% in favor of our say-on-pay proposal, demonstrating their concurrence that our programs reflect our strong pay for performance philosophy.**

We have a long-standing practice of engaging in constructive dialogue with our stockholders on various matters of interest to them. We do this by meeting periodically with our major stockholders and groups of investors as well as by regular written communications. These interactions help us to understand your needs and concerns and provide us with valuable insights. In recent years, we have enhanced our efforts with regard to matters of executive compensation and corporate governance to keep pace with evolving investor priorities and expectations. The O&CC considered the 2014 say-on-pay vote result, investor input and current market practices as it evaluated whether any further changes to our executive compensation program were warranted.

We strive to be clear and transparent in the information we provide to investors in our Proxy Statement, Form 10-K and other reports filed with the SEC and in our investor communications. We believe our executive compensation disclosure addresses the issues considered most important to, and provides the useful information desired by, our stockholders, as evidenced by the feedback we receive at our meetings throughout the year. We always welcome your comments and suggestions and will continue to consider the outcome of the say-on-pay vote when making future compensation decisions regarding our NEOs.

**Key O&CC Actions**

The O&CC monitors trends and developments in the market, with the assistance of CAP, as they relate to executive compensation. The O&CC uses this information as an input as it makes decisions on executive compensation throughout the year. In 2014, the O&CC considered recommendations from CAP and management with regard to compensation design and effectiveness and reviewed competitive practices within our peer group. Based on the reviews and analyses undertaken by the O&CC, we did not make any significant changes to our programs with exception of incorporating relative ROIC into our PSU measure as further detailed below. The O&CC considered the

strong stockholder reinforcement of our compensation philosophy and program in determining to continue with our consistent results-oriented pay for performance approach. For 2014, the O&CC took the following actions related to executive compensation:

Analyzed pay for performance by comparing our recent financial results with the compensation of our CEO and NEOs and found them to be appropriately aligned;

Reviewed our total share usage and burn rate for the LTIP relative to the peer panel and found these levels relatively low compared to peers;

Approved payouts under the SMICP and LTIP based on its assessment of CEO, NEOs and Company performance relative to pre-established goals for 2014 measured substantially on EPS, ROIC and relative TSR;

Incorporated relative ROIC vs. our peers into the PSU measure under the LTIP;

Approved incentive compensation awards having goals with a significant degree of difficulty;

Approved salary increases for select NEOs, to reflect performance and achieve desired positioning vs. the market;

Modified the peer group effective for 2014 to better align with our size and business mix;

Determined that our compensation programs do not create a potential incentive for individuals to take excessive risks.

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**COMPENSATION DISCUSSION AND ANALYSIS**

**Compensation Philosophy**

***Pay for Performance***

We believe it is important to link pay with performance and long-term stockholder value. We utilize compensation to further align the interests of our executives with those of our stockholders as well as other stakeholders. However, we believe that it is crucial to our stockholders' long-term interests that we not measure performance too narrowly on merely a single year's results. Our compensation programs are designed to reward for performance over varying time horizons with our incentives linked to successful implementation of our corporate strategic objectives. Our SMICP focuses on financial and operating performance over a one-year period while our LTIP is focused on multi-year performance. Similarly, the goals of individual NEOs, including our CEO, place a high value on strategic initiatives, long-range planning and operational excellence which drive value and ensure we meet our responsibilities as a public utility. While the impact of this approach may not necessarily be seen in any single year, over time the actual value of compensation, especially equity grants, reflect our Company's performance and the O&CC reviews this alignment each year.

Our ability to effectively compete and reliably serve our customers, while adjusting to evolving industry and market factors is to a great degree dependent on our ability to appropriately attract, retain and reward exceptional talent, including our senior executives. When we establish performance targets, we consider internal and external factors and set stretch goals to reflect an appropriate degree of difficulty. Our incentive compensation payouts are determined based on measures that align CEO and NEO compensation with stockholder interests, as EPS, TSR and ROIC are used in calculating the amounts. Although these are important components for evaluating pay for performance, we do not believe it is particularly meaningful to merely compare EPS or Common Stock price at year-end with CEO and NEO reported compensation. For example, a meaningful pay for performance analysis entails more than a mere comparison of year-end quantitative measures such as TSR to compensation as reported. Among other things, the reported compensation, in particular the equity compensation shown in the tables in the Proxy Statement is based on an accounting valuation. These could differ significantly from what is ultimately earned by the executives depending on actual results of the performance measures and the value of equity awards at the time they are earned, if at all. The O&CC considers these factors when it assesses the pay for performance relationship.

If you would like additional information about our 2014 performance, including our financial statements and a more complete description of our business, please see our Form 10-K.

***Peer Comparison and Benchmarking***

As part of our pay for performance review during 2014, the O&CC considered relative financial performance data comparing us to those companies in our peer group for whom data was available, as discussed further below. With the assistance of CAP, we analyzed key performance metrics and compensation for 2013, the most recent year for which data was available. Included in the metrics were operating income margin, EPS growth, return on capital and TSR. The total cash compensation included base salary and SMICP and the total direct compensation included those two items plus the grant date fair value of LTIP awards, all of which are reported in our 2014 Summary Compensation Table. These performance metrics were broader than the measures we use in determining award payouts under the SMICP and LTIP. We believe they provide a more expansive view of our relative performance.

Viewing performance in this broad context, we believe the total compensation paid to senior executives and as structured for future payouts has achieved the desired results. In general, our delivered performance in 2014, relative to the degree of difficulty, was aligned with our pre-set goals and our business plan. We believe that our financial results reflect the current industry and Company circumstances as well as the continued focus of our CEO and NEOs on strategic responses and operational efficiencies to optimize earnings and returns while positioning us for continued success. In evaluating the compensation of the NEOs and in particular the CEO, we assessed the amount relative to the performance delivered and continue to conclude the two are aligned.

### ***How We Chose Peers***

Attracting and retaining top talent requires paying competitive compensation. We evaluate and set executive compensation to be competitive within an identified peer group which was developed to reflect similarly-sized energy companies with comparable businesses. We believe that these companies appropriately reflect the landscape of our industry and the market in which we compete for talent. We have included regulated utilities, independent power producers, and merchant generators and combined holding companies such as us. We have attempted to include a broad enough group to provide diversity for balanced comparison while selecting only those we think are sufficiently similar to provide a meaningful benchmark.

We consider Base Salary, Total Cash Compensation (base salary plus target annual incentive) and Total Direct Compensation (base salary plus target annual incentive plus target long-term incentive) as the elements of compensation within the peer group for purposes of benchmarking and assessing the market from which we draw executive talent as well as with whom we compete for investor capital. Each year, we re-evaluate the peer group to assess its continuing appropriateness. Effective for 2014, we added NiSource Inc., Northeast Utilities (now Eversource Energy), NRG Energy Inc. and Pepco Holdings Inc., which more closely aligns us to the peer median in revenue, consistent with our compensation philosophy of targeting the median.

**Table of Contents****COMPENSATION DISCUSSION AND ANALYSIS**

<b>Company Name</b>	<b>2013 Revenue (\$Millions)</b>	<b>2013 Net Income (\$Millions)</b>	<b>Market Cap at 12/31/13 (\$Millions)</b>
Ameren Corporation	\$5,625	\$289	\$8,774
American Electric Power Co., Inc.	\$15,357	\$1,480	\$22,776
Consolidated Edison, Inc.	\$12,354	\$1,062	\$16,191
Dominion Resources, Inc.	\$13,120	\$1,697	\$37,548
DTE Energy Company	\$9,661	\$661	\$11,738
Duke Energy Corporation	\$23,996	\$2,665	\$48,721
Edison International	\$12,581	\$915	\$15,085
Entergy Corporation	\$11,391	\$712	\$11,282
Exelon Corporation	\$24,888	\$1,719	\$23,471
FirstEnergy Corp.	\$14,459	\$392	\$13,793
NextEra Energy, Inc.	\$15,136	\$1,908	\$37,260
NiSource Inc.	\$5,657	\$532	\$10,301
Northeast Utilities (now Eversource Energy)	\$7,301	\$786	\$13,357
NRG Energy, Inc.	\$11,295	(\$386)	\$9,289
Pepco Holdings, Inc.	\$4,666	(\$212)	\$4,778
PG&E Corporation	\$15,598	\$814	\$18,098
PPL Corporation	\$11,860	\$1,130	\$18,964
Sempra Energy	\$10,557	\$1,001	\$21,937
Southern Company	\$17,087	\$1,644	\$36,248
Xcel Energy Inc.	\$10,915	\$948	\$13,904

	<b>2013 Revenue (\$Millions)</b>	<b>2013 Net Income (\$Millions)</b>	<b>Market Cap at 12/31/13 (\$Millions)</b>
PSEG	\$9,968	\$1,243	\$16,208
Peer Group 75th Percentile	\$15,191	\$1,521	\$22,950
Peer Group Median	\$12,107	\$932	\$15,638
Peer Group 25th Percentile	\$10,333	\$629	\$11,624

**How We Use Peer Data**

The 2014 peer group was used as a reference point for setting pay levels for 2014. The O&CC targets the median (50th percentile) of the peer group for positions comparable to those of our officers for Total Direct Compensation. The peer group is also used for comparison in assessing our performance under our LTIP as well as an overall validation of the alignment between pay and performance.

Pay Governance LLC assists in analyzing the annual Towers Watson Energy Services Executive Compensation Survey U.S. assessment of the market using the peer companies. We use the peer group data to the extent each position is reported in the survey data. CAP also reviews the outcome of the competitive assessment. As shown in the table above, based on the most recently available fiscal year end data, as provided by CAP, our revenue is at the 25<sup>th</sup> percentile while net income and market capitalization exceeded the median.

***Compensation Benchmark***

The data used for the comparisons below are from the most recent data available for the companies in the peer group shown above. The O&CC considers a range of approximately +/- 20% of the 50th percentile of comparable positions to be within the competitive median.

Base salary, target Total Cash Compensation and target Total Direct Compensation of each of the NEOs included in this Proxy Statement as a percentage of the comparative median benchmark levels of the peer group are noted below. Decisions on salary, annual incentive target and other pay elements, except the LTIP, are typically made at the O&CC meeting each December. The target LTIP award is determined by the O&CC in February. However, Ms. Linde's compensation for her current position was determined by the O&CC in June 2014 in connection with her election to her current position.

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**Table of Contents****COMPENSATION DISCUSSION AND ANALYSIS**

Below is each executive's market positioning as of the time those decisions were made. Each NEO's Total Direct Compensation, except Ms. Linde's, was within +/-20% of the median, which is consistent with our philosophy. Ms. Linde was newly promoted to her position effective July 2, 2014.

**% of Comparative Median Benchmark Levels (2014)**

	<b>Izzo</b>	<b>Dorsa</b>	<b>Levis</b>	<b>LaRossa</b>	<b>Bouknight</b>	<b>Linde</b>
	(%)	(%)	(%)	(%)	(%)	(%)
Base Salary	91	104	111	110	100	86
Total Cash Compensation	98	107	111	114	100	86
Total Direct Compensation	111	103	107	116	96	72

***Pay Mix***

The final element of our compensation philosophy is a consideration of the total mix of pay. The O&CC believes that Total Direct Compensation is a better measure for evaluating executive compensation than focusing on each of the elements individually and it does not set a formula to determine the mix of the various elements. The mix of base salary and annual cash incentive for each of the executive positions is surveyed from the peer group. The reported pay structure from the competitive analysis is used as a general guideline in determining the appropriate mix of compensation among base salary, annual and long-term incentive compensation opportunity. However, we also consider that the majority of a senior executive's compensation should be performance-based and the more senior an executive is in the organization, the more his/her pay should be oriented toward long-term compensation.

The mix of base salary, target annual cash incentive and long-term incentives for 2014 are presented below for the CEO as well as for the other NEOs excluding the CEO. We have also provided a comparison of the targeted pay mix to that of the peer group.

Table of Contents**COMPENSATION DISCUSSION AND ANALYSIS****Elements of Executive Compensation**

The main components of our executive compensation program, including those for our NEOs, are set forth in the following table. A more detailed description is provided in the respective sections below.

<b>Compensation Element</b>	<b>Description</b>	<b>Objective</b>
<b>Base Salary</b>	Fixed cash compensation	Provides compensation for the executive to perform his/her job functions
<b>Annual Cash Incentive</b>	Variable cash compensation paid each year if warranted by performance, based on a percentage of base salary	Assists with recruitment and retention Intended to reward for driving best-in-class operating and financial results over a one-year timeframe
	Opportunity to earn between zero and 150% of target, measured by financial and operating performance of the business, with up to 200% for exceptional individual performance	Creates a direct connection between business success and financial reward
	Metrics and goals (typically earnings, operational and other) are established at the beginning of each year and the payout is made based on performance	Provides strong line of sight by recognizing exceptional individual performance
<b>Long-Term Incentive</b> <b>(See Table under LTIP)</b>	Performance Share Units provide the opportunity to earn from zero to 200% of target at the end of the three - year performance period	Rewards strong financial and stock price performance
	Restricted Stock Units generally vest at the end of three years	Provides for strong alignment with stockholders



Assists with retention

Intended to reward for driving financial results over a multi-year time frame

<b>Deferred Compensation Plans</b>	Permits participants to defer receipt of all or a portion of cash and equity compensation	Provides participants with the opportunity to more effectively manage their taxes
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Assists with retention

<b>Other Compensation</b>	Health and welfare programs	To be competitive with peer companies
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Limited perquisites

Aids safety and efficiency

<b>Post-Employment Benefits/ Retirement Plans</b>	Defined benefit pension plans	Assists with recruitment and retention Provides retirement income in recognition of length of service
	Defined contribution 401(k) plan with a partial Company matching contribution	Assists with recruitment and retention
	Supplemental retirement benefits for certain employees beyond qualified plan benefits, in view of IRS limits	Assures the continuing performance of executives in the face of a possible termination of employment without cause
	Severance and change-in-control benefits	Assists with retention

**CEO Compensation**

Mr. Izzo's compensation is designed to position his total pay around the median of the market. Mr. Izzo has demonstrated strong performance over his tenure as CEO and the O&CC believes this arrangement is appropriate. The changes to the key terms of Mr. Izzo's compensation in 2014 were as follows:

**Base Salary:** At his request, Mr. Izzo did not receive an increase in base salary for 2014.

**Annual Cash Incentive:** The CEO's annual incentive target for 2014 was 120% of salary. Taken together with his salary, this positioned the CEO's target cash compensation at approximately 98% of the market median.

**Long-term Incentive:** The CEO's grant of long-term incentive (in February 2014) was \$5,725,000 (reported in the Summary Compensation Table below at grant date fair value), which, when combined with the CEO's salary and target bonus, positioned his total direct compensation for 2014 at 111% of the market median. The long-term incentive opportunity target level was determined so as to put a greater emphasis on long-term compensation for the CEO which is at risk based on performance. Consistent with our pay for performance approach, we believe this appropriately focuses him on the long-term success of the organization and driving stockholder value.

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**COMPENSATION DISCUSSION AND ANALYSIS**

The CEO's compensation level is reflected above in the competitive positioning detailed in Total Direct Compensation. After meeting in executive session, without the CEO present, the O&CC determined CEO compensation in consultation with all the independent directors.

Mr. Izzo's salary, annual cash incentive and long-term incentive exceed that of the other NEOs due to his greater level of duties and responsibilities as the principal executive officer to whom the other NEOs report, and whom the Board holds fully accountable for the execution of corporate business plans.

Further detail regarding the CEO's compensation is set forth below.

**Base Salary**

As the reference point for competitive base salaries, the O&CC considers the median of base salaries provided to executives in the peer group who have duties and responsibilities similar to those of our executive officers. The O&CC also considers the executive's current salary and makes adjustments based principally on individual performance, including achievement of targets, and experience. Each NEO's base salary level is reviewed annually by the O&CC using a budget it establishes for merit increases and salary survey data provided by Pay Governance and reviewed by CAP. For 2014, the O&CC set the merit increase budget at 3.0%.

The NEOs' individual performance and, other than the CEO, his/her business unit's performance are considered in setting salaries. Base salaries for satisfactory performance are targeted at the median of the relevant competitive benchmark data.

The O&CC considers base salaries and salary adjustments for individual NEOs, other than the CEO, based on:

**Recommendations of the CEO:** considering the respective NEO's level of responsibilities, experience in position, sustained performance over time, results during the immediately preceding year and the pay in relation to the benchmark median.

**Performance metrics:** as reflected in the CEOs recommendations, including achievement of financial targets, safety and operational results, customer satisfaction, regulatory outcomes and other factors.

**Additional factors:** leadership ability, managerial skills and other personal aptitudes and attributes. Salaries for the NEOs for 2014 were approved at the December 2013 meeting of the O&CC, except for Ms. Linde's salary, which was set in June 2014 in connection with her promotion to her current position. These amounts are shown in the table below. Salary decisions were based on each NEO's performance and appropriate alignment with the peer group. Mr. Izzo did not receive an increase, as noted above, nor did Mr. Bouknight, who retired in July 2014. For 2014, the increases for Messrs. Levis and LaRossa also reflected significant emphasis by the O&CC on internal pay equity considerations. Those two individuals have critical management responsibilities for our two largest operating subsidiaries, Power and PSE&G, respectively. In addition, the increase for Mr. LaRossa

reflected his added duties as Chairman of the Board of PSEG LI:

	<b>Base Salary</b>
	<b>2014</b>
<b>NEO</b>	<b>(\$)</b>
<b>Ralph Izzo</b>	1,100,000
<b>Caroline Dorsa</b>	650,000
<b>William Levis</b>	650,000
<b>Ralph A. LaRossa</b>	625,000
<b>J. A. Bouknight, Jr.<sup>(1)</sup></b>	545,900
<b>Tamara L. Linde<sup>(2)</sup></b>	470,000

(1) Retired July 1 ,2014

(2) Elected to position effective July 2, 2014.

### **Annual Cash Incentive**

The SMICP was approved by stockholders in 2002. It is an annual cash incentive compensation program for our most senior officers, including the NEOs. To support the performance-based objectives of our compensation program, corporate and business unit goals and measures are established each year based on factors deemed necessary to achieve our financial and non-financial business objectives. The corporate-level goals and those for the CEO are developed by the O&CC with input from the entire Board. The goals and measures are established by the CEO for the NEOs reporting to him, and for each other participant by the individual to whom he or she reports.

The SMICP sets a maximum award fund in any year of 2.5% of net income. The formula for calculating the maximum award fund for any plan year was determined at the time of plan adoption by reference to, among other things, similar award funds used by other companies and a review of executive compensation practices designed to address compliance with the requirements of IRC Section 162(m), which, as explained below, limits the federal income tax deduction for compensation in excess of certain amounts. If appropriate, the Board will recommend for stockholder approval any material changes to the SMICP required to align the plan with our compensation objectives.

The CEO's maximum award cannot exceed 10% of the award fund. The maximum award for each other participant cannot exceed 90% of the award fund divided by the number of participants, other than the CEO, for that year. For 2014 performance under the SMICP, these limits were \$37,975,000 for the total award pool, \$3,797,500 for the CEO's maximum award and \$2,848,125 for each other participant's maximum award. Of the total award pool, \$9,870,900 was awarded for 2014.

Subject to the overall maximums stated above, NEOs are eligible for annual incentive compensation. The beginning point in the process is a calculation based on a combination of the achievement of individual performance goals and business/employer performance goals, as well as overall corporate performance, as measured by the Corporate Factor. The Corporate Factor for 2014 was EPS from Continuing Operations. We believe sustained EPS is a significant driver of stockholder value and provides line-of-sight over a one-year period between individual actions of executives and company performance.

**Table of Contents****COMPENSATION DISCUSSION AND ANALYSIS**

For the business units, we used operating earnings, which for Power excluded from Income from Continuing Operations gains or losses associated with our nuclear decommissioning trust, mark-to-market accounting and Superstorm Sandy costs, adjusted for interest variances from the business plan, and which for PSE&G were adjusted for interest variances from the business plan.

***Impact of Company Performance on Incentive Compensation***

For 2014, the O&CC increased the annual cash incentive targets for Ms. Dorsa to 75% (from 70%) and Mr. LaRossa to 75% (from 65%) in recognition of their significant impact on Company's ultimate performance and results.

We maintained the same overall annual incentive structure as we have had for the last several years as we believe it supports our objectives of rewarding strong financial performance driven by operational excellence. We believe that through outstanding operations we can deliver the greatest long-term financial returns to our stockholders. The maximum result of this calculation is a comparative performance of 1.5. The corporate factor in 2014 could range from zero to 1.5 based on pre-determined EPS goals. The payout factor and related targets for 2014 are illustrated below. If the actual EPS is between the points shown below, the Corporate Payout Factor is determined using linear interpolation. In addition, Messrs. Levis and LaRossa had business unit (BU) earnings and multiple BU scorecard (financial, operational and strategic) metrics and goals. Mses. Dorsa and Linde and Mr. Bouknight each had multiple BU scorecard metrics and goals. All participants had strategic metrics and goals: for Mr. Izzo, operational excellence, financial strength and disciplined investment; for Mses. Dorsa and Linde and Messrs. Levis, Bouknight and LaRossa, people strong (retention, inclusion, supplier diversity and employee engagement). Each factor is multiplied by the respective individual's weighting shown below. An illustration of the plan mechanics is provided below, which when added together results in an individual's payout as a percent of target incentive. The total payout is generally capped at 150% of target, increased to 200% for exceptional individual performance.

Weighting x	+	Weighting x	+	Weighting x	+	Weighting x
Corporate EPS		BU Earnings		BU Scorecard		Strategic Goals
(0-150%)		(0-150%)		(0-150%)		(0-150%)

The corporate performance goal targets and payout factors at each target performance level for 2014 are set forth below:

<b>Corporate Payout Factor</b>
<b>EPS from Continuing Operations</b>
(#)

(\$)	
<2.57	0.00
2.57	0.50
2.68	1.00
2.78	1.50

The respective business unit performance goal targets and payout factors at each target performance level for 2014 for Power and PSE&G are set forth below:

Adjusted Operating Earnings		
Power (\$Millions)	PSE&G (\$Millions)	Payout Factor (#)
<550.1	<705.2	0.00
550.1	705.2	0.50
574.2	733.4	1.00
610.0	745.0	1.50

The actual corporate and business unit results and corresponding payout factors for the performance levels achieved for 2014 are set forth below:

	Actual Results	Indicative Payout Factor	Adjusted Payout Factor
Factors	(\$)	(#)	(#)
Corporate EPS	2.99	1.50	1.45
	(\$Millions)		
Power	641.7	1.50	1.45
PSE&G	717.1	0.71	0.90

**Table of Contents****COMPENSATION DISCUSSION AND ANALYSIS**

As shown above under Adjusted Payout Factor, the O&CC, upon the recommendation of the CEO, modified the payout factors for PSEG EPS and Power BU earnings after consideration of several unique circumstances affecting the Company in 2014. In the judgment of the O&CC, these earnings components, if not adjusted, would have resulted in payouts that did not appropriately reflect its assessment of Company performance. Specifically, the O&CC determined that aspects of our results driven by external factors would have had too great of an influence if not modified. At Power, a sharp, end of year drop in forward prices produced gains that swung Income from Continuing Operations strongly positive independently of our actions. Had this not happened, operational performance would have yielded lower results. Accordingly, the PSEG payout factor was adjusted, impacting the CEO and each of the NEOs and the Power payout factor was adjusted, impacting Mr. Levis. PSE&G grew its earnings by over 15% and met all project and capital expenditure targets in managing the largest capital program in its history. The O&CC concluded that the successful management achievements and robust earnings growth warranted an adjustment for PSE&G, impacting Mr. LaRossa.

***Determination of Individual Payouts***

Each element (corporate earnings, BU earnings, BU scorecard and strategic goals) is weighted based on an executive's role, with the intention of balancing business unit and individual performance with corporate performance. The weighting for each of the NEOs for 2014 is detailed below, together with the actual achievement factor attained in 2014:

NEO	Weight and Payout Factor	Corporate EPS	BU Earnings	BU Scorecard	Corporate Strategic Goals	Overall Achievement Factor
<b>Ralph Izzo</b>	<i>Weight</i>	75%	-	-	25%	
	<i>Achievement</i>	1.45	-	-	1.02	1.34
<b>Caroline Dorsa</b>	<i>Weight</i>	75%	-	15%	10%	
	<i>Achievement</i>	1.45	-	1.08	1.00	1.35
<b>William Levis</b>	<i>Weight</i>	60%	15%	15%	10%	
	<i>Achievement</i>	1.45	1.45	0.97	1.00	1.33
<b>Ralph A. LaRossa</b>	<i>Weight</i>	60%	15%	15%	10%	
	<i>Achievement</i>	1.45	0.90	1.24	1.00	1.29
<b>J.A. Bouknight, Jr.</b>	<i>Weight</i>	75%	-	15%	10%	
	<i>Achievement</i>	1.45	-	1.25	1.00	1.38
<b>Tamara L. Linde <sup>(1)</sup></b>	<i>Weight</i>	75%	-	15%	10%	
	<i>Achievement</i>	1.45	-	1.25	1.00	1.38
	<i>Weight</i>	60%	-	30%	10%	
	<i>Achievement</i>	1.45	-	1.25	1.00	1.35



(1) Prior to her election to her current position, effective July 2, 2014, Ms. Linde participated in the Management Incentive Compensation Plan (MICP), an annual cash incentive plan for officers with similar performance metrics as the SMICP. We have provided information with respect to the SMICP followed by the MICP.

The final step in the process is for the O&CC to make an overall judgment as to the appropriate payout levels for each NEO taking into account the overall achievement factors along with other less quantifiable considerations, such as leadership and success in adapting to a changing external environment and the recommendations of the CEO.

The SMICP awards of the NEOs for 2014 are shown below and in the 2014 Summary Compensation Table. The O&CC made its determinations regarding SMICP awards for the 2014 performance year in February 2015, for payment that month. Based upon the executive's overall achievement factor, his/her current base salary and target annual incentive opportunity and any O&CC modifications, if applicable, each earned the following payout for 2014, as to which we also show the percent relative to salary:

NEO	Base Salary (\$)	Target Annual Incentive Percentage (%)	Target Annual Incentive Dollars (\$)	Overall Achievement Factor	Modification (if applicable)	Payout Earned <sup>(1)</sup> (\$)	Percent of Salary (%)
<b>Ralph Izzo</b>	1,100,000	120	1,320,000	1.34	(132,700)	1,636,100	149
<b>Caroline Dorsa</b>	650,000	75	487,500	1.35	(32,900)	625,200	96
<b>William Levis</b>	650,000	75	487,500	1.33	(64,800)	583,600	90
<b>Ralph A. La Rossa</b>	625,000	75	468,800	1.29	-	604,800	97
<b>J. A. Bouknight, Jr.</b> <sup>(2)</sup>	545,900	65	354,800	1.38	-	244,800	
<b>Tamara L. Linde</b> <sup>(3)</sup>	470,000	65	305,500	1.38	-	210,900	
	310,000	45	139,500	1.35	-	94,200	

(1) Reflects rounding and, as applicable, proration.

(2) Salary paid and amount of payout earned were prorated in light of Mr. Bouknight's retirement in July 2014. Payout earned represents 90% of prorated salary.

(3) Reflects SMICP and MICP. Respective salary amounts paid and payouts earned were prorated for time in position. Payouts earned represent 90% and 61%, respectively, of prorated salary amounts.

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The O&CC believes that the 2014 goals established for the NEOs provided the appropriate degree of difficulty, based upon the overall economic environment and that the final award determinations are appropriate. The final payout factors for Mr. Izzo, Ms. Dorsa and Mr. Levis were reduced by the O&CC in connection with the matter that is currently subject to a pending FERC Staff investigation, as discussed in Note 12 of the Consolidated Financial Statements included in our Form 10-K. To ensure that pay and performance are aligned, the O&CC, with the assistance of CAP, assesses whether the payouts that are earned by the NEOs are consistent with our performance relative to peers.

**Long-Term Incentive**

NEOs, other officers as determined by the Committee and other key employees, as selected by the CEO within guidelines established by the O&CC, are eligible to participate in the LTIP. This plan is designed to attract and retain qualified personnel for positions of substantial responsibility, motivate participants toward achievement of long-range corporate goals, provide incentive compensation opportunities that are competitive with those of companies with whom we compete for talent and align participants' interests with those of stockholders.

The LTIP, as amended and restated, was approved by our stockholders at the 2013 Annual Meeting. The LTIP provides for different forms of equity awards: restricted stock, RSUs, PSUs and stock options. The maximum number of shares that may be awarded under grants to any one individual under the LTIP is 500,000 during any calendar year. In general, since 2010, we have been granting PSUs and RSUs; however, some recipients of prior year LTIP awards still hold stock options that have not expired. The LTIP prohibits the repricing of stock options and the buy-out by us of underwater stock options for cash.

In recent years, our LTIP grants have consisted of the following:

	<b>Description</b>	<b>Objective</b>
Performance Share Units (PSUs)	Right to receive full value shares that are earned based upon independent metrics measured over a three-year period:  40% weighting on TSR relative to peers (rewarding management when we deliver value to stockholders in excess of our peers)  30% weighting on ROIC against our internal goals (rewarding	Rewards for strong financial and stock price performance over a longer time frame than annual rewards  Full value shares assist with retention

management for effective  
deployment of capital)

30% weighting on ROIC relative to  
peers (rewarding management for  
managing our business and capital  
better than our peers)

Participants have the opportunity to  
earn from zero to 200% of their target  
award based on performance

<p>Restricted Stock Units (RSUs)</p>	<p>Dividend equivalents are accrued as declared and paid on earned shares Right to receive shares of full value stock at vesting dates</p> <p>Generally, cliff vest at the end of three years</p> <p>Dividend equivalents are accrued as declared and paid when underlying shares vest</p>	<p>Serves as retention device as recipient generally must remain an employee through vesting dates to earn payout</p>
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Beginning with the 2014 grants, we revised the metrics we measure in determining the amount, if any, of full value shares earned from PSUs granted. As noted in the table above, we added relative ROIC measured against our peers. Given that our ROIC has historically exceeded that of our peers, we set the payout scale to deliver at target only when performance is well above the peer median.

The CEO develops recommendations for LTIP awards for each NEO, with the exception of himself and submits these recommendations to the O&CC for approval. Factors that are considered in the determination of award amounts are:

The competitive market as defined by the peer group, which in general is targeted around median;

An individual's role and responsibilities within the Company;

Contribution of the executive; and

How critical the role is to the organization and need to retain the individual.

In general, when making LTIP grants, the O&CC's determinations are made independently from any consideration of the individual's prior LTIP awards. With respect to the CEO, the O&CC develops a recommended award opportunity in consultation with CAP and submits the proposal to the Board. The value of an executive's current holdings is not a consideration, though it is reviewed periodically by the O&CC. Grants are typically made each February.

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**COMPENSATION DISCUSSION AND ANALYSIS**

In previous years, restricted stock awards were made. Generally, these restricted stock awards vested one-fourth annually as determined at the time of grant. Recipients of restricted stock awards have full voting rights and receive dividends at the regular dividend rate and are paid on each regular dividend date. None of the NEOs have any outstanding restricted stock awards.

Generally, unvested shares of restricted stock and unvested RSUs vest pro-rata if retirement occurs within one year of the grant and thereafter according to the original vesting schedule. Generally, unvested restricted stock is forfeited upon resignation but is paid upon an involuntary termination of employment without cause, while unvested RSUs are forfeited upon resignation or involuntary termination of employment.

PSUs are denominated in shares of Common Stock and are subject to achievement of certain performance goals over a three-year period and are payable as determined by us in shares of our Common Stock or cash. Generally, PSUs are prorated upon retirement or involuntary termination without cause and are forfeited upon a voluntary termination.

***Impact of Company Performance on Prior Year's Performance Awards***

LTIP awards of PSUs made for the three-year performance period ended December 31, 2014 were reported in our 2012 and 2013 Proxy Statements (other than for Ms. Linde, who was not an NEO at such time) at fair value at the time of the grants. These PSU grants were subject to the achievement of goals related to TSR and ROIC over a three-year performance period ended December 31, 2014. Based on the performance results for that period, in 2015, Messrs. Izzo, Levis, LaRossa and Bouknight and Ms. Dorsa received payment of shares of our Common Stock equal to 121% (see table below) of the grant target amounts. Although Ms. Linde was not an NEO at the time she received her LTIP award in February 2012, we have included her payout in 2015 for the performance period.

Each metric is independent and equally weighted (i.e., 50% each). TSR relative to the peer group was selected as it provides alignment with our stockholders and provides the incentive to deliver a return to stockholders greater than that of our peers. ROIC was used to ensure that we are effectively using our capital base. Based upon performance relative to the peer group on TSR and three-year average ROIC vs. our internal goals, executives can earn a stock award of between zero and 200% of their target. We believe that the ROIC goal represents a significant degree of difficulty. We determine ROIC by dividing net Income (adjusted for certain interest expense) by debt and equity (adjusted for securitized debt).

Recipients will receive 100% of their grant amount if:

For the three-year performance period TSR places us at rank 9 of the peer group; and

Our ROIC for the three-year performance period meets a pre-set target based on our business plan. Payment, if any, is made early in the year following that end of the performance period, once results are reviewed and approved by the O&CC. Dividend equivalents are accrued over the performance period and paid in shares of Common Stock in relation to the number of shares earned based on results for the performance period. Upon retirement, death or disability, PSUs are prorated for each month of service during the performance period and paid following the end

of the period based on actual performance.

For these grants, the performance schedule for relative TSR, which can earn an individual 50% of the PSU award, is based on the relative rank within the peer group. Shown below are the ranks and payout factors at threshold, target and maximum levels and our actual rank for this period:

<b>Percent Payout Factor for</b>	
<b>TSR Performance vs. Peers <sup>(1)</sup></b>	<b>TSR Component %</b>
Rank 14	0.0
Rank 13	20.0
Rank 9	100.0
Rank 4	200.0
Actual Rank: 11	60.0

- (1) TSR performance is measured by comparing our numerical ranking among peer group companies in respect to the TSR performance component. For 2012, the peer group consisted of us and 16 companies.

For these grants, the performance schedule for relative ROIC, which can earn an individual 50% of the PSU award, is detailed below:

	<b>3 Year Average ROIC%</b>	<b>Payout%<sup>(1)</sup></b>
Maximum (115% of Goal)	8.4	200.0
Target	7.3	100.0
Threshold (85% of Goal)	6.2	25.0
Actual	8.2	181.8

- (1) Payout percentage above and below target will be interpolated based on the three-year average.

**Table of Contents****COMPENSATION DISCUSSION AND ANALYSIS**

Actual results of the three-year period ended December 31, 2014 were:

<b>Actual Results</b>	<b>Payout%</b>
TSR Ranking: 11th of 17 Companies	60.0
ROIC Actual 3-year Average: 8.2%	181.8
Overall PSU Payout Factor (rounded)	121.0

**Determination of Individual Payouts**

Based on these results, participants earned a PSU payout of 121%. The dollar amount of each payment, made in shares of our Common Stock, is shown below, calculated using the average of the high and low price of our Common Stock on February 17, 2015, \$39.435. These amounts are reported in the Option Exercises and Stock Vested during 2014 Table below.

<b>NEO</b>	<b>PSUs Granted (#)</b>	<b>PSUs Earned (#) <sup>(1)</sup></b>	<b>PSUs Payout (\$ <sup>(1)</sup></b>
Ralph Izzo	109,900	150,851	5,948,809
Caroline Dorsa	21,100	28,962	1,142,116
William Levis	21,100	28,962	1,142,116
Ralph A. LaRossa	15,850	21,756	857,948
J.A. Bouknight, Jr.	16,300	22,373	882,279
Tamara L. Linde <sup>(2)</sup>	3,200	4,392	173,199

(1) Reflects rounding and includes accrued dividend equivalents earned.

(2) Grant made prior to Ms. Linde becoming an NEO.

**2014 Grants**

The structure of the long-term incentive is consistent with the prior grants as described above, in the form of 60% PSUs and 40% RSUs vesting at the end of three years. The mix between PSUs and RSUs was determined based on our desire to provide the majority of long-term incentives in a performance-based vehicle while providing for strong retention during a challenging period in the industry. The greater emphasis on PSUs places more of our NEOs potential compensation payouts at risk. Grants are typically made each February.

The amounts approved in February 2014 for the NEOs are for the three-year performance period ending December 31, 2016 and are shown in the 2014 Grants of Plan-Based Awards Table. Also shown is the award made to Ms. Linde in June 2014 for the same performance period in connection with her election to her current position. These awards are also reported in the Summary Compensation Table at the grant date fair value. Payouts, if any, will be based on the same performance measures and goals discussed above with respect to payments made on prior years awards and will be disclosed when the applicable performance period is completed. A portion of Mr. Bouknight's award was forfeited upon his retirement in July 2014.

As noted above, beginning with grants made in 2014, the O&CC incorporated relative ROIC as a new third metric into the PSU measurement performance with a 30% weighting. This was done to hold management accountable for delivering returns that are in line with our business plan, but also exceed that of peer companies. Absolute ROIC is also weighted at 30%. Recognizing that delivering value to stockholders is a priority, TSR compared to peers has the greatest weighting at 40%.

## **Other Compensation**

### ***Deferred Compensation Plan***

We offer a deferred compensation plan to our officers, including the NEOs, so they can more effectively manage their personal tax obligations. Participants may elect to defer all or any portion of their cash compensation and may choose from among several different investment options based upon the choices available in our 401(k) Plan, as well as a market-based rate of Prime plus 1/2%, capped at 120% of the applicable federal long-term rate.

We also have a plan to permit deferral of equity compensation. Generally, the election to defer shares underlying an equity award must be made before the services giving rise to the equity award are performed. Deferred shares are held in a Rabbi Trust.

Additional details about these deferred compensation plans are provided in the descriptions following the Non-Qualified Deferred Compensation Table.



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**COMPENSATION DISCUSSION AND ANALYSIS**

***Perquisites***

We provide certain perquisites that we believe are reasonably within compensation practices of our peers or provide benefit to us, such as providing an appropriate degree of personal security to executives with a high public profile and allowing the executive to be productive while commuting. These include automobile use (and for the CEO, a driver), stipend or car service, reimbursement of relocation expenses, annual physical examinations, limited personal and spousal travel, including use of aircraft (in accordance with the policy we have established and with CEO approval), home security, charitable contributions on behalf of the individual and limited personal entertainment. These perquisites are described in the 2014 Summary Compensation Table, as applicable.

We do not provide a tax gross-up of personal benefit amounts deemed to be taxable income under federal or state income tax laws and regulations, except for certain relocation expenses, primarily in the case of newly-hired executives.

**Post-Employment Benefits**

***Retirement Benefits***

We provide certain qualified retirement benefits under the Pension Plan of PSEG (Pension Plan) and the Cash Balance Pension Plan of PSEG (Cash Balance Plan) to maintain practices that are competitive with companies in the energy services industry with which we compete for executive talent. Participation depends upon the date of hire of the individual. Messrs. Izzo and LaRossa and Ms. Linde participate in the Pension Plan as they each began employment before January 1, 1996. Each of the other NEOs participates in the Cash Balance Plan as they were hired after that date.

In addition to the qualified plans, we provide certain limited nonqualified retirement benefits under the Retirement Income Reinstatement Plan (Reinstatement Plan) and the Supplemental Executive Retirement Income Plan (Supplemental Plan). We maintain these supplemental plans to provide competitive retirement benefits. Our supplemental executive retirement plans were adopted to assist in the recruitment and retention of key employees.

The Reinstatement Plan is an unfunded retirement plan that provides retirement benefits that would have been paid under our qualified retirement plans but for the limitations of the IRC which caps the amount of an employee's compensation that may be considered for qualified plan purposes. All employees who are affected by the compensation limit are eligible to participate in this plan. SMICP amounts and deferred amounts are also included in computing benefits under this plan.

The Supplemental Plan is an unfunded retirement benefit plan that provides supplemental limited retirement and death benefits to participants nominated by the CEO and designated by our Employee Benefits Policy Committee. It also provides retirement benefits based upon additional credited years of service for prior allied professional or industrial experience to employees selected by the CEO. The plan is primarily used as a recruitment and retention tool. In 2011, the O&CC determined that we will no longer provide any additional

years of credited service under the Supplemental Plan to individuals not previously provided with that benefit. All of our NEOs participate in the Reinstatement Plan and all except Ms. Linde participate in the additional limited provisions of the Supplemental Plan. As described in the Pension Benefits Table, as part of their promotion and hiring, Mr. Izzo and Ms. Dorsa, respectively, are eligible to receive additional years of credited service under certain circumstances.

Additional information is provided in the Pension Benefits Table and the accompanying narrative, below. Amounts reported for 2014 reflect changes in the discount rate, as well actuarial changes, which impacted the benefit calculations.

We also maintain a defined contribution 401(k) Plan and provide a partial employer matching contribution for 401(k) Plan participants.

### ***Severance and Change-In-Control Benefits***

We provide severance benefits in the event of certain employment terminations. These benefits are available to officers, including the NEOs, in order to be competitive with the companies in our industry and provide a level of financial security to the executive in periods of uncertainty in the event of a termination without cause. All of our NEOs participate in our Key Executive Severance Plan. Mr. Izzo is also eligible for certain other severance benefits, as described under Potential Payments Upon Termination of Employment or Change-In-Control, below.

We provide severance benefits upon a change-in-control to officers, including the NEOs. A change-in-control is by its nature disruptive to an organization and its executives. Executives are frequently key players in the success of organizational change. To assure the continuing performance of such executives and maintain stability and continuity in the face of a possible termination of employment in the event of a change-in-control, we provide a competitive severance package. In addition, some executives, who may be key parties to such transaction, may have their employment terminated following its completion. A severance plan with benefits applicable upon a change-in-control is an important element for attracting and retaining key executives in a marketplace where such protection is common.

Neither our Key Executive Severance Plan nor Mr. Izzo's severance agreement provide for gross-up payments from us in the event that any NEO or other participant is subject to an excise tax related to receipt of a change-in-control payment. Both the Key Executive Severance Plan and Mr. Izzo's severance agreement include a double-trigger provision on benefits, which are paid only in the event of termination of employment following a change-in-control. Performance share unit payments, if any, are prorated.

Severance and change-in-control benefits are described under Potential Payments Upon Termination of Employment or Change-in-Control below.

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**COMPENSATION DISCUSSION AND ANALYSIS**

**Executive Compensation Governance Features and Controls**

***Independent Compensation Consultant***

The O&CC has retained CAP to provide information, analyses and advice regarding executive and director compensation, as described in this Proxy Statement. CAP reports directly to the O&CC and the O&CC has established procedures that it considers adequate to ensure that CAP's advice is objective and not influenced by management. These procedures include an agreement specifying what information can and cannot be shared with management. In addition, CAP regularly meets with the O&CC in executive session, without the presence of management. CAP provides only executive compensation consulting services.

At the O&CC's direction, CAP provided the following services:

Evaluated the competitive positioning of our NEOs' base salaries, annual incentive and long-term incentive compensation relative to our peers and compensation philosophy;

Advised the O&CC on CEO and other NEO target award levels within the annual and long-term incentive programs;

Reviewed our annual and long-term incentive programs to ensure they continue to be aligned with our philosophy, drive performance and consider market practices;

Briefed the O&CC on executive compensation trends among our peers and broader industry and compared them to our current practices;

Analyzed the results of the stockholder advisory say-on-pay vote;

Informed the O&CC on changes in the regulatory environment as they relate to executive compensation;

Reviewed the composition of our Peer Group;

Advised the O&CC on the performance measures and performance targets for the annual and long-term incentive programs and advised on the payout leverage (the extent of the pay opportunity and the degree of difficulty) for the plans;

Presented a CEO compensation proposal to the O&CC;

Reviewed our total share usage and burn rate for the LTIP;

Conducted an assessment to determine whether any elements of our employee compensation programs encourage the taking of excessive risk;

Advised on issues related to shareholder advisory groups;

Validated the pay for performance alignment of the compensation programs;

Evaluated our share ownership guidelines relative to our peers and broader industry;

Assessed the competitiveness of director compensation for the Corporate Governance Committee and recommended changes; and

Reviewed and commented on this CD&A.

In the course of conducting its activities, CAP attended four meetings of the O&CC in 2014 and presented its findings and recommendations for discussion.

Management also retains a compensation consultant, Pay Governance, to provide market compensation data for our officers, including the NEOs. This data is made available to CAP.

***Compensation Risk Assessment***

In 2014, CAP, in consultation with management reviewed our compensation programs to assess the potential of whether they encourage individuals to take excessive risks. The risk assessment included a full inventory of all incentive compensation plans in the organization, including their design, metrics, goals and operation and a review of business and operational risks. Our Vice President and Chief Risk Officer, as well as our internal compensation professionals under the supervision of our Senior Vice President Human Resources, participated in this process. Management and CAP reviewed this assessment with the O&CC. In addition, final decisions regarding our executive compensation policies and programs, as well as specific approval of individual NEO compensation, are determined by the O&CC, all of whose members are independent of management and, as appropriate, the full Board, all of whose members, except our CEO, are independent of management. Based on this review, the O&CC determined that the programs do not create an incentive for individuals to take excessive risks which are reasonably likely to have an adverse effect on us.

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**COMPENSATION DISCUSSION AND ANALYSIS**

***Role of CEO***

The CEO attends O&CC meetings, other than executive sessions. Other executive officers and internal compensation professionals may attend portions of O&CC meetings, as requested by the O&CC. The CEO recommends changes to the salaries of his direct reports (who include the NEOs). The CEO develops and the O&CC considers these recommendations in the context of the respective executives' individual performance, competitiveness of salary vs. peer group and internal equity among executives. The CEO recommends incentive compensation targets (expressed as a percentage of base salary) for the SMICP and LTIP grants for his direct reports as well as the associated goals, objectives and performance evaluations. The CEO participates in the O&CC's discussions of those recommendations.

The CEO reviews the design and effectiveness of compensation policies and programs and the analyses and recommendations of CAP in light of general industry practices and in comparison to the peer group trends. The CEO also reviews such compensation matters with our internal compensation professionals. Recommendations for changes are made to the O&CC as deemed appropriate by the CEO. The O&CC believes that the role played by the CEO in this process is appropriate because the CEO is uniquely suited to evaluate the performance of his direct reports.

***Trading Pre-clearance***

Under our Insider Trading Practice, all of our officers, including the NEOs, are required to obtain pre-clearance from the Office of the General Counsel prior to engaging in any transaction involving our Common Stock. In addition, our Insider Trading Practice does not permit any such transactions except during "open window" periods. These are limited times following the public release of earnings and disclosure of material information.

***Hedging and Pledging***

We have a policy which prohibits officers, including NEOs, from hedging, short-selling or pledging our Common Stock.

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**COMPENSATION DISCUSSION AND ANALYSIS**

***Clawbacks***

We have adopted provisions that require a participant to forfeit any annual or long-term incentive grants and repay profits made on sales of LTIP shares if they are earned as a result of misconduct related to accounting restatements. LTIP grants and shares received on exercise of LTIP grants are also subject to clawback if the participant violates his/her non-compete, non-solicitation or confidentiality agreements. We anticipate adjusting the terms of our clawback provisions as may be needed to comply with the Dodd-Frank Act once further guidance is released from the SEC.

***Employment Agreements***

We have entered into written agreements with Messrs. Levis, Bouknight and Mses. Dorsa and Linde and a severance agreement with Mr. Izzo. These are discussed following the Grants of Plan-Based Award Table below.

***Stock Ownership and Retention Policy***

In order to strengthen the alignment of the interests of management with those of stockholders, we have established a Stock Ownership and Retention Policy (Policy) applicable to selected officers, including the NEOs. Each officer must maintain ownership of a sufficient number to shares of our Common Stock having a market value equal to the applicable prescribed multiple of such officer's annual base salary. Under the Policy, the required multiple for the CEO is 6 and for the other NEOs is 3.

Compliance is determined as of each January 1, using the average of the daily NYSE closing price for the preceding 12 months. The applicable required amount must be acquired by January 1 following the fifth anniversary of the date of the adoption of the Policy (November 20, 2007) for those serving at such time or the date he or she was newly elected or promoted. In addition to shares individually or jointly owned directly, through a broker or in Enterprise Direct or the ESPP, the following are counted toward the ownership requirement: (i) shares held in trusts for the benefit of immediate family members where the officer is the trustee, (ii) shares granted to the officer in the form of restricted stock and RSUs, whether or not vested, and (iii) shares held by the officer in the 401(k) Plan. Stock options and PSUs (as distinct from shares which are actually issued as a result of exercise or vesting) are not counted. Shares subject to hedging or pledging transactions (such as puts, collars and short sales), are not counted for purposes of either the ownership or retention provisions of the Policy, since our Insider Trading Practice does not permit such hedging or pledging.

Each officer must retain at least 100%, after tax and costs of issuance, of all shares acquired through equity grants made subsequent to the adoption of the Policy, including the vesting of restricted stock or RSU grants, payout of PSU awards and exercise of option grants, until his or her ownership requirement is met. Further, once an executive officer who is subject to Section 16(a) of the Exchange Act, including each NEO, attains his or her required level of stock ownership, he or she must retain 25%, after tax and costs of issuance, of vested shares received from equity awards granted thereafter, until retirement or his or her employment otherwise ends.

The Senior Vice President Human Resources reports annually to the O&CC on the status of each officer's compliance with the Policy. In the event an officer is not in compliance with any provision of the Policy, the O&CC may take such action as it deems appropriate, consistent with the provisions of our compensation plans and applicable law and regulations, to enable the officer to achieve compliance at the earliest practicable time or otherwise enforce the Policy.

Such action may include establishing conditions with respect to requiring all or part of any SMICP or LTIP award to be held in shares. The O&CC may vary the application of the provisions of the Policy for good cause or exceptional circumstances.

The Policy was not a factor considered by the O&CC in making the 2014 grants under the LTIP.

Messrs. Izzo, Levis, and LaRossa and Ms. Dorsa each have met their respective requirement. Ms. Linde has not yet met the requirement as she was just recently promoted to her position. Mr. Bouknight had met the requirement at the time he retired.

### ***Accounting and Tax Implications***

The O&CC has considered the effect of Financial Accounting Standards Board Accounting Standards Codification Topic 718 (see Note 17 to Consolidated Financial Statements included in our Form 10-K) regarding the expensing of equity awards in determining the nature of the grants under the LTIP. The O&CC, with the assistance of CAP, reviews the competitiveness of the NEOs' LTIP grants, as measured against the peer group, using reported Topic 718 grant values and approves grants to the NEOs accordingly as reported above in Long-Term Incentive.

The O&CC considers the tax-deductibility of our compensation payments. IRC Section 162(m) generally denies a deduction for United States Federal income tax purposes for compensation in excess of \$1 million for persons named in the proxy statement, except for qualifying performance-based compensation pursuant to stockholder-approved plans. Stockholder approval of the SMICP was received at the 2002 Annual Meeting of Stockholders. As a result, we believe that payment of qualifying performance-based compensation in accordance with the terms of this plan would not be subject to the Section 162(m) limitation on deductions. Payments under the LTIP, if any are earned, on PSUs granted during the five-year period following stockholder approval of the LTIP at the 2013 Annual Meeting are not expected to be subject to the limitation and should qualify for tax-deductibility under Section 162(m).



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**COMPENSATION DISCUSSION AND ANALYSIS**

Although stockholder approval of the LTIP had been received at the 2004 Annual Meeting of Stockholders, applicable IRC provisions require that stockholders give such approval at least every five years for performance-based compensation plans that permit the O&CC to change the performance criteria used from year to year. Since we did not subsequently seek such further approval for the LTIP until the 2013 Annual Meeting, the payments of PSUs made to the NEOs (except the CFO, to whom the deduction limitation is not applicable) in 2013 and 2014 with respect to such LTIP grants awarded in 2009 and 2010 for the respective three-year performance periods ended December 31, 2012 and December 31, 2013, are subject to the Section 162(m) limitation on deductions. The only such grant made in 2013 prior to such approval and thus subject to the limitation was to Mr. Levis in accordance with his retention award pursuant to a prior determination of the O&CC. Any future payments, if earned, with respect to LTIP grants of PSUs made to the NEOs (except the CFO) in 2011 and 2012 are likewise subject to this limitation.

Further, the O&CC believes that restricted stock and RSUs are valuable components of incentive compensation as they align the interest of the recipients with those of stockholders. However, because the vesting of such grants is not performance-based, restricted stock and RSU grants are subject to the limitation on deductibility under Section 162(m).

In 2014, a portion of Messrs. Izzo's and Levis' compensation reported in this Proxy Statement exceeded the limit. Amounts deferred by the NEOs are not included in the Section 162(m) calculations during the deferral period because they are not otherwise deductible under applicable tax law. In light of Section 162(m), as well as certain NYSE rules, the Board's general policy is to present incentive compensation plans in which executive officers participate to stockholders for approval. However, the O&CC and the Board reserve the right to not seek such approval and to award incentive and other compensation that is not structured so as to be exempt from the deduction limit of Section 162(m), if they determine that such arrangements are in the best interests of the Company and our stockholders. The O&CC will continue to evaluate executive compensation and the flexibility that is desirable in administering our executive compensation program in accordance with our compensation philosophy.

Table of Contents**EXECUTIVE COMPENSATION****2014 SUMMARY COMPENSATION TABLE**

The following table summarizes the compensation of our NEOs for the years shown. The NEOs are our CEO, CFO and four most highly compensated executive officers in 2014.

Name and Principal Position <sup>(1)</sup>	Year	Salary (\$) <sup>(2)</sup>	Bonus (\$)	Stock Awards (\$) <sup>(3)</sup>	Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$) <sup>(4)</sup>	Change in Pension	Value and Non-Qualified Deferred Compensation Earnings	All Other Compensation	Total (\$)
							(\$) <sup>(5)</sup>	(\$) <sup>(6,7,8)</sup>		
<b>Ralph Izzo</b> Chairman of the Board, President & CEO	2014	1,142,307	-	5,723,686	-	1,636,100	2,436,000	76,551		11,014,644
	2013	1,092,615	-	6,367,186	-	1,874,000	-	66,448		9,400,249
	2012	1,004,715	-	5,724,001	-	1,653,800	2,064,000	67,027		10,513,543
<b>Caroline Dorsa</b> VP & CFO	2014	673,006	-	1,249,737	-	625,200	1,225,000	83,844		3,856,787
	2013	617,686	-	1,199,928	-	589,800	488,000	75,607		2,971,021
	2012	595,691	-	1,099,985	-	567,900	1,338,000	76,661		3,678,237
<b>William Levis</b> President & COO (Power)	2014	669,540	-	2,100,614	-	583,600	737,000	135,030		4,225,784
	2013	565,485	-	2,223,214	-	607,600	-	185,861		3,582,160
	2012	560,377	-	1,099,985	-	546,200	739,000	44,141		2,989,703
<b>Ralph A. LaRossa</b> President & COO (PSE&G)	2014	640,866	-	1,000,178	-	604,800	682,000	60,590		2,988,434
	2013	499,078	-	943,788	-	438,800	-	64,483		1,946,149
	2012	497,142	-	824,611	-	400,700	578,000	32,408		2,332,861

<b>Mr. A. Bouknight, Jr.</b>	2014	308,643	-	851,182	-	244,800	109,856	67,286	1,581,767
(Retired) EVP &	2013	544,922	-	943,788	-	496,700	67,000	18,559	2,070,969
General Counsel	2012	535,570	-	849,495	-	461,300	61,000	19,549	1,926,914

<b>Amara L. Linde</b>	2014	397,010	-	438,705	-	305,100	460,000	17,559	1,618,374
(EVP &									
General Counsel									

(1) Mr. Bouknight retired on July 1, 2014. A portion of his 2014 stock awards shown in this table were forfeited in accordance with the terms of the LTIP and his employment agreement. Ms. Linde was elected to her current position effective July 2, 2014. Amounts shown for Ms. Linde also include amounts with respect to her previous position with us prior to her promotion.

(2) Amounts shown are actual payments based on annualized salary. 2014 salaries include one additional pay period for 2014 which was applicable to all employees. Therefore, actual paid salaries shown here differ from annual salaries shown in the CD&A. 2012 salaries include a one-time pay adjustment provided to all employees as a result of a change in the methodology of the bi-weekly pay calculation.

Mr. Bouknight elected to defer \$475,775, \$484,869 and \$274,691 of salary for years 2012, 2013 and 2014, respectively, under the Deferred Compensation Plan.

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**Table of Contents****EXECUTIVE COMPENSATION**

- (3) The amounts shown reflect the grant date fair value of the awards. For a discussion of the assumptions made in valuation, see Note 17 to the Consolidated Financial Statements included in our Form 10-K. 2014 LTIP awards were granted in February and June 2014 as discussed in the CD&A. 2013 LTIP awards were granted in February and April of 2013 and 2012 LTIP awards were granted in February 2012. Awards consist of PSUs and RSUs. PSU value is shown at the target amount. Actual value of the shares received upon vesting of RSUs depends upon the price of our Common Stock. Payout value of the PSUs earned upon vesting at the conclusion of the three-year performance period may be less than or exceed the grant date fair value, dependent upon achieving TSR and ROIC performance factors. More detailed information is provided in the CD&A. The respective amounts below represent the grant date fair value of PSUs at target and maximum amounts.

	2014		2013		2012	
	Value at Target (100%) (\$)	Value at Maximum (200%) (\$)	Value at Target (100%) (\$)	Value at Maximum (200%) (\$)	Value at Target (100%) (\$)	Value at Maximum (200%) (\$)
<b>Ralph Izzo</b>	3,434,514	6,869,028	4,077,397	8,154,794	3,434,375	6,868,750
<b>Caroline Dorsa</b>	749,419	1,498,838	719,355	1,438,710	659,375	1,318,750
<b>William Levis</b>	1,659,983	3,319,966	1,783,474	3,566,948	659,375	1,318,750
<b>Ralph A. LaRossa</b>	599,924	1,199,848	658,642	1,317,284	554,688	1,109,375
<b>J. A. Bouknight, Jr.</b>	510,615	1,021,230	604,560	1,209,120	509,375	1,018,750
<b>Tamara L. Linde</b>	243,666	487,332				

- (4) As discussed in the CD&A, amounts awarded were earned under the SMICP (and MICP for Ms. Linde) and determined and paid in the following year. Mr. Bouknight elected to defer his entire 2014, 2013 and 2012 awards under the Deferred Compensation Plan. For 2014, Ms. Linde's SMICP payment was \$210,900 and her MICP payment was \$94,200.
- (5) Includes the change in the actuarial present value of accumulated benefit under defined benefit pension plans and supplemental executive retirement plans between calendar years 2014 and 2013, 2013 and 2012, and 2012 and 2011, determined by calculating the benefit under the applicable plan benefit formula for each of the plans, measured at December 31 of each year, based on years of credited service, earnings in effect at the respective measurement dates, applicable interest rates and other assumptions as discussed in Note 11 to the Consolidated Financial Statements included in our Form 10-K. If the aggregate change in pension plan values is negative, it is shown as zero. The changes are as follows:

Izzo	Dorsa	LaRossa	Bouknight	Linde
(\$)	(\$)	(\$)	(\$)	(\$)

			<b>Levis</b>			
			<b>(\$)</b>			
2014	2,436,000	1,225,000	737,000	682,000	109,856	460,000
2013	-	488,000	-	-	67,000	
2012	2,064,000	1,338,000	739,000	578,000	61,000	

Any interest earned under the Deferred Compensation Plan at the prime rate plus 1/2% did not exceed 120% of the applicable long-term rate for any of the NEOs in 2014, 2013 or 2012.

(6) For 2014, depending on the individual, includes perquisites and personal benefits which include (a) automobile and related expenses, (b) physical examinations, (c) home security systems, (d) limited personal and spousal travel, (e) personal entertainment and (f) charitable contributions on behalf of the individual. For automobiles, the pro rata personal usage value of the vehicle lease cost based on the IRS Annual Lease Value Table was used; for parking, the market value for the parking space was used; for the driver, actual pro-rata expense was used for the time devoted to CEO commuting and personal use; for the car service actual cost was used. Three NEOs received a perquisite in 2014 that exceeded the greater of \$25,000 or 10% of his/her total perquisite and personal benefit amount: Messrs. Izzo and Levis each received home security services in the amount of \$44,862 and \$90,509, respectively, and Ms. Dorsa used a car service for commuting, with a cost to us of \$66,314.

(7) Includes the employer matching contribution to our 401(k) Plan at the same percentage generally available to all employees. For 2014, these amounts were:

	<b>Izzo</b>	<b>Dorsa</b>	<b>Levis</b>	<b>LaRossa</b>	<b>Bouknight</b>	<b>Linde</b>
	<b>(\$)</b>	<b>(\$)</b>	<b>(\$)</b>	<b>(\$)</b>	<b>(\$)</b>	<b>(\$)</b>
401(k) Company Match	9,102	9,860	10,200	10,200	1,596	10,200

(8) Includes \$53,540 of accrued vacation for Mr. Bouknight, \$47,651 of which he deferred.

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## EXECUTIVE COMPENSATION

2014 GRANTS OF PLAN-BASED AWARDS TABLE

The following table provides information on plan-based awards made to our NEOs during 2014.

Name and Award <sup>(1)</sup>	Grant Date <sup>(1)</sup>	Plan	Estimated Possible Payouts Under Non-Equity Incentive Plan Awards <sup>(3)</sup>			Estimated Future Payouts Under Equity Incentive Plan Awards <sup>(4)</sup>			All Other Stock Awards; Number of Shares of Stock or Units # <sup>(5)</sup>	All Other Option Awards; Number of Underlying Options #	Exercise or Base Price of Option Awards (\$/Sh)	Grant Date of Award (\$)
			Threshold (\$)	Target (\$)	Maximum (\$)	Threshold #	Target #	Maximum #				
Armando Cruz		SMICP	660,000	1,320,000	1,980,000							
	2/18/2014					0	88,450	176,900				3,437
	2/18/2014								65,200			2,280
John Dorsa		SMICP	243,800	487,500	731,300							
	2/18/2014					0	19,300	38,600				740
	2/18/2014								14,250			500
		SMICP	243,800	487,500	731,300							

**Levis**

2/18/2014		0	25,750	51,500			99
2/18/2014		0	17,000	34,000			66
2/18/2014					12,550		44
	SMICP	234,400	468,800	703,100			
2/18/2014		0	15,450	30,900			59
2/18/2014					11,400		40

**Bouknight**

	SMICP	177,400	354,800	532,300			
2/18/2014		0	13,150	26,300			51
2/18/2014					9,700		34

**L. Linde**

	SMICP	152,800	305,500	458,300			
	MICP	69,800	139,500	209,300			
2/18/2014		0	2,600	5,200			10
6/16/2014		0	3,250	6,500			14
2/18/2014					2,850		10
6/16/2014					2,500		9

(1) Relates to equity awards (PSUs and RSUs), all of which were made under the LTIP. A portion of Mr. Bouknight's PSU and RSU award were forfeited and his SMICP was prorated following his retirement on July 1, 2014. Ms. Linde received additional PSU and RSU awards on June 16, 2014 in connection with her promotion to her

current position. Ms. Linde's SMIP and MICP were prorated for time in position.

- (2) Made pursuant to a retention award with a December 20, 2011 determination date.
- (3) Represents possible payouts under SMICP and MICP for 2014 performance. The actual awards were determined in February 2015 and paid thereafter, as reported in the 2014 Summary Compensation Table and were prorated for Mr. Bouknight and Ms. Linde.
- (4) Represents LTIP award of PSUs described below.
- (5) Represents LTIP award of RSUs described below.
- (6) Represents the grant date fair value of the equity award. For a discussion of the assumptions made in valuation, see Note 17 to the Consolidated Financial Statements included in our Form 10-K.

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**EXECUTIVE COMPENSATION**

**Material Factors Concerning Awards Shown in Summary Compensation Table, Grants of Plan-Based Awards Table and Employment Agreements**

***SMICP***

The plan-based awards for annual cash incentive compensation included in the 2014 Summary Compensation Table were paid in 2015 with respect to 2014 performance under the terms of the SMICP and for Ms. Linde, the MICP. The range of possible awards for each NEO in relation to his/her target award is set forth in the Grants of Plan-Based Awards Table above. An explanation of the SMICP (and MICP) and performance goals, measures and performance factors achieved are described under Annual Cash Incentive in the CD&A.

***LTIP***

As explained in the CD&A and shown above, LTIP awards were made to NEOs in February 2014 (and, additionally, for Ms. Linde in June 2014 in connection with her promotion), in the form of RSUs and PSUs. The RSUs cliff vest after three years. The three-year performance period for the PSUs ends December 31, 2016, with payment, if any, made the following year. The range of possible payouts for each NEO in relation to his/her target award is set forth in the table above. Payments of awards granted in December 2011 and February 2012 were made in 2015 based on performance for the three-year period that ended on December 31, 2014. Further explanation of PSU payment determination is set forth under Long-Term Incentive in the CD&A. For further information about vesting, see Employment Agreements and Potential Payments Upon Termination of Employment or Change-In-Control below.

No stock options have been granted since 2009. Some options granted in previous years are still outstanding as reported in the Outstanding Equity Awards at Year-End Table. Grants were made with an exercise price equal to the NYSE closing price on the date of grant for a 10-year term. No discounted options may be granted and no repricings may be done without stockholders' approval.

***Employment Agreements***

The CEO and each NEO receives an annual salary review, participates in the SMICP and LTIP, and in the Supplemental Plan and the Key Executive Severance Plan. Mr. Izzo has entered into a severance agreement, the terms of which are discussed below under Potential Payments Upon Termination of Employment or Change-in-Control. Ms. Dorsa received 15 additional years of credited service under the Supplemental Plan as of April 9, 2014, pursuant to her agreement. Mr. Levis will receive a lump sum present value payment equal to the employer health and welfare benefits contribution for which he would have been eligible if employed by us prior to 1996, pursuant to his agreement. Ms. Dorsa and Mr. Levis entered into amendments to their agreements to adjust their respective benefits that accrue after December 31, 2011 under the Supplemental Plan to provide for a calculation reducing the benefit to be based on the highest seven-year average rather than the highest five-year average, in alignment with changes generally applicable to other plan participants, including Messrs. Izzo and LaRossa and Ms. Linde. Under Ms. Dorsa's agreement, we will provide her with a car service for commuting purposes.

Mr. Bouknight retired on July 1, 2014. Under his agreement, as amended, any unvested PSUs granted for (i) 2009 through 2013, and earned, fully vest without proration, and (ii) 2014, and earned, vest one-twelfth per month during that year.

For additional information regarding severance benefit provisions, see Potential Payments Upon Termination of Employment or Change-in-Control.

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## EXECUTIVE COMPENSATION

OUTSTANDING EQUITY AWARDS AT YEAR-END (12/31/14) TABLE

The following table lists all outstanding awards, consisting of stock options, PSUs and RSUs, as of December 31, 2014 for our NEOs.

Name and Option Grant Date	Number of Securities Underlying Unexercised Options (#) <sup>(1)</sup>	Number of Securities Underlying Unexercised Options (#)	Incentive Plan Awards:		Option Exercise Price (\$) <sup>(2)</sup>	Option Expiration Date	Equity Incentive Plan Awards: Market or Plan Payout Value		Equity Incentive Plan Awards: Market or Plan Payout Value	
			Number of Securities Underlying Unexercised Options (#)	Number of Securities Underlying Unexercised Options (#)			Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$) <sup>(2)</sup>	Number of Shares of Common Stock that have Not Vested (#) <sup>(3)</sup>	Market Value of Shares that have Not Vested (\$) <sup>(4)</sup>
<b>Ralph Izzo</b>							230,723	9,554,239	412,512	17,082,122
1/16/2007	140,000			32.9250	1/16/2017					
3/20/2007	113,000			39.1650	3/20/2017					
12/18/2007	199,800			48.2050	12/18/2017					
12/16/2008	473,400			30.0300	12/16/2018					
12/14/2009	347,900			33.4900	12/14/2019					
<b>Caroline Dorsa</b>							47,546	1,968,880	87,990	3,643,666
4/9/2009	61,100			30.1800	12/15/2018					
12/14/2009	66,300			33.4900	12/14/2019					
<b>William Levis</b>							80,615	3,338,267	199,346	8,254,918
6/19/2007	3,500			44.4350	6/19/2017					
12/18/2007	42,000			48.2050	12/18/2017					
12/14/2009	70,000			33.4900	12/14/2019					
<b>Ralph A. LaRossa</b>							73,471	3,042,434	66,012	2,733,557
1/16/2007	52,000			32.9250	1/16/2017					
12/18/2007	33,000			48.2050	12/18/2017					
12/16/2008	75,200			30.0300	12/16/2018					
12/14/2009	55,200			33.4900	12/14/2019					
<b>J. A. Bouknight, Jr.</b> <sup>(7)</sup>							29,223	1,210,124	47,586	1,970,536
11/2/2009	12,600			29.5200	11/2/2019					
12/14/2009	58,900			33.4900	12/14/2019					
<b>Tamara L. Linde</b>							12,662	524,333	18,634	771,634

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- (1) Grants made on the dates shown under the LTIP of non-qualified options to purchase our Common Stock. Options vest 25% annually over four years on the grant date anniversary. All options have fully vested.
- (2) Closing price on NYSE on grant date.
- (3) The vesting schedule for unvested RSUs is shown below. Dividend equivalents accrue on RSUs at the regular dividend rate and are paid in shares of Common Stock at vesting.

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	RSU Vesting Schedule				
	Grant Date	2015 (#)	2016 (#)	2017 (#)	Total (#)
<b>Ralph Izzo</b>	2/21/2012	84,002			
	2/19/2013		79,040		
	2/18/2014			67,681	230,723
<b>Caroline Dorsa</b>	2/21/2012	16,165			
	2/19/2013		16,589		
	2/18/2014			14,792	47,546
<b>William Levis</b>	12/20/2011			36,244 <sup>(a)</sup>	
	2/21/2012	16,165			
	2/19/2013		15,179		
	2/18/2014			13,027	80,615
<b>Ralph A. LaRossa</b>	12/21/2010		37,846 <sup>(a)</sup>		
	2/21/2012	12,081			
	2/19/2013		11,710		
	2/18/2014			11,834	73,471
<b>J. A. Bouknight, Jr.</b>	2/21/2012	12,478			
	2/19/2013		11,710		
	2/18/2014			5,035	29,223
<b>Tamara L. Linde</b>	2/21/2012	3,687			
	2/19/2013		3,470		
	2/18/2014			2,958	
	6/16/2014			2,547 <sup>(b)</sup>	12,662

(a) Includes retention award.

(b) June 2014 grant follows same vesting schedule as February 2014 RSU s.

(4) Value represents number of shares or units multiplied by the closing price on the NYSE on December 31, 2014 of \$41.41.

(5) The vesting schedule for unvested PSUs is shown below. PSUs awarded under the LTIP are earned based on a three-year performance period and are shown at maximum. The vesting schedule below shows the number of outstanding PSUs at target and maximum and includes accrued dividend equivalents. Payment, if any, is made in the first quarter of the year following the end of the performance period. For further explanation of PSUs, see the CD&A.

	PSU Vesting Schedule						
	Grant Date	Target 2015 (#)	Maximum 2015 (#)	Target 2016 (#)	Maximum 2016 (#)	Target Total (#)	Maximum Total (#)
<b>Ralph Izzo</b>	2/19/2013	114,441	228,882				
	2/18/2014			91,815	183,630	206,256	412,512
<b>Caroline Dorsa</b>	2/19/2013	23,961	47,922				
	2/18/2014			20,034	40,068	43,995	87,990
<b>William Levis</b>	2/19/2013	55,296 <sup>(a)</sup>	110,592 <sup>(a)</sup>				
	2/18/2014			44,377 <sup>(a)</sup>	88,754 <sup>(a)</sup>	99,673	199,346
<b>Ralph A. LaRossa</b>	2/19/2013	16,968	33,936				
	2/18/2014			16,038	32,076	33,006	66,012
<b>J. A. Bouknight, Jr.</b>	2/19/2013	16,968	33,936				
	2/18/2014			6,825	13,650	23,793	47,586
<b>Tamara L. Linde</b>	2/19/2013	3,307	6,614				
	2/18/2014			2,699	5,398		
	6/16/2014			3,311 <sup>(b)</sup>	6,622 <sup>(b)</sup>	9,317	18,634

(a) Includes retention award.

(b) June 2014 grant follows same vesting schedule as February 2014 PSU s.

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(6) Value of PSUs are shown at maximum, multiplied by the closing price on the NYSE on December 31, 2014 of \$41.41.

(7) Amounts shown reflect forfeiture of a partial amount of 2014 grant following Mr. Bouknight's retirement on July 1, 2014.

**OPTION EXERCISES AND STOCK VESTED DURING 2014 TABLE**

The following table provides information, as noted, regarding the exercise of stock options by the NEOs in 2014 and the vesting during 2014 of restricted stock (RSS), RSUs and PSUs previously granted to the NEOs, under our LTIP.

Name	Option Awards		Award	Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$) <sup>(1)</sup>		Number of Shares Acquired on Vesting (#) <sup>(2,3)</sup>	Value Realized on Vesting (\$) <sup>(2,3)</sup>
Ralph Izzo	-	-	PSU	150,851	5,948,809
			RSU	83,514	2,675,789
Caroline Dorsa	-	-	PSU	28,962	1,142,116
			RSU	14,925	478,197
			RSS	8,800	340,560
William Levis	134,200	957,776	PSU	28,962	1,142,116
			RSU	14,925	478,197
Ralph A. LaRossa	-	-	PSU	21,756	857,948
			RSU	12,020	385,121
J. A. Bouknight, Jr.	-	-	PSU	22,373	882,279
			RSU	12,020	385,121
Tamara L. Linde	-	-	PSU	4,392	173,199
			RSU	4,419	141,585

(1) Reflects the difference between the exercise price and the market price on the date of exercise, multiplied by the number of shares acquired.

- (2) Messrs. Izzo, Levis, LaRossa and Bouknight and Mes. Dorsa and Linde had PSUs which vested on December 31, 2014, including accrued dividend equivalents, for the three-year performance period ended that day. The final awards shown in the table were made at 121% of target, as explained in the CD&A. PSUs earned and value realized reflect rounding. Shares are issued in 2015. Mr. Izzo deferred payment, as reported in the Non-Qualified Deferred Compensation Table. Value realized reflects the value of the PSUs on February 17, 2015, the PSU value determination date, using the average of the high and low PSEG stock price of \$39.435.
- (3) Represents RSUs that vested January 1, 2014. January 1 was a non-business day so the closing price on December 31, 2013, \$32.04, was used to calculate the value of the shares. For Ms. Dorsa, restricted stock vested on April 9, 2014, with a closing price of \$38.70. Amounts shown reflect rounding.



Table of Contents**EXECUTIVE COMPENSATION****2014 PENSION BENEFITS TABLE**

The following table provides information on the actuarial present value of the NEOs accumulated benefit under each of our pension and retirement plans.

<b>Name</b>	<b>Plan Name</b>	<b>Number of Years Credited Service (#)</b>	<b>Present Value of Accumulated Benefit (\$)<sup>(4)</sup></b>	<b>Payments During Last Fiscal Year (\$)<sup>(5)</sup></b>
<b>Ralph Izzo</b>	Qualified Pension Plan <sup>(1)</sup>	22.69	2,513,000	-
	Retirement Income Reinstatement Plan <sup>(2)</sup>	22.69	3,664,000	-
	Supplemental Executive Retirement Plan <sup>(3)</sup>	27.14	6,348,000	-
			12,525,000	
<b>Caroline Dorsa</b>	Qualified Pension Plan <sup>(1)</sup>	5.73	78,000	-
	Retirement Income Reinstatement Plan <sup>(2)</sup>	5.73	211,000	-
	Supplemental Executive Retirement Plan <sup>(3)</sup>	20.73	5,813,000	-
			6,102,000	
<b>William Levis</b>	Qualified Pension Plan <sup>(1)</sup>	8.00	117,000	-
	Retirement Income Reinstatement Plan <sup>(2)</sup>	8.00	317,000	-
	Supplemental Executive Retirement Plan <sup>(2)</sup>	8.00	3,657,000	-

4,091,000

<b>Ralph A. LaRossa</b>	Qualified Pension Plan <sup>(1)</sup>	29.50	743,000	-
	Retirement Income Reinstatement Plan <sup>(2)</sup>	29.50	1,437,000	-
	Supplemental Executive Retirement Plan <sup>(2)</sup>	29.50	1,378,000	-
			3,558,000	
<b>J. A. Bouknight Jr.</b>	Qualified Pension Plan <sup>(1)</sup>	4.67	-	36,856
	Retirement Income Reinstatement Plan <sup>(2)</sup>	4.67	300,000	-
	Supplemental Executive Retirement Plan	-	-	-
			300,000	36,856
<b>Tamara L. Linde</b>	Qualified Pension Plan <sup>(1)</sup>	24.46	1,231,000	-
	Retirement Income Reinstatement Plan <sup>(2)</sup>	24.46	711,000	-
	Supplemental Executive Retirement Plan	-	-	-
			1,942,000	

- (1) All NEOs participate in either the Pension Plan, a traditional defined benefit pension plan, or the Cash Balance Plan, a cash balance defined benefit pension plan, depending on date of hire, each of which is a qualified plan under the IRC. Such plans are available to all other employees under the same terms and conditions. Additional information about the plans is provided below. Messrs. Izzo and LaRossa and Ms. Linde participate in the Pension Plan. Ms. Dorsa and Messrs. Levis and Bouknight participate in the Cash Balance Plan. Years shown reflect actual years of service.
- (2) Years shown reflect actual years of service.
- (3) Certain employees receive additional years of credited service for the purpose of retirement benefit calculations under the Supplemental Plan in recognition of prior work experience, including 15 years for Ms. Dorsa pursuant to her employment agreement, which vest ratably over five years. In addition, Mr. Izzo receives an additional 5 years which vest at age 60 as described below under the Supplemental Plan. The additional 5 years are prorated in the table for participants under age 60. Years shown reflect the sum of actual years of service and years credited under the Supplemental Plan. The actuarial present value of accumulated benefits based on actual years of service for Mr. Izzo and Ms. Dorsa is \$9,844,000 and \$3,578,000, respectively, and the actuarial present value of accumulated benefits based on additional years of service for each such person is \$2,681,000 and \$2,524,000, respectively.

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**EXECUTIVE COMPENSATION**

- (4) Amounts shown represent the actuarial present value of accumulated benefit computed as of the same Pension Plan measurement date used for our financial statements for the year ended December 31, 2014, with two exceptions: (i) NEOs were assumed to retire at the earliest date as of which they would be eligible to receive unreduced benefits and (ii) no pre-retirement termination, disability or death was assumed to occur. For a discussion of the valuation method and material assumptions applied in quantifying the present value, see Note 11 to the Consolidated Financial Statements included in our Form 10-K.
- (5) This payment represents a 2014 distribution from the Cash Balance Plan due to Mr. Bouknight's retirement on July 1, 2014.

***Qualified Pension Plans***

All of our employees are eligible to participate in either the Pension Plan or the Cash Balance Plan, depending upon date of hire.

***Pension Plan***

The Pension Plan covers non-represented employees hired prior to January 1, 1996 and represented employees hired prior to January 1, 1997 and provides participants with a life annuity benefit at normal retirement (age 65) pursuant to a formula based upon (a) the participant's number of years of service and (b) the average of the participant's five or seven highest years of compensation up to the limit imposed by the IRC. We amended the Pension Plan effective January 1, 2012, to change the benefit formula for non-represented participants. The effect of the change is to reduce projected pension payments. Under the new formula, the average of the participant's seven highest years of compensation up to the limit imposed by the IRC will be used rather than the average of the participant's five highest years of compensation.

A participant's benefit under the Pension Plan is equal to A plus B:

A. The accrued benefit calculated under the five-year final average pay formula as of December 31, 2011, as follows:

(i) 1.3% of the lesser of 5-year final average earnings (determined as of December 31, 2011) or \$24,600 times years of credited service (determined as of December 31, 2011) not exceeding 35 years;

(ii) 1.5% of the amount by which 5-year final average earnings (determined as of December 31, 2011) exceeds \$24,600 times years of credited service not exceeding 35 years; and

(iii) 1.5% of 5-year final average earnings times years of credited service (determined as of December 31, 2011) in excess of 35 years.

B. The accrued benefit calculated under the seven-year final average pay formula, as follows:

(i) 1.3% of the lesser of 7-year final average earnings beginning on January 1, 2012 or \$24,600 times years of credited service not exceeding 35 years less the number of years as of December 31, 2011;

(ii) 1.5% of the amount by which 7-year final average earnings beginning on January 1, 2012 exceeds \$24,600 times years of credited service not exceeding 35 years less the number of years as of December 31, 2011; and

(iii) 1.5% of 7-year final average earnings times years of credited service in excess of 35 years less the number of years in excess of 35 years as of December 31, 2011.

An additional benefit equal to \$4.00 per month for each year of credited service is payable until the retiree reaches age 65.

All active participants are fully vested in their Pension Plan benefit. Benefits are payable on an unreduced basis (i) at age 65, (ii) at age 60, if the participant's age, plus years of service, equals or exceeds 80 or (iii) at age 55, if the participant has 25 or more years of service. Participants whose age, plus years of service, equals or exceeds 80, but who have not yet met the criteria in (ii) or (iii) may commence their Pension Plan benefits on a reduced basis.

### ***Cash Balance Plan***

The Cash Balance Plan covers non-represented employees hired or rehired after December 31, 1995 and represented employees hired after December 31, 1996 and provides each participant with a life annuity benefit at normal retirement (age 65) equal to the actuarial equivalent of a notional amount maintained for him/her. Participants are eligible for retirement under the Cash Balance Plan upon the attainment of age 55 with five or more years of service. Participants' accounts are credited each year with a percentage of compensation, which is determined based on the participant's age plus years of service measured at year-end.

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<b>Sum of Age and Service</b>	<b>Percentage of Compensation Credited (%)</b>
<30	2.00
30-39	2.50
40-49	3.25
50-59	4.25
60-69	5.50
70-79	7.00
80-89	9.00
90+	12.00

Each participant's notional amount grows each year with interest credits based on a 6.0% annual rate of interest. Participants become immediately fully vested in their Cash Balance Plan benefit.

***Reinstatement Plan***

Certain management and highly compensated employees are eligible to participate in a nonqualified excess benefit retirement plan, the Reinstatement Plan, designed to replace earned pension benefits as determined under the qualified pension formula, but which cannot be paid from the qualified pension plans as a result of the IRC mandated limits for qualified plans. The benefits payable under this plan mirror those of the qualified plans described above except that the compensation considered in computing the benefit (i) will not be limited by qualified plan limits, (ii) will include any amounts that the participant deferred under deferred compensation plans, (iii) will include amounts earned under the SMICP (which are not considered under the qualified pension plans), (iv) will be limited to 150% of average base salary for the applicable five or seven years for Pension Plan participants and will be limited to 150% of base salary each year for Cash Balance participants and (v) will be offset by any benefits received by the participant under the applicable qualified pension plan (Pension Plan or Cash Balance Plan).

***Supplemental Plan***

Certain employees receive additional years of service for the purpose of retirement benefit calculations in recognition of prior allied work experience. However, we have determined, effective January 1, 2011, to no longer provide additional credited service to those who do not already have this benefit. Such benefits are paid from a nonqualified plan, the Supplemental Plan. Under the additional service credit provisions, certain participants may also receive an additional five years of credited service for the purpose of this supplemental benefit calculation if they retire between ages 60 and 65. The credited years of service reduce by one year for each six-month period such participant works beyond age 65. This feature of the plan is designed to encourage retirement on or before age 65. Benefits payable under the additional service provisions of the Supplemental Plan mirror those payable under the Reinstatement Plan, except that the additional years of service are considered in calculating the Supplemental Plan benefit amount. Any

benefit payable under this plan is offset by benefits payable under the qualified plan and the Reinstatement Plan.

Certain participants in the Supplemental Plan receive additional limited benefits. This portion of the Supplemental Plan provides a total target replacement income percentage equal to credited service for qualified pension plan calculation purposes, plus any applicable additional credited service, plus 30, to a maximum of 75%, of an average of covered compensation. Covered compensation used for determining limited benefits under the Supplemental Plan is the same as the covered compensation used under the Reinstatement Plan. The target replacement amount under the limited benefit portion of this Plan is reduced by any pension benefits from any previous employers accrued and vested at the time of hire, by the participant's Social Security benefit at normal retirement age and by the pension benefits provided by each other PSEG retirement benefit plan (qualified plans and non-qualified plans). The additional limited benefits provision of the Supplemental Plan also provides a death benefit equal to 150% of base compensation if death occurs while the participant is actively employed. Participants designated for the additional limited benefit become entitled to this benefit only upon (a) retirement under the terms of the qualified plan in which they participate (Pension Plan or Cash Balance Plan) or (b) death.

The change in the benefit formula under the qualified Pension Plan from a five-year final average pay formula to a seven-year final average pay formula impacts the limited benefits under the Supplemental Plan. Accordingly, we amended the Supplemental Plan as of January 1, 2012 to reflect this change.

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## EXECUTIVE COMPENSATION

**2014 NON-QUALIFIED DEFERRED COMPENSATION TABLE**

The following table provides information regarding compensation deferred by the NEOs under our Deferred Compensation Plans.

Name		Registrant Executive Contributions			Aggregate	
		Contributions in Last Fiscal Year (2014)	in Last Fiscal Year (2014)	Aggregate Earnings in Last Fiscal Year (2014)	Aggregate Withdrawals/ Distributions (2014)	Balance at Last Fiscal Year End (2014)
		(\$) <sup>(1)</sup>	(\$)	(\$)	(\$)	(\$) <sup>(2)</sup>
<b>Ralph Izzo</b>	Deferred Compensation Plan	-	-	324,529	-	9,234,278
	Equity Deferral Plan	5,948,809	-	1,275,720	-	11,461,203
<b>Caroline Dorsa</b>	Deferred Compensation Plan	-	-	56,536	-	848,648
	Equity Deferral Plan	-	-	-	-	-
<b>William Levis</b>	Deferred Compensation Plan	-	-	-	-	-
	Equity Deferral Plan	-	-	-	-	-
<b>Ralph A. LaRossa</b>	Deferred Compensation Plan	-	-	-	-	-
	Equity Deferral Plan	-	-	425,535	-	1,929,964
<b>J. A. Bouknight, Jr.</b>	Deferred Compensation Plan	567,142	-	262,428	-	5,393,675
	Equity Deferral Plan	-	-	195,645	-	837,155
<b>Tamara L. Linde</b>	Deferred Compensation Plan	-	-	-	-	-



Equity Deferral Plan	-	-	-	-	-
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- (1) Amounts shown under Executive Contributions in Last Fiscal Year include 2014 salary and SMICP earned in 2014 and paid in 2015 as shown in the 2014 Summary Compensation Table and PSUs vested at December 31, 2014 and paid in 2015 as shown in the Option Exercises and Stock Vested During 2014 Table.
- (2) Includes amounts reported in the Summary Compensation Table in this current or prior-year proxy statements for the Deferred Compensation Plan and/or the Equity Deferral Plan, respectively, as follows: Mr. Izzo \$7,473,894 and \$9,231,329, Ms. Dorsa \$567,020, Mr. LaRossa \$1,870,473, and Mr. Bouknight \$3,633,249. Mr. Bouknight's equity deferrals were not previously shown in the Summary Compensation Table as he was not an NEO at the applicable time.

### ***Deferred Compensation Plan***

Under the Deferred Compensation Plan, participants, including the NEOs, may elect to defer any portion of their cash compensation by making appropriate elections in the calendar year prior to the year in which the services giving rise to the compensation being deferred are rendered. A participant may change an election to defer compensation not later than the date that is the last date that an election to defer may be made.

At the same time he/she elects to defer compensation, the participant must make an election as to the timing and the form of distribution of that year's deferrals from his/her Deferred Compensation Plan account. For compensation deferred in 2011 and earlier years distribution may commence (a) on the thirtieth day after the date he/she terminates employment or, in the alternative, (b) on January 15th of any calendar year following termination of employment elected by him/her, but in any event no later than the later of (i) the January of the year following the year of his/her 70th birthday or (ii) the January following termination of employment. Notwithstanding the forgoing, however, for NEOs and other specified employees, distribution of his/her account may not occur earlier than six months following the date of his/her termination of service. Participants may elect to receive the distribution of their Deferred Compensation account in the form of one lump-sum payment, annual distributions over a five-year period or annual distributions over a 10-year period.

With respect to compensation deferred in 2012 and future years, participants may elect to commence distribution of a particular year's deferrals (a) six months following his/her termination of employment, or (b) a specified number of years following his/her termination from employment. Participants may elect to receive distribution of such deferrals under the Deferred Compensation Plan in the form of a lump-sum payment or annual distributions over a period of three to fifteen years.

Under the scheduled future date distribution feature, participants may elect to receive a specific plan year's deferral balance on a specified date as early as three years after the beginning of the year in which the deferrals are made. Distributions are paid in a lump sum within 90 days from the date elected regardless of whether the participant is employed by us on the payment date.

Participants may change their distribution elections as to future year's deferrals. Participants may also make changes of their distribution elections with respect to prior years' deferrals provided that (a) any such new distribution election is made at least one year prior to the previously selected commencement date or (b) the new commencement date is at least five years later than the previously selected commencement date.

**Table of Contents****EXECUTIVE COMPENSATION**

Amounts deferred under the Deferred Compensation Plan are credited with earnings based on (a) the performance of one or more of the pre-mixed lifestyle investment portfolio funds available to employees under our 401(k) plans (except the Company Stock Fund and the Schwab Personal Choice Retirement Account) or (b) at the rate of Prime plus 1/2%, capped at 120% of the applicable federal long-term rate, in such percentages as selected by the participant. A participant who fails to provide a designation of investment funds will accrue earnings on his/her account at the rate of Prime plus 1/2%, capped at 120% of the applicable federal long-term rate. A participant may change his/her investment election on a daily basis.

For 2014, the one-year rates of return as of December 31, 2014 for the funds offered as computed by the recordkeeper of the Deferred Compensation Plan were as follows:

<b>Rates of Return</b>			
<b>Pre-Mixed Portfolios</b>		<b>Target Retirement Funds</b>	
Conservative Portfolio	4.72%	Target Retirement Income	5.62%
Moderate Portfolio	4.84%	Target Retirement 2010	5.91%
Aggressive Portfolio	5.58%	Target Retirement 2015	6.57%
<b>Funds</b>		Target Retirement 2020	7.14%
Stable Value	1.82%	Target Retirement 2025	7.16%
Diversified Bond	5.76%	Target Retirement 2030	7.16%
Fidelity Intermediate Bond <sup>(1)</sup>	0.92%	Target Retirement 2035	7.16%
Large Company Stock Index	13.61%	Target Retirement 2040	7.20%
Mid-Cap Index	13.73%	Target Retirement 2045	7.16%
Institutional Developed Markets Index	-5.65%	Target Retirement 2050	7.16%
Small Cap Index	7.48%	Target Retirement 2055	7.20%
<b>Other</b>		Target Retirement 2060	7.16%
Prime Plus 1/2%	3.64%		

(1) Partial year rate of return from date added to choices available to participants.

**Equity Deferral Plan**

Participants in our Equity Deferral Plan may defer receipt of all or a portion of the shares of our Common Stock underlying future equity awards under the LTIP. Deferral elections must be made during an annual enrollment period prior to the date that services giving rise to the awards are performed. Deferral elections under the Equity Deferral Plan are irrevocable.

At the time a participant elects to defer he/she must make an election as to the timing of payment of the deferred shares. Distributions will be made in a lump sum. Distributions may commence (a) on a specified date occurring between the third anniversary and the fifteenth anniversary of the date that the shares otherwise would have been distributed to the participant (b) upon termination of employment, or (c) the earlier of (a) and (b). Notwithstanding the foregoing, however, for NEOs and other specified employees, distribution may not occur earlier than six months following the date of his/her termination of employment. Participants will receive shares on the applicable distribution

date. We hold the deferred shares in a Rabbi Trust. The dividends attributable to the deferred shares are reinvested in Common Stock and distributed at the same time that the deferred shares are distributed to the participants. Participants are not permitted to direct the trustee of the Rabbi Trust to vote the deferred shares.

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**Table of Contents****EXECUTIVE COMPENSATION****POTENTIAL PAYMENTS UPON TERMINATION OF EMPLOYMENT OR CHANGE-IN-CONTROL***Termination without Cause*

Mr. Izzo's severance agreement provides for certain benefits if he is terminated without cause (a willful failure to perform his duties) or resigns for good reason (a reduction in pay, position or authority) during the term of such agreement. He would be paid a benefit of two times base salary and target bonus, as well as a prorated payment of SMICP target incentive award for the year of termination. His welfare benefits would be continued for two years, unless he is sooner employed. Any unvested equity awards would be forfeited. The agreement provides that Mr. Izzo will be prohibited from competing with and from recruiting employees from us or our subsidiaries or affiliates, for certain periods after termination of employment. Violations of these provisions require a forfeiture of certain benefits.

Our Key Executive Severance Plan provides severance benefits to Mses. Dorsa and Linde and Messrs. Izzo, Levis and LaRossa, and to certain of our other key executive-level employees whose employment is terminated without cause. Participants must agree to restrictive covenants including confidentiality, non-competition and non-solicitation.

Also under the Key Executive Severance Plan, Mses. Dorsa and Linde and Messrs. Levis and LaRossa would be entitled to certain severance benefits in the event that their employment was terminated without cause other than in a change-in-control situation. In such event they would be entitled to 1.0 times their annual base salary plus their target bonus, as well as a prorated payment of their SMICP target incentive award for the year of termination and certain outplacement services, educational assistance, health care and life insurance coverage. The Key Executive Severance Plan further provides that any unvested equity awards would be accelerated or forfeited in accordance with the terms of the individual's grants under the LTIP and/or employment agreement.

If a termination without cause or for a reduction in force or reorganization had occurred on December 31, 2014, each of the NEOs would have received the following benefits:

<b>Termination without Cause <sup>(1)</sup></b>	<b>Izzo (\$)</b>	<b>Dorsa (\$)</b>	<b>Levis (\$)</b>	<b>LaRossa (\$)</b>	<b>Linde (\$)</b>
Severance	4,840,000	1,137,500	1,137,500	1,093,750	775,500
Pro Rata Bonus (SMICP)	1,320,000	487,500	487,500	468,750	305,500
Unvested Restricted Stock Unit Spread <sup>(2)</sup>	-	-	1,500,869	1,567,215	-
Performance Share Unit Payout <sup>(2)</sup>	-	-	1,287,871	-	-
Health/Welfare Benefits	49,607	12,578	22,376	16,399	19,993
Outplacement	25,000	25,000	25,000	25,000	25,000
Education Assistance	3,000	3,000	3,000	3,000	3,000
<b>Aggregate Payments</b>	<b>6,237,607</b>	<b>1,665,578</b>	<b>4,464,116</b>	<b>3,174,114</b>	<b>1,128,993</b>

(1) Mr. Bouknight is excluded from this table as he retired on July 1, 2014.

(2) Pursuant to the terms of Mr. Levis' employment agreement and Messrs. Levis' and LaRossa's respective retention awards, these amounts would have been payable only upon a termination without cause following a change in leadership.

***Change-In-Control***

Under our Key Executive Severance Plan, if any of Mses. Dorsa and Linde and Messrs. Izzo, Levis, Bouknight and LaRossa is terminated without cause or resigns her or his employment for good reason within two years after a change-in-control, the individual will receive (1) three times (two times for Ms. Linde) the sum of her/his salary and target incentive bonus, (2) a pro rata bonus based on her or his target annual incentive compensation, (3) accelerated vesting of equity-based awards, except for PSUs, which vest pro rata, (4) a lump sum payment equal to the actuarial equivalent of her or his benefits under all of our retirement plans in which the individual participates calculated as though she or he remained employed for three years (two years for Ms. Linde) beyond the date employment is terminated less the actuarial equivalent of such benefits on the date employment terminates (reported in the table below as Enhanced Retirement Benefit for pension-related amount and as Retiree Medical Increase for amount due for retiree medical benefits), (5) three years continued welfare benefits, (6) one year of PSEG-paid outplacement services and (7) vesting of any compensation previously deferred. Payments are limited to an amount that would not give rise to an excise tax liability under applicable IRS provisions, currently 2.99 times the individual's average W-2 compensation for the period. Amounts above that limit are forfeited. Potential payments are shown below in the Change-in-Control Termination Table.

**Table of Contents****EXECUTIVE COMPENSATION**

If a termination without cause or resignation with good reason had occurred on December 31, 2014 following a change-in-control, each of the NEOs would have received the following benefits:

<b>Change-in-Control Termination <sup>(1)</sup></b>	<b>Izzo (\$)</b>	<b>Dorsa (\$)</b>	<b>Levis (\$)</b>	<b>LaRossa (\$)</b>	<b>Linde (\$)</b>
Severance	7,260,000	3,412,500	3,412,500	3,281,250	1,551,000
Pro Rata Bonus (SMICP)	1,320,000	487,500	487,500	468,750	305,500
Unvested Restricted Stock Unit Spread	9,554,260	1,968,885	3,338,311	3,042,438	524,315
Performance Share Unit Payout	4,426,679	938,037	2,139,075	689,811	174,247
Enhanced Retirement Benefit	7,038,000	97,000	222,000	993,000	93,000
Health/Welfare Benefits	74,410	48,563	87,251	62,294	54,346
Retiree Medical Increase <sup>(2)</sup>	-	-	-	236,000	-
Outplacement	25,000	25,000	25,000	25,000	25,000
Parachute Payments Forfeited	(10,303,052)	(2,331,849)	(891,530)	(3,125,607)	(723,733)
<b>Aggregate Payments</b>	<b>19,395,297</b>	<b>4,645,636</b>	<b>8,820,107</b>	<b>5,672,936</b>	<b>2,003,675</b>

(1) Mr. Bouknight is excluded from this table as he retired on July 1, 2014.

(2) Mr. LaRossa would be eligible for retiree medical under the change-in-control terms of the Key Executive Severance Plan.

No NEO would be eligible for any payments under the Key Executive Severance Plan, either prior to or following a change-in-control, if he/she voluntarily terminated his/her employment (other than for good reason as described above) or if his/her employment were terminated by us for cause.

If a NEO were to retire or his/her employment were terminated on account of death or disability, the Key Executive Severance Plan provides that such participant would be entitled to accrued pay through the date of termination and prorated payment of his/her target incentive award for the year of termination.

Change-in-control provisions under the Key Executive Severance Plan generally means the occurrence of any of the following events:

Any person is or becomes the beneficial owner of our securities representing 25% or more of the combined voting power of our then outstanding securities; or

A majority of the Board is replaced without approval of the current Board; or

There is consummated a merger or consolidation of us, other than a merger or consolidation which would result in our voting securities outstanding immediately prior to such merger continuing to represent at least 75% of the combined voting power of the securities of us or such surviving entity immediately after such merger or consolidation; or

Our stockholders approve a plan of complete liquidation or dissolution of us or there is consummated an agreement for the sale or disposition by us of all or substantially all of our assets.

For additional information regarding the provisions of LTIP awards, see Material Factors Concerning Awards Shown in Summary Compensation Table, Grants of Plan-Based Awards Table and Employment Agreements above.

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**RATIFICATION OF AUDITOR**

**Proposal 3**

**RATIFICATION OF THE APPOINTMENT OF INDEPENDENT AUDITOR**

The Audit Committee of the Board, each member of which is independent, has appointed Deloitte & Touche LLP of Parsippany, New Jersey, as independent auditor to make the annual audit of our books of account and supporting records for 2015, subject to the ratification of the stockholders at the Annual Meeting. As recommended by the Board, we ask you to ratify this appointment.

Representatives of Deloitte & Touche LLP will be present at the Annual Meeting and will be afforded an opportunity to make a statement if they so desire and to respond to appropriate questions.

**The Board of Directors recommends a vote FOR this proposal.**

**FEES BILLED BY DELOITTE & TOUCHE LLP FOR 2014 AND 2013**

The appointment, termination, compensation and oversight of the work of the Independent Registered Public Accountants, Deloitte & Touche LLP, our independent auditor, is the direct responsibility of the Audit Committee of our Board, which reviews its independence, the services provided and its fees, as well as peer review reports of its performance. Additional information about the Audit Committee appears above in Proposal 1 Election of Directors-Board Committee Responsibilities.

**Pre-Approval of Services**

Annually, in accordance with the Audit Committee Charter, the Audit Committee pre-approves all audit and non-audit services provided by the independent auditor. The Audit Committee reviews, in detail, the particular services in each of the Audit, Audit-Related, Tax and All Other categories that the independent auditor will perform subject to predetermined limits set by the Audit Committee for each category of service. The annual pre-approval of services and predetermined limits is documented in a Committee resolution.

During the year, circumstances may arise when it becomes necessary to engage the independent registered public accountants for additional services not contemplated in the annual Committee resolution. For those instances, the Chairman of the Committee has been authorized by the Audit Committee to approve Audit, Audit-Related, Tax and All Other in excess of the amounts and different from the types of service authorized in the Committee resolution, as well as the scope and amount of services with regard to the annual audit that may be necessary or advisable provided that any such authorizations are reported to the Audit Committee at the next meeting following such authorization.

The table below shows the fees paid to Deloitte and Touche LLP for Audit, Audit-Related, Tax and All Other services during or in connection with 2014 and 2013, all of which were approved, as described above.



Description of Professional Service	Years ended December 31,	
	2014	2013
	(\$)	(\$)
<b>Audit Fees</b> - The audit fees were incurred for audits of our annual consolidated financial statements and those of our subsidiaries, including our Annual Reports on Form 10-K, reviews of financial statements included in our quarterly reports on Form 10-Q.	6,442,000	6,269,000
<b>Audit Related Fees</b> - The audit related fees primarily related to performing certain attest service.	539,400	47,400
<b>Tax Fees</b> - The tax fees relate to tax compliance and tax advice for 2014 preparation of various state and foreign corporate returns and assistance with filing tax refund claims.	1,089,467	299,046
<b>All Other Fees</b> - The all other fees relate to advice and recommendations regarding PSEG's compliance and enterprise risk management frameworks.	345,064	-

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**AUDIT COMMITTEE REPORT**

**AUDIT COMMITTEE REPORT**

The Audit Committee of the PSEG Board of Directors is comprised solely of independent directors. It operates under a written charter adopted by the PSEG Board of Directors which is posted on PSEG's website, [www.pseg.com/info/investors/governance/committees.jsp](http://www.pseg.com/info/investors/governance/committees.jsp). The Audit Committee Charter is annually reviewed and assessed for adequacy by the PSEG Audit Committee.

Management is responsible for PSEG's financial statements and internal controls. The independent auditor of PSEG, Deloitte & Touche LLP, reports directly to the PSEG Audit Committee and is responsible for performing an independent audit of PSEG's annual consolidated financial statements in accordance with the standards of the Public Company Accounting Oversight Board (PCAOB) (U.S.) and on PSEG's internal controls and for issuing reports thereon. The Audit Committee's overall responsibility is to assist the PSEG Board of Directors in overseeing the quality and integrity of the accounting, auditing and financial reporting practices.

Management has represented to the Audit Committee that PSEG's Consolidated Financial Statements were prepared in accordance with generally accepted accounting principles (GAAP) in the United States. In performance of its responsibilities, the Audit Committee has reviewed PSEG's Consolidated Financial Statements for the year ended December 31, 2014 and discussed these financial statements with management, the internal auditors and the independent auditor.

The Committee periodically meets in executive session with the independent auditor, the Vice President-Internal Audit, the CFO, the General Counsel, the Ethics & Compliance Counsel and the environmental health and safety auditor. At all of its meetings (except those held telephonically) the Audit Committee meets in executive session with only Audit Committee members present. The Audit Committee discussed with the independent auditor:

PSEG's critical accounting policies;

New accounting standards and policies affecting PSEG;

That there were no disagreements with management over the application of GAAP;

Significant accounting estimates made by management and the disclosures in the financial statements;

Accounting and reporting for significant transactions; and

The other matters required to be discussed as described in PCAOB Auditing Standards No.16  
Communications with Audit Committees, which relate to the audit, financial statements, significant risks and

critical accounting estimates, among others.

The independent auditor also provided to the Audit Committee the written disclosures required by the PCAOB's standards in PCAOB Rule 3526, Communication with Audit Committee Concerning Independence, and current SEC requirements for auditor independence. The Audit Committee discussed with the independent auditor the firm's independence with respect to PSEG, internal quality control procedures, and any material issues raised and any steps taken to deal with such issues by the most recent internal quality control review, peer review or by any inquiry or investigation by governmental or professional authorities within the preceding five years, with respect to one or more independent audits carried out by the firm. The Audit Committee has also reviewed the requirements of the Sarbanes-Oxley Act of 2002 with respect to auditor independence and has defined the amount and scope of services that may be performed by Deloitte & Touche LLP consistent with maintaining that firm's independence. The Audit Committee requires that all services of Deloitte & Touche LLP be pre-approved by the Audit Committee or the Audit Committee Chair. The Audit Committee has considered whether the independent auditor's provision of non-audit services to PSEG and the total fees paid for non-audit services relative to fees paid for audit services are compatible with maintaining the independent auditor's independence. On the basis of its review, the Audit Committee determined that the independent auditor has the requisite independence.

Based on the Audit Committee's discussions with management, the internal auditors and the independent auditor, the Audit Committee's review of the audited financial statements, the representations of management to the independent auditor regarding the audited financial statements and the independent auditor's report to the Audit Committee, the Audit Committee recommended to the Board of Directors that the audited financial statements be included in PSEG's Annual Report on Form 10-K for the fiscal year ended December 31, 2014, for filing with the SEC.

Members of the Audit Committee:

David Lilley, Chair  
Albert R. Gamper, Jr.  
Thomas A. Renyi

Hak Cheol Shin  
Susan Tomasky

February 16, 2015

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**MAPS, DIRECTIONS AND TRANSPORTATION**

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Shareowner Services

P.O. Box 64945

St. Paul, MN 55164-0945

Address Change? Mark box, sign, and indicate changes below: ..

TO VOTE BY INTERNET OR  
TELEPHONE, SEE REVERSE  
SIDE OF

THIS PROXY CARD.

***TO VOTE BY MAIL AS THE BOARD OF DIRECTORS RECOMMENDS ON ALL ITEMS BELOW,***

***SIMPLY SIGN, DATE, AND RETURN THIS PROXY CARD.***

**The Board of Directors Recommends a Vote FOR Items 1, 2 and 3.**

**1. ELECTION OF DIRECTORS:**

Nominees for terms expiring in 2016 are:

	<b>FOR</b>			<b>AGAINST</b>			<b>ABSTAIN</b>		
<b>1.1</b>	Albert R. Gamper, Jr.	..	..	..	<b>1.6</b>	Thomas A. Renyi	..	..	..
<b>1.2</b>	William V. Hickey	..	..	..	<b>1.7</b>	Hak Cheol Shin	..	..	..
<b>1.3</b>	Ralph Izzo	..	..	..	<b>1.8</b>	Richard J. Swift	..	..	..
<b>1.4</b>	Shirley Ann Jackson	..	..	..	<b>1.9</b>	Susan Tomasky	..	..	..
<b>1.5</b>	David Lilley	..	..	..	<b>1.10</b>	Alfred W. Zollar	..	..	..

**2. Advisory vote on the approval of executive compensation**

.. For .. Against  
.. Abstain

3. Ratification of the appointment of Deloitte & Touche LLP as  
Independent auditor for the year 2015

.. For .. Against  
.. Abstain

**THIS PROXY WHEN PROPERLY EXECUTED WILL BE VOTED AS DIRECTED OR, IF NO DIRECTION IS GIVEN, WILL BE VOTED AS THE BOARD RECOMMENDS.**

Please indicate if you plan to attend the Annual Meeting by marking this box. ..

Date  
Signature(s) in Box

Please sign exactly as your name(s) appears on Proxy. If held in joint tenancy, all persons should sign. Trustees, administrators, etc., should include title and authority. Corporations should provide full name of corporation and title of authorized officer signing the Proxy.

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**Public Service Enterprise Group Incorporated**

**2015 Annual Meeting of Stockholders**

**The Robert Treat Hotel**

**50 Park Place, Newark, New Jersey**

**April 21, 2015 at 1:00 P.M.**

**(Registration Begins at 12:00 P.M. Light refreshments will be available.)**

**For wheelchair and hearing-impaired seating, please see host/hostess for assistance.**

**You should present evidence that you are a stockholder in order to gain admittance to the meeting. If shares are held in the name of a broker, trust, bank, or other nominee, you should bring with you a proxy or letter from the broker, trustee, bank or nominee confirming your beneficial ownership of the shares. Each stockholder may be asked to present valid picture identification, such as a driver's license. Cameras, recording devices and other electronic devices will not be permitted at the meeting.**

**THANK YOU FOR VOTING**

For electronic delivery of future proxy materials, please visit [www.proxyconsent.com/peg](http://www.proxyconsent.com/peg).

**Important notice regarding the Internet availability of proxy materials for the Annual**

**Meeting of Stockholders**

The Proxy Statement and the 2014 Annual Report to Stockholders are available at:

<http://www.ezodproxy.com/pseg/2015/ar>

**PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED**

**PROXY FOR ANNUAL MEETING OF STOCKHOLDERS**

**April 21, 2015**

**THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS OF PSEG**

The undersigned hereby appoints **Shirley Ann Jackson, Ralph Izzo and Richard J. Swift**, and each or any of them, proxies of the undersigned, each with full power of substitution, to vote in their discretion (subject to any directions indicated on the reverse side of this proxy) at the Annual Meeting of Stockholders of Public Service Enterprise Group

Incorporated (PSEG) to be held on April 21, 2015 and at all adjournments or postponements thereof, upon all matters which may come before the meeting or any adjournment, including the proposals set forth in the Notice of Meeting and Proxy Statement, receipt of which is hereby acknowledged. Said proxies are instructed to vote as set forth on the reverse side hereof with respect to said proposals.

**Shares represented by this proxy will be voted in accordance with recommendations of the Board of Directors of PSEG as stated on the reverse side, unless otherwise indicated on the reverse, in which case they will be voted as marked.** Information pertaining to each proposal is included in the Proxy Statement under proposals corresponding to the item numbers set forth on the reverse side.

If you have not voted by telephone or the Internet, please mark your proxy on the reverse side,

sign it and date it, and return it promptly in the envelope provided.

**Vote by Internet, Telephone or Mail**

**24 Hours a Day, 7 Days a Week**

Your phone or Internet vote authorizes the named proxies to vote your shares

in the same manner as if you marked, signed and returned your proxy card.

**INTERNET/MOBILE**  
**[www.proxypush.com/peg](http://www.proxypush.com/peg)**

Use the Internet to vote your proxy  
until 11:59 p.m. (CT) on

April 20, 2015.

**PHONE**  
**1-866-883-3382**

Use a touch-tone telephone to  
vote your proxy until 11:59 p.m.

(CT) on April 20, 2015.

**MAIL**

Mark, sign and date your proxy  
card and return it in the  
postage-paid envelope  
provided.

**If you vote your proxy by Internet or by Telephone, you do NOT need to mail back your Proxy Card.**