

# Two-for-One Stock Split - Frequently Asked Questions

To assist our shareholders in their understanding of the two-for-one stock split, we are providing answers to the most frequently asked questions.

## **Why did PSEG approve a stock split?**

The split reflects our awareness that PSEG remains a popular stock among retail investors, many of whom purchase shares through our Enterprise Direct dividend reinvestment and stock purchase program. By splitting our shares, we remove what many retail investors may perceive as a price barrier to entry. We believe most shareholders will view this as a constructive move and as an indicator of management's positive outlook for the future of our company.

## **What is the effective date of the split?**

There are several key dates to be aware of:

- The record date, January 25, 2008, determines which shareholders are entitled to receive additional shares due to the split.
- The payable date (or distribution date), February 4, 2008, is the date the additional shares are credited to shareholders accounts. On this date, shareholders of record are mailed notification of the shares received as a result of the split.
- The ex-split date, February 5, 2008, is the date when PSEG common shares will trade on the NYSE at the new split-adjusted price.

## **How does the split affect PSEG's quarterly dividend rate?**

The recently announced 32.25 cents per share quarterly dividend reflects the increased number of shares outstanding because of the split. As an example, for shareholders whose stock ownership increased from 100 to 200 shares because of the split, their next quarterly dividend will be based on 200 shares multiplied by 32.25 cents per share.

## **Is the stock split a taxable transaction?**

No. The receipt of these additional shares will not result in taxable income under existing U.S. tax law. The tax basis of each share owned after the split will be half of what it was before the split. When you sell the shares received in the split, or any other shares owned as of the split record date, you must adjust your cost basis to properly reflect the split to determine your gain or loss. You should consult with your tax advisor with any questions you have about calculating your cost basis or any state or foreign tax consequences.

## **What do I do with my existing PSEG stock certificate(s)?**

Your existing common stock certificates are still valid. **KEEP YOUR STOCK CERTIFICATES. DO NOT DESTROY THEM.** The stock certificates you personally hold should be kept in a safe place such as a safety deposit box, as they are valuable documents.

## **Will I receive a new stock certificate for my additional shares?**

No. As a convenience to shareholders, all additional shares will be issued in book-entry form, either through the Direct Registration System (DRS) or as a credit to an existing Enterprise Direct account.

## **How will additional shares from the split be distributed to registered shareholders?**

- For Enterprise Direct participants, all additional shares will be credited to their existing Enterprise Direct account.
- For shareholders who hold stock certificates or DRS shares, additional shares will be issued in book-entry form through the DRS form of ownership. These shares will be described on PSEG account statements as DRS Shares.

**What is Direct Registration?**

The direct registration form of ownership allows registered shareholders to maintain their shares in book-entry form without the need of a physical certificate. The shareholders retain full ownership of the shares without the responsibility of holding the actual certificate. Also, there are no fees associated with DRS.

**Without certificates, how will I know how many shares I own?**

You will receive a Split Distribution Statement that is your proof of ownership. This statement will indicate the number of additional shares you own as a result of the split. When you receive your statement, keep it with your existing stock certificate(s), if applicable, and other important documents as a record of your ownership. Each time there is a transaction in your account, you will be sent an Activity Statement that reports the number of shares you own.

**Can I convert my other PSEG stock certificates into book-entry form?**

Yes. If you would like to take advantage of the convenience of having all shares held in book-entry form, you must mail your certificates to The Bank of New York. It is recommended that you mail your stock certificates, certified or registered and insured for 2% of the current market value. This is the cost to replace the certificates if they are lost. **Do not sign your stock certificates.** Include written instructions indicating you would like to deposit your stock certificate(s) in DRS. All shareholders shown on the account must sign the written request. The certificate shares will then be added to your account.

**If I previously authorized partial reinvestment or cash dividends based on a specific number of shares, what effect will the stock split have on my dividend payment?**

Your current instruction will be followed and dividends will be reinvested or paid in cash based on the specific number of shares you originally authorized. If you would like to adjust that number to reflect the additional shares issued as a result of the split, you may do so by providing a new authorization to The Bank of New York. For the change to be effective for the March 31, 2008 dividend payment, your authorization must be received by March 3, 2008.

*Please be advised that all of the answers above are intended only to provide a general overview of the stock split process. None of the answers should be considered tax or investment advice. You should consult your tax or investment professionals for detailed advice that takes into account your specific circumstances.*