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JOINT VENTURE ANNOUNCED TO MARKET AND DEPLOY NEXT GENERATION COMPRESSED AIR ENERGY STORAGE (CAES) PLANTS

PSEG to commit business development expertise, operational excellence experience and financial resources to bring proven technology to market

Next generation, large-scale energy storage technology vastly improves dispatch and economics of renewable energy resources

(August 26, 2008) Newark, NJ – PSEG Global LLC and energy storage pioneer Dr. Michael Nakhamkin today announced they have formed Energy Storage and Power LLC (ES&P); a joint venture to exclusively market, license, support the development and supervise project execution of the second generation of Compressed Air Energy Storage (CAES) technology.

CAES technology stores off-peak energy, in the form of compressed air in an underground reservoir, and releases this energy during peak hours. CAES can be used for load management of intermittent renewable energy resources or as a stand-alone intermediate generation source for capturing energy arbitrage, capacity payments and ancillary services.

Dr. Nakhamkin led the design and technical implementation of North America's only CAES plant in McIntosh, Alabama. Dr. Nakhamkin will be the Chief Technology Officer of the joint venture. Roy Daniel, who has been with PSEG since 1994 in various management positions, will be CEO. Daniel has served as asset manager for PSEG Global's generation in the U.S. and Asia and structured over $1 billion of worldwide transactions working for PSEG Global.

Energy Storage and Power's patented second generation CAES technology incorporates lessons learned and operational experience of the Alabama CAES project. This second generation CAES technology has numerous features and advantages that position it to become an important part of the electricity sector:

- Greater scalability and a lower capital cost per megawatt-hour of power storage relative to other power storage technologies;
- A rapid power response rate, which is critical to enhancing grid stability and compensating for the intermittency of renewable energy resources such as wind and solar;
- The ability to arbitrage the difference between off-peak and on-peak power prices, a difference that has been increasing over time; and
- The use of proven, multi-source, standard components applied in a novel configuration resulting in lower capital cost with established processes and procedures.

ES&P will license its technology to customers, as well as optimize the performance of CAES plants and provide technical support throughout the CAES project design, development and construction process. Potential customers of ES&P's CAES technology include electric utility companies, independent power producers, wind developers and transmission owners.

"Energy Storage and Power's CAES technology is poised to become an important part of the dispatch stack that can address the intermittency of renewables and reduce on-peak power costs," said Stephen Byrd, president of PSEG Energy Holdings, the parent company of PSEG Global. "Our company examined the technology for its own use and decided that the potential was great enough that we wanted a larger role in helping to make compressed air energy storage a technology that is broadly embraced by the electricity sector. We believe this technology is an important component of a broad effort to combat climate change, an effort that must includes increased conservation, expanded renewable energy and new clean central power."

"PSEG has the expertise and financial resources to bring this technology out of the development stage and into the deployment stage. We have learned a lot since building the McIntosh plant in Alabama, and I believe the time is right technically, environmentally and economically for a large-scale deployment of ES&P's CAES technology," said Nakhamkin. "The technology has evolved to the point where it can be critical to helping this nation meet its growing energy needs while helping decrease carbon emissions from the electricity sector."

"We see strong market potential for CAES in the traditional power industry as well as for the growing renewable energy industry," said Daniel. "Energy storage is the missing piece of the puzzle for a green, affordable and reliable electric grid for the 21st century. CAES units can manage wind output to create a highly valuable firm dispatchable product. Even independent of wind, it can be a cost-effective intermediate generation source for energy arbitrage, capacity and ancillary services. I am very excited to launch this initiative with Dr. Nakhamkin and look forward to working with him as we grow this business."

"Clearly, compressed air energy storage has significant potential as a near term, viable, large scale energy storage technology," said Dr. Arshad Mansoor, the vice president of Power Delivery and Utilization at the Electric Power Research Institute. "As we see greater and more widespread integration of intermittent generation such as wind gain acceptance, storage technologies like CAES will become even more vital. We look forward to working with PSEG and other industry players in helping to accelerate the development and deployment of CAES plant technology with both above ground and underground reservoirs for the storage of compressed air, as an essential next step in advancing a cleaner and more environmentally sound energy future."

For more information please visit **www.EnergyStorageAndPower.com**, email **Info@EnergyStorageAndPower.com** or call toll-free **(866) 941-CAES (2237)**.

Dr. Michael Nakhamkin, PE is a recognized leader in compressed energy storage for over two decades. He holds 16 U.S. and worldwide patents and is the author of research articles in industry trade journals including Combined Cycle Journal, Power Engineering, and Combustion Turbine World. He has presented over 80 publications, most of them on CAES technology, at many industry conferences including POWER-GEN International, EESAT, ASME Turbo-Expo and Electric Power 2007.

Roy Daniel has more than two decades of experience in energy project development and power asset operations. He has been with PSEG since 1994 where he developed and oversaw operations of plants in Asia and the U.S., as well as structured over $1 billion worth of transactions. He holds a Bachelor of Science degree in Nuclear Engineering and a Master of Science degree in Industrial Engineering from North Carolina State University. He also holds a JD from Suffolk University Law School and completed the Advanced Management Program at the Wharton School of Business.

PSEG Global is a subsidiary of PSEG Energy Holdings and an indirect subsidiary of PSEG, Inc. (NYSE: PEG). PSEG is a diversified energy company based in Newark, New Jersey. Its other main subsidiaries include PSEG Power, a merchant generation company and PSE&G, an electric and gas distribution utility in New Jersey. PSEG is an industry leader in taking concrete steps to combat climate change. These steps have included a more than $100 million solar loan program offered at its New Jersey regulated subsidiary (PSE&G) and a bid to develop a 350 MW windfarm off the shore of Southern New Jersey by PSEG Global. For more information visit www.pseg.com.

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