

October 19, 2010



Dear New Jersey Leader:

As we close out summer and officially welcome autumn, it's my pleasure to offer an update on issues and items important to our company, customers and communities.

Putting summer's heat behind us

I think it's safe to say that New Jersey residents were happy to put one of the hottest summers on record behind us. The oppressive weather challenged our employees, tested our infrastructure and led to higher-than-normal bills for our customers. I am proud that we met the challenges and especially appreciated your support as we worked together to ensure safe, reliable service for our customers and your constituents. Although the summer is over, for utility employees the next set of challenges is here. Tropical storms are still a possibility, the heating season is at hand and customers continue to have questions and concerns that require everyone's attention. Fortunately, we have the tools, infrastructure and, most importantly, the dedicated and skilled workforce that can handle it all.

Reducing gas bills for residential customers

Just in time for the heating season, PSE&G announced recently that we will lower residential gas bills by an additional 6.8 percent, or about \$14 per month for the typical residential customer. This latest reduction follows a net 4 percent reduction PSE&G implemented on July 9 for residential gas customers. Under the new gas supply rates, a residential gas heating customer who uses 160 therms in a winter month, or 1,050 therms per year, will see a bill decrease of \$94 on an annual basis. This customer's monthly winter bill will be \$194.72, a decline of \$14.26. The BPU has authorized the company to implement the lower rates immediately. Including this reduction, PSE&G will have lowered gas bills a total of approximately 28 percent since January 2009, when wholesale prices started to drop.

Ensuring gas pipeline safety

Those of us in the utility industry were especially saddened and troubled by the recent Pacific Gas and Electric gas transmission pipeline explosion in a residential neighborhood in San Bruno, California. In the wake of this tragedy, questions have centered on what PSE&G is doing to monitor our gas system, ensure the safety of our customers and prevent such a catastrophe from occurring in New Jersey. I'd like to share a few details with you about our system and our commitment to safety.

- PSE&G owns and maintains more than 17,600 miles of gas mains that transport natural gas to our 1.7 million gas customers. PSE&G's transmission pipelines account for only about 61 miles.
- Natural gas utilities are subject to not only their own stringent internal controls but also must meet rigorous federal and state oversight to ensure that natural gas is delivered safely and efficiently. PSE&G's maintenance programs meet the federal and state requirements to ensure that our pipelines stay safe.

- We have a very effective and comprehensive Call Before You Dig program in NJ. When there is digging adjacent to gas transmission lines, PSE&G posts an inspector on site to ensure that third-party excavators are able to install their facilities without damage to ours.
- We routinely patrol our gas transmission pipelines to keep them clear of dumping and other prohibited activities.
- PSE&G inspects all transmission valves annually and has installed automatic shutoffs on the major transmission lines that will close valves if there is a sudden drop in pressure.
- PSE&G encourages our customers to call us immediately if they smell gas. Our operators are on call 24/7 and will respond quickly.

The issue of pipeline safety is being discussed in Congress and throughout our industry. PSE&G will participate in these discussions and take whatever steps are necessary to continue to ensure safe, reliable gas system operations.

Revamping our Web site

For more information about our safe and reliable operations, please visit our updated Web site at www.pseg.com. The new site is easier to navigate and features valuable information for your constituents, including energy-saving tips, gas and electric safety information and a broad assortment of services that residential and business customers can use 24 hours a day. Branching out into social media, we also have a series of interesting videos available on <http://www.youtube.com/psegvideo>.

Your feedback is important so I encourage you to please call or send an email at Ralph.LaRossa@pseg.com if you would like to discuss any of the topics in this letter.

Wishing you and your families a safe and enjoyable fall season.

Sincerely,

A handwritten signature in black ink, appearing to read 'RALP', with a long horizontal stroke extending to the right.