



Public Service Enterprise Group Incorporated

Summary Annual Report 1996

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Freedom of Choice...

On the Cover: In a world where the customer has become the all-important focus of our efforts, we feel it is appropriate to pay tribute to one of the earliest and best known consumers of PSE&G's power, the Statue of Liberty.



... is the theme of Public Service Enterprise Group's 1996 Annual Report and a concept perhaps best illustrated by our best-known customer, the lady in the harbor.

PSE&G, our largest subsidiary, supplies the energy to light the Statue of Liberty, a symbol of freedom to the world. In 1996, the United States quietly celebrated Liberty's 110th anniversary. And possibly decades from now, Americans may recognize 1996 as the year in which they won a newfound freedom — the freedom to choose their energy supplier.

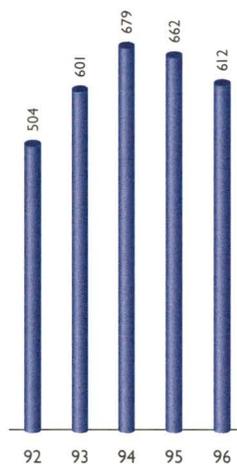
After years of debate, energy customers throughout the country are gaining choice. In some states, the biggest consumers of natural gas — and quite soon residential customers — are now free to choose their suppliers.

Several new bills in Congress, along with numerous state pilot projects allowing customer choice, herald the start of a new era. A number of Northeastern states and California are leading the country in efforts to offer consumers the ability to shop for a power provider. For New Jersey and other Northeast states, 1997 will be the year when timetables are set.

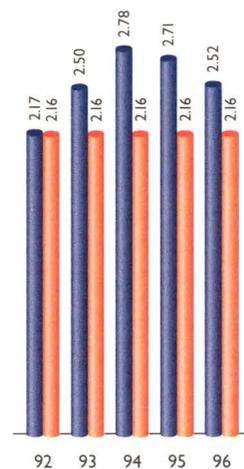
Through the establishment of our new subsidiary, Energis Resources Incorporated, and the customer-focused actions of our 11,000 employees, Enterprise is positioning itself for success as we usher in this new era of choice.

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(dollars in millions)
Enterprise Net Income



(dollars)
Enterprise Annual Earnings and
Dividend Payout per Share

■ Earnings per Share ■ Annual Dividend Payout

Financial Highlights

Dollars in thousands where applicable	1996	1995	% Change
Total Operating Revenues	\$ 6,041,249	\$ 5,893,662	3
Total Operating Expenses	\$ 4,984,290	\$ 4,798,472	4
Net Income	\$ 611,596	\$ 662,323	(8)
Common Stock			
Shares Outstanding — Year-end (Thousands)	233,470	244,698	(5)
Shares Outstanding — Average (Thousands)	242,401	244,698	(1)
Earnings per Average Share	\$ 2.52	\$ 2.71	(7)
Dividends Paid per Share	\$ 2.16	\$ 2.16	—
Book Value per Share — Year-end	\$22.33	\$22.22	—
Market Price per Share — Year-end	\$27.25	\$30.63	(11)
Ratio of Earnings to Fixed Charges — ENTERPRISE ^(A)	2.68	2.78	
Ratio of Earnings to Fixed Charges — PSE&G ^(A)	2.62	2.77	
Gross Additions to Utility Plant	\$ 602,783	\$ 686,150	(12)
Gross Utility Plant	\$17,327,635	\$16,925,280	2

(A) Includes Preferred Securities Dividend Requirements.

The detailed consolidated financial statements and related discussion appear in Appendix A of the Proxy Statement.

Dear Shareholder,

In 1996, we produced solid financial results, despite the ongoing expenses associated with the refurbishment of the Salem nuclear units.

1996 earnings reflect the benefits of our ongoing cost management efforts, the strong New Jersey economy and a good contribution from our off-system gas sales that helped offset relatively flat electric sales caused by cool summer weather. We also experienced a sharp increase in earnings at our non-utility investment company, Public Service Resources Corporation (PSRC).

Public Service Enterprise Group (Enterprise) consolidated earnings for the year were \$611.6 million, or \$2.52 per common share. That compares with earnings of \$662.3 million, or \$2.71 per share in 1995.

Results for 1996 reflect two one-time gains recorded during the year — \$18 million, or seven cents per share, from the repurchase of preferred stock, and \$13.5 million, or six cents per share, resulting from the sale of our Houston-based oil and gas subsidiary, Energy Development Corporation (EDC).

The 1996 results also reflect a one-time charge of \$59 million, or 25 cents per share, stemming from customer refunds required by Public Service Electric and Gas Company's (PSE&G) resolution of outstanding Salem regulatory issues.

Financial Outlook

Looking ahead, we have established a target of five percent compound annual growth in earnings per share. We intend to grow income in both our utility and non-utility businesses through effective cost management and development of new revenue streams. We are further strengthening our capital structure by applying our strong cash flow to the retirement of maturing long-term debt and also are using internally generated funds to provide financial support to our more rapidly growing companies, Energis Resources Incorporated (Energis Resources) and Community Energy Alternatives Incorporated (CEA).

Through continued commitment to our core utility business, and establishing new non-regulated businesses, such as Energis Resources, we aim to enhance the value of your company and continue our record of paying dividends annually for nine decades.

Freedom of Choice

For the past five years, I've talked to you in our annual and quarterly reports about the dramatic changes facing our industry and about the ways we have been preparing for that new era.

This year the new era begins.

In January 1997, the New Jersey Board of Public Utilities (BPU) issued its proposed findings and recommendations for restructuring the electric power industry in New Jersey. This proposed Energy Master Plan requires our principal subsidiary, PSE&G, and the state's other electric utilities, to develop proposals that allow customers to choose electric suppliers. It sets an aggressive timetable requiring that customer choice be provided to a minimum of five percent of customers beginning in October 1998 and progressing to full competition for 100 percent of customers no later than April 2001.

Freedom of choice is coming and we are ready for it. We welcome it and believe we are in position to succeed in this new marketplace.

We have been preparing for this change by doing what successful competitors must do: redesign and refocus operations; concentrate on cost containment; emphasize a strong customer focus; forge strong, productive partnerships with employees and suppliers; participate actively and decisively in the shaping of public policies related to governing our industry; and seek new sources of revenue.

Three Goals

We intend to prosper in this new marketplace by advancing the three goals we set in 1996: getting the rules right; achieving operational excellence; and investing for growth.

In our efforts to get the rules right, we continue to provide leadership at the state and federal levels where we are working aggressively to establish rules for competition that will be fair to our customers, our employees and our shareholders.

We are working to ensure that the new rules on industry restructuring provide customer choice and lower cost without endangering service reliability or compromising air quality and environmental progress.

Working to achieve operational excellence means concentrating on what we do best and striving to do even better. We are creating partnerships with suppliers to increase efficiency and reduce costs; recognizing employees, individually and in teams, whose best practices, in the form of their ideas and actions, are serving as role models for the entire corporation; and implementing new information technology to help manage work more efficiently across the corporation.

We remain committed to the reliability and quality of our service. This commitment continues to grow in significance as customers gain freedom in choosing suppliers. PSE&G continues to offer pioneering money-back service guarantees. If we fail to keep our service promises to customers, they can request and receive direct bill credits. It is no longer enough to satisfy customers; the standard for customer service has been raised and will be raised ever higher in the years ahead.

Our commitment to operational excellence, and success in the new deregulated environment resulted in our decision in 1995 to take the nearly twenty-year-old



A key Enterprise objective is to keep its common stock dividend secure, as it has been over the last five decades.



Salem nuclear units out of service and make fundamental changes necessary to improve performance of the station to the end of its 40-year license. Salem Unit 2 is expected to return to service in the second quarter of this year and Salem Unit 1 is expected to return in the fall. In any case, the units will be restarted only when we are certain they are ready for reliable operation over the long term.

The Hope Creek nuclear plant, meanwhile, has achieved outstanding performance since its return from a refueling and maintenance outage in early 1996.

Safety has been, and will continue to be, the first priority in operations of all our nuclear units.

Investing for growth is our third goal. A key component of this strategy is our international independent power company, CEA. The demand for new electric generation in the international market will exceed 800 gigawatts over the next 10 years. That's the equivalent of 800 very large generating stations. CEA will continue to pursue financially attractive opportunities here in the United States, but because of the tremendous demand overseas, it will emphasize international markets.

We have also launched a new total energy services subsidiary, Energis Resources, which positions Enterprise to compete for market opportunities spawned by deregulation — both within

and outside our traditional service territory. We plan for it to be an engine of growth in the future and to be a billion dollar business in five years.

On the utility side, we have expanded our portfolio of traditional products and services by expanding our appliance business to include several new competitive service offerings, as well as off-system electric and gas sales.

Working Smarter

In addition, six-year contracts ratified by our unions utilized mutual gains bargaining and enhanced our ability to compete in the future by removing some of the constraints that previously hindered our operational flexibility. The contracts allow our gas and electric employees to do crossover work, which translates to a faster response to customers, increases the efficiency of our work force and helps us find better ways to satisfy customers.

Continued investment in the professional growth of our 11,000 employees also contributes to our long-term health. We are committed to establishing an organization that fosters an environment of continuous learning; we have made a major investment in employee development and technical training, as well as tuition reimbursement for college and post-graduate studies. We realize working smarter demands continuous learning by all of us, and that for Enterprise to be successful in a changing environment,

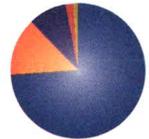
our work force skills must be well-matched with the new requirements demanded by a competitive market.

Our associates are also an invaluable resource that can help us recognize the needs of the marketplace. Harnessing their life experiences and perspectives to help shape business decisions will ultimately help us satisfy the energy service needs of an expanding range of customers. We are committed to creating a work environment of mutual respect, where associates are empowered to unleash their many, diverse talents and insights to the fullest.

In this annual report, you will find some excellent examples of how we are working towards getting the rules right, achieving operational excellence and meeting our vision for investing for growth.

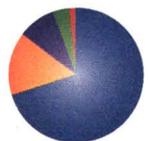
I am grateful to you for your continued support. As freedom of choice continues to evolve, I assure you that all of us at Enterprise are dedicated to delivering to you the results of our hard work in the years ahead.

E. James Ferland
Chairman of the Board, President
and Chief Executive Officer,
Public Service Enterprise Group
Incorporated
February 14, 1997



Allocation of
Assets at
December 31, 1996
Enterprise Total Assets —
\$16.9 billion

PSE&G	
● Electric	74%
● Gas	14%
EDHI	
● PSRC	9%
● CEA	2%
● EGDC	1%



Sources of
Consolidated
Earnings per Share
Enterprise Earnings
per Average Share —
\$2.52

Earnings per Share

PSE&G	
● Electric	\$ 1.79
● Gas	\$.40
EDHI	
● PSRC	\$.23
● EDC*	\$.10
● CEA	\$.04
EGDC	\$ (.01)
Energis	
Resources	\$ (.03)

(*Discontinued operations—
Gain on Sale—\$.06; Income
from Operations—\$.04)

Public Service Enterprise Group Incorporated At a Glance	Entity	Group	Leadership
<p>PSE&G serves the intensely developed corridor between New York City and Philadelphia.</p>  <p>Community Energy Alternatives has power plant interests in the Americas, Asia, the Pacific Rim and Europe.</p> 	<p>Public Service Electric and Gas Company</p>	<p>PSE&G</p> 	<p>Lawrence R. Codey President and Chief Operating Officer PSE&G P.O. Box 570 80 Park Plaza, T4B Newark, NJ 07101 (201) 430-7000 www.pseg.com</p>
	<p>Enterprise Diversified Holdings Incorporated</p>	<p>EDHI</p> 	<p>Robert J. Dougherty, Jr. President and Chief Operating Officer EDHI The Legal Center One Riverfront Plaza 9th Floor Newark, NJ 07102 (201) 596-6760</p>
		<p>Energis Resources</p> 	<p>Frank Cassidy President and Chief Executive Officer Energis Resources Incorporated 499 Thornall Street 5th Floor Edison, NJ 08837 (888)-3-ENERGIS www.energisresources.com</p>
		<p>Community Energy Alternatives</p> 	<p>Michael J. Thomson President and Chief Executive Officer Community Energy Alternatives Incorporated 1200 East Ridgewood Avenue Ridgewood, NJ 07450 (201) 612-2772</p>
		<p>Public Service Resources Corporation</p> 	<p>Eileen A. Moran President Public Service Resources Corporation The Legal Center One Riverfront Plaza 9th Floor Newark, NJ 07102 (201) 596-6710</p>

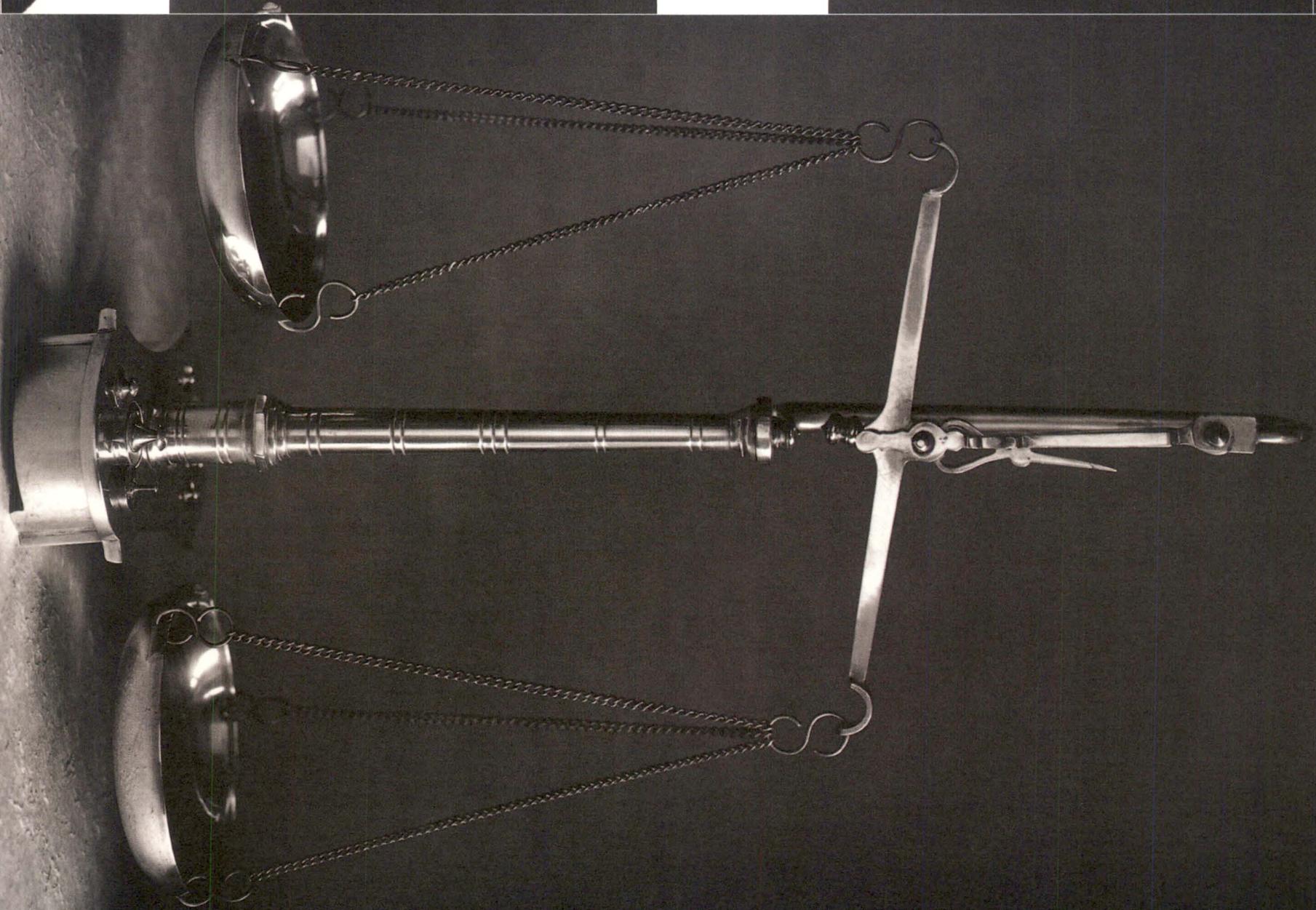
Profile	Business Scope	Products/Services	Market Outlook
<p>Publicly-traded diversified energy and energy services company located in New Jersey with annual revenues of more than \$6 billion, consisting of two main subsidiaries: Public Service Electric and Gas Company and Enterprise Diversified Holdings Incorporated.</p>	<p>Collectively, PSE&G and Community Energy Alternatives, a subsidiary of EDHI, have more than 90 years of power plant operating experience with active investments in 40 power plants fueled by coal, natural gas, oil, petroleum coke and nuclear.</p>	<ul style="list-style-type: none"> •Electricity and Gas •Industrial and Commercial Gas •Industrial, Commercial and Residential Electric •Energy Consulting and Planning •Integrated Energy Management Services •Operations and Maintenance Support •Residential Gas Products and Services 	<p>Success in meeting our strategic objectives will be measured in terms of earnings per share growth. The objective for the Enterprise portfolio is a compound growth rate of five percent annually over the next five years.</p>
<p>Serves more than 5.5 million New Jersey residents in more than 300 urban, suburban and rural communities with electricity, gas and energy alternatives in a 2,600 square-mile diagonal corridor across the state.</p>	<p>PSE&G provides the lowest cost, most reliable electric and gas service of any New Jersey utility. It maintains a staff of over 600 highly trained service technicians on call 24 hours a day, 365 days a year to repair a broad range of gas and electric appliances and HVAC equipment and backs up its performance with nine guarantees of service. Through its Sunburst Customer Solutions product offering, PSE&G provides meter reading, billing and collection services.</p>	<ul style="list-style-type: none"> •Electricity and Gas •Industrial and Commercial Electric •Energy Consulting and Planning •Industrial and Commercial Gas •Residential Gas Products and Services •Sunburst Customer Solutions •Tradelink export assistance program •Business Enhancement Program •Residential Electric 	<p>While new business ventures will play a vital role in the long-term growth and strength of Enterprise, PSE&G remains Enterprise's core business and currently comprises approximately 97 percent of total Enterprise revenues.</p>
<p>Operates Enterprise's non-utility businesses seeking to maintain and expand its energy services in the world. Consists of three primary subsidiaries: Energis Resources, Community Energy Alternatives, and Public Service Resources Corporation.</p>	<p>EDHI builds on the nearly 100-year tradition of Enterprise by seeking out and developing additional energy-related services as deregulation of the industry progresses.</p>	<ul style="list-style-type: none"> •Electricity and Gas •Industrial and Commercial Gas •Energy Consulting and Planning •Integrated Energy Management Services •Operations and Maintenance Support 	<p>EDHI will enter new markets in the energy arena where its experience and knowledge can be brought to bear and when market needs and opportunities can be pursued on a sound and profitable basis.</p>
<p>Provides a full menu of energy management solutions for businesses in the Northeast.</p>	<p>In addition to offering several new services, Energis Resources brings the expertise of functions previously performed by a number of Enterprise subsidiaries to Northeast markets which it knows well.</p>	<ul style="list-style-type: none"> •Electricity and Gas •Energy Consulting and Planning •Integrated Energy Management Services •Operations and Maintenance Support •Financing Solutions 	<p>Energis Resources will serve industrial and commercial customers in the New England and Mid-Atlantic region through three product platforms: energy supply, consulting, engineering and operations services, and financing solutions.</p>
<p>Develops, acquires, owns and operates cogeneration and independent power facilities in the U.S., Asia, the Pacific Rim, Europe, and South America.</p>	<p>More than 200 experts in project development and financing, engineering, and plant operations and maintenance create effective teams that understand the dynamics of the areas they serve.</p>	<ul style="list-style-type: none"> •Electric Generation Solutions 	<p>As the opportunities for growth in the domestic generation business shrink due to overcapacity and potentially low profit margins, CEA will pursue investments in international generation in strategic markets.</p>
<p>Enhances EDHI's financial strength with a strong, diverse portfolio of more than 60 separate investments across a wide spectrum of industry sectors and asset types, including leveraged and direct financing leases, project financing, venture capital funds, leveraged buy-outs, real estate limited partnerships and securities.</p>	<p>PSRC's well-balanced portfolio provides diversification, earnings stability and continued incremental earnings growth to shareholders.</p>	<ul style="list-style-type: none"> •Investments in assets which provide funds for future growth and incremental earnings 	<p>PSRC plans to build on its expertise in risk management and mitigation, transaction analysis and closing and investment management to exploit new opportunities that arise from industry deregulation.</p>



Martha Savage Gas Transportation Manager
"Under our SelectGas Program — which is awaiting regulatory approval — we will offer gas transportation service to residential customers, allowing them to purchase gas from suppliers other than PSE&G. We'll study the success of the program and use this information to help us prepare for the future of residential unbundling."



Rosanne Shupe Manager-State Governmental Affairs
"The introduction of competition into the power industry will require the very best from us. My obligation is to see to it that the rules are fair for all players and that our employees have the opportunity to win or lose based upon their own merits."



Getting the Rules Right

Many of the rules governing our industry were written at a time when the utility franchise was the best way to ensure universal, safe and reliable service. However, now that the infrastructure has been built and as economic conditions change, we need to make sure all energy providers operate on a level playing field.

We are working to foster rules that are fair to our customers, shareholders, the State of New Jersey and its economy.

Enterprise has dramatically increased its efforts to affect the deregulation debate in both New Jersey and Washington, D.C. Getting the rules right is of crucial importance if Enterprise is to compete effectively in the evolving energy market.

Energy Master Plan

In January 1997, the BPU unveiled its blueprint for introducing customer choice into New Jersey's electricity market. The proposed Energy

Master Plan would require utilities to develop plans to offer retail competition to five percent of all customers by October 1998. This would increase incrementally until full competition for all consumers is reached by April 2001. The state's electric utilities have until July 15 to file their own restructuring plans.

PSE&G shares the BPU's broad objectives in the restructuring process and will work vigorously toward the goal of opening the New Jersey marketplace to competition, with

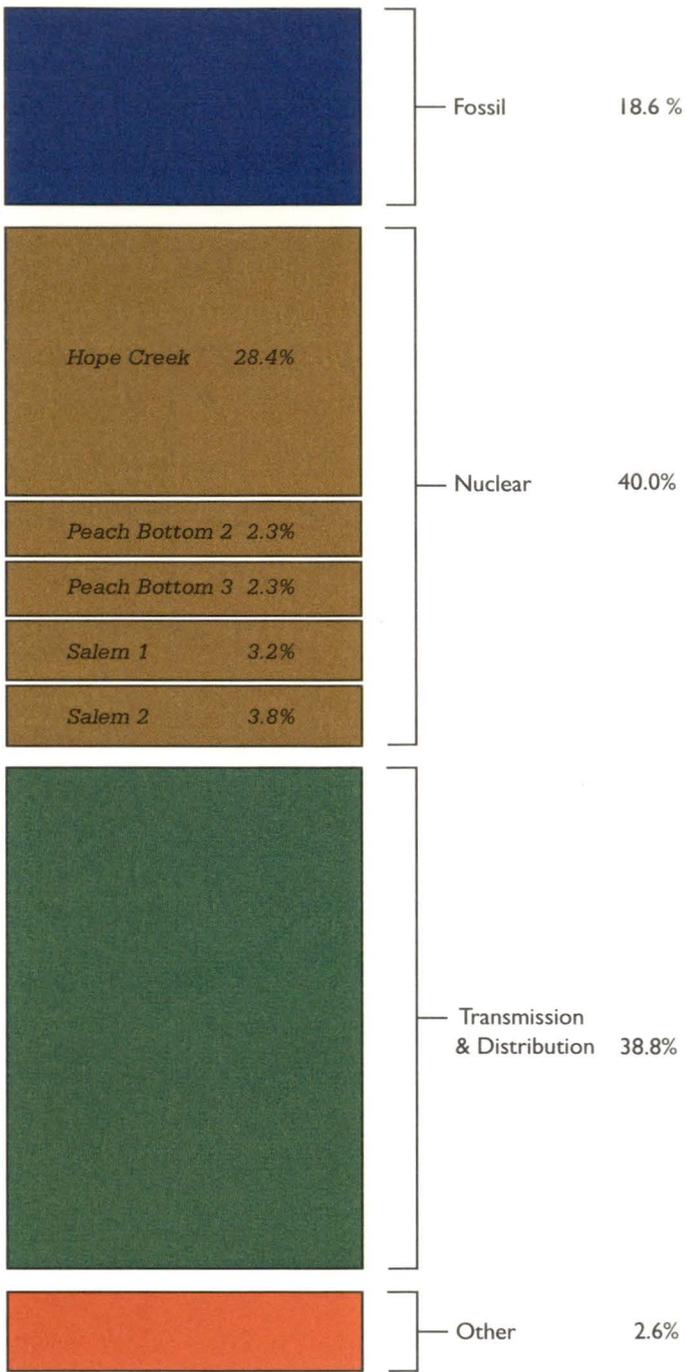
rate reductions of five to ten percent for customers. We are committed to working toward that target rate reduction in a manner that protects the environment and our investors, without creating a category of second-class consumers who do not share in the benefits of competition.

While dedicated to implementing the Energy Master Plan, we are also urging the BPU to provide utilities with flexibility to propose beneficial changes, as different utilities face different circumstances and challenges in restructuring. We are also stressing the need to maintain

the high level of service reliability that exists today.

A significant issue in the restructuring process is the recovery of transition costs. Transition costs result from the utilities' historical legal obligation to serve all customers. Utilities have been required to plan, build and maintain generation and a delivery infrastructure to reliably meet customer needs. In exchange for this obligation, utilities have been allowed a

PSE&G Net Utility Plant In-Service



The net electric and gas plant in-service amounted to \$10.7 billion at December 31, 1996.

reasonable opportunity to recover investments through regulated rates. As rates become competitive, they may no longer be sufficient to permit recovery of all such costs, which then become "stranded." Considerations of fairness, efficiency and law warrant recovery of these costs.

Restructuring and the environment

Lower cost electric power must not come at the expense of environmental quality or sound public health policy. New Jersey and the Northeast are burdened by the impact of air pollution created to the West and South, which is transported by prevailing wind currents.

A significant amount of the pollution transported into the Northeast is produced by coal-burning power plants in the Midwest and Ohio Valley, plants that are allowed to operate with minimal environmental controls. An electric industry restructuring plan that encourages increased production of this cheap, dirty Midwest electric power will, as a result, send hundreds of thousands of tons of additional pollution drifting into our region.

Our concern over this issue is shared by officials at the highest levels of state government, as well as statehouse and congressional members of both parties throughout the Northeast. We have worked hard to increase their recognition of the strong link between

energy and the environment and there are encouraging indications that the message is being heard. Vice President Al Gore has clearly stated that environmental degradation should not be the price the nation pays for lower energy costs. The Federal Energy Regulatory Commission, the Environmental Protection Agency and the White House Council on Environmental Quality have also acknowledged the potential negative environmental impact of restructuring. We are encouraged by this support and are

working to translate it into appropriate action.

Energy taxes

After a year of study, a BPU/New Jersey Treasury Department joint task force has recommended a major overhaul of the Gross Receipts and Franchise Tax (GRFT) paid by all customers of New Jersey utilities. Because customers of non-utility energy providers do not pay this tax, utilities are at a competitive disadvantage. A new tax plan that treats all energy providers equally — giving utilities and new market entrants the same opportunities to compete for business — has been recommended.

The proposal calls for the 13 percent GRFT to be replaced by existing sales and corporate taxes and a temporary new tax that would be phased out over seven years, causing a 45 percent reduction in taxes paid by consumers. Energy tax reform is long overdue and essential if New Jersey is to compete with other states for business and jobs. It's also good news for New Jersey consumers, who currently pay among the highest energy taxes in the nation.



Patricia Thompson Manager-Federal Affairs "If everyone were to do what Enterprise has committed to doing, we wouldn't have an air quality problem. Unfortunately, not everyone has that courage or that commitment. The restructuring of the industry represents the last clear chance for clean air. We're working hard to assure uniform environmental standards for all power producers."



Al Wallace Strategy and Development Coordinator "To ensure that air quality continues to improve in New Jersey, we are investigating additional innovative air pollution reduction technologies on our fossil units. We have successfully tested and installed controls that reduce nitrogen oxides (NO_x) emissions on fossil steam boilers and are evaluating technologies to reduce NO_x emissions on our summer peaking units."

Keith Harvey PSE&G Meter Technician was having lunch in his truck when a customer approached. An electrician working at the customer's home had forgotten to contact PSE&G to get some crucial meter work done. Keith called in on his truck radio, scheduled the work, and called back later to make sure everything had gone smoothly. Harvey says, "I just did what I felt was the right thing to do."



Al Smith PSE&G Service Representative When customers find themselves in financial straits, our customer service center representatives are often the first people they turn to. Al works to quell the fears of customers by educating them on federal, state and local programs that can provide assistance. "We try to help our customers find additional resources to help pay their bills," he says.



Operational Excellence

Achieving operational excellence doesn't happen overnight. It means questioning tradition, finding smarter ways to serve customers, streamlining work processes, and keeping an unblinking eye on the bottom line.

In 1996, Enterprise employees continued their commitment to excellence. As we transform ourselves into a global energy services company, their ideas and actions remain critical to our success.

Here are some examples of how individuals, teams and organizations are helping to set a standard of excellence for the entire corporation.

Shared visions, shared rewards

Replacing underground distribution cable and splicing is the type of work on which PSE&G has built its reputation for excellence. When the Federal

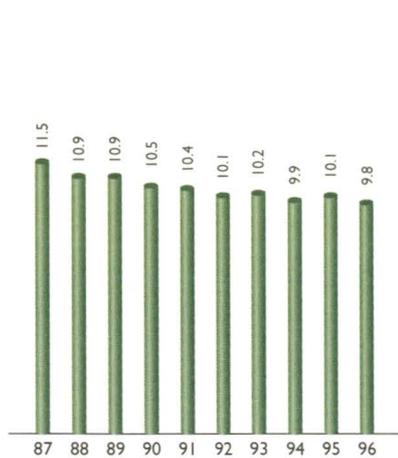
Aviation Agency bid out to replace 30,000 feet of cable snaking under a runway at Newark International Airport — one of the nation's busiest — PSE&G's Metropolitan electric distribution division did the work. The work might be considered traditional, but PSE&G's approach wasn't. Project leaders and represented employees planned out a schedule that would not interfere with high air traffic periods. Much of the work was done on weekends. Despite the scheduling complications, the job was completed on time. The project marked a new approach to generating revenue and helped increase our employees' awareness of the importance of meeting customer needs as we face the new reality of competition.

Taking time at Hope Creek

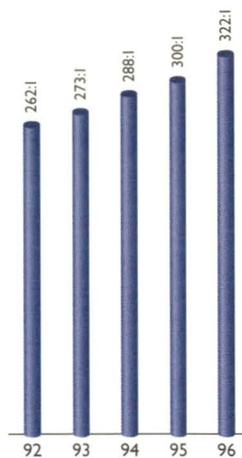
Our Hope Creek nuclear station in Salem, New Jersey, got back to the business of making electricity following an outage early in 1996. The refueling outage was expected to last 30 days; but station management expanded the original work scope to include more than 13,500 individual work activities, all aimed at ensuring safe and reliable long-term operations at the plant. Hope Creek has enjoyed an extremely reliable period of operation since its return to service.

Reduction, recovery, recycling

A major corporate initiative, driven by the need to improve our bottom line as well as our commitment to the environment, was the establishment of a materials management process. The process emphasizes not only the recovery of usable waste, but also the reduction of waste by designing out as much as possible from the start. The results have been gratifying: waste disposal costs have fallen more than \$5 million, more than 90 percent of our non-hazardous solid waste is being recycled and PSE&G was formally honored by the federal Environmental Protection Agency (EPA) as one of 280 *Fortune* 1000 companies named charter members of the EPA's WasteWi\$e program.



PSE&G supplies electricity at the lowest cost per kwh of all the utilities in New Jersey, and intends to continue the trend.
(Average revenue per kwh adjusted for inflation. Base year 1995-1996. Cents per kwh.)



The ratio of customers to PSE&G permanent employees, a measure of efficiency, has grown 23% over the past five years.

**New perspectives,
new energy**

PSE&G gained recognition for its promotion and support of minority and women-owned business development when it was named 1996 Corporation of the Year by the minority business members of the New York/New Jersey Minority Purchasing Council. PSE&G's efforts in this area include establishing a Supplier Diversity Council comprised of employees and representatives from minority businesses to advise the company on its supplier diversity policies and results, and to foster communications between PSE&G and its suppliers.

Meeting monthly, the council has formulated recommendations to increase minority supplier participation in high-dollar volume and strategic products and services. PSE&G's supplier diversity process is a customer-driven business strategy. Just as success requires a workforce that is reflective of the society we serve, we also need suppliers who can provide insights and new ideas to help us better meet our customers' needs.

**Making the power of
information work for us**

Business Integration is a corporatewide effort to improve our operating efficiencies through the use of integrated business software. An integrated internal information

system will allow for quicker accessing of information and improved capabilities for planning and management of work in providing energy services. But Business Integration must be more than just jargon. PSE&G will be joining some 6,000 companies worldwide who are using an information system known as SAP — Systems, Applications and Products in Data Processing — to achieve major gains in performance. The rollout of Business Integration starts with Fossil Generation in 1998.

**Customer service:
a hallmark of success**

Customers today are becoming more sophisticated — and demanding — consumers. With the coming of customer choice, building a relationship with our customers has never been more critical. At PSE&G we hear from our customers daily through regular surveys, feedback and personal interactions. We listen, then improve our products and services based on what we hear. As part of this constant feedback, we've learned that the expertise and integrity of our workforce have been major factors in maintaining customer loyalty.

A residential customer in South Jersey, for example, was dissatisfied with the service she received from a competitor of our appliance service business. This competitor tried to use unethical tactics to sell a major repair job that wasn't needed. When the customer called PSE&G for a second opinion, our service technician quickly discovered the problem to be simply a clogged pilot light. Daily interactions such as these help build customer loyalty and awareness.

A pact for the 21st century
PSE&G's five unions signed contracts in 1996 that extend to the year 2002. These agreements balance the needs of the company in an emerging competitive marketplace with the needs of employees and unions

for good jobs with fair wages, benefits and working conditions. The new agreements address the requirements of a fast-changing industry head-on, including provisions that allow gas and electric employees to work in each other's areas. Other provisions address cutting non-productive time and reducing costs. Mutual-gains bargaining, a process of side-by-side problem-solving, allowed the unions and company to help each other recognize shared interests. A united front of employer and employees is essential for preserving customers and jobs.



Merrick Harris PSE&G Gas Metering Station Supervisor has improved gas operations in a number of equipment-related areas. "When you put the time and effort into process improvements," he says, "you're helping yourself, the company and the customer."



Lori Gray PSE&G Service Specialist When customers in the Trenton area have an appliance problem, Lori Gray's appearance at their door is a welcome sight. Gray scores high marks for her professional ability to provide a quick diagnosis to a customer's problem as well as her customer-driven approach to work.



Steven Pearlman General Manager, Business Development
CEA *"Over the past four years, CEA people have played a hands-on role in the transition to a super-competitive electricity market in Argentina. This is a powerful experience for us to share with our colleagues who are now facing the same challenges in the U.S. and other foreign markets."*



Michael Thomson President of CEA *"CEA is in the enviable position of addressing an accelerating market. As the story unfolds, the key differentiating factor in this business will be the ability to develop a first class, global organization whose presence and capabilities are leveraged through well-conceived partnerships and alliances."*



Investing For Growth

In 1996, Enterprise reorganized to take maximum benefit of the opportunities arising out of the deregulation of the electric and gas industries. This reorganization also results in a clearer division between Enterprise's regulated and unregulated businesses.

Bob Dougherty now serves as president and chief operating officer of an expanded Enterprise Diversified Holdings Incorporated (EDHI). In addition to PSRC, which will continue to search for passive, energy-related investments to add to its portfolio, Dougherty will manage and develop CEA, Enterprise's independent power company, and a new business, Energis Resources, which provides a full range of energy-management solutions.

Through these unregulated companies, and by expanding a number of traditional products and services found in our regulated utility, Enterprise seeks to increase shareholder value.

Going global

Business plans for CEA target new investments of approximately \$700 million over a five-year horizon. Plans for 1997 call for closure on several projects, among them a 220-megawatt simple-cycle plant in Colombia, South America.

This plant will burn natural gas and sell its electrical output on the Colombian spot market. The project is part of a joint venture formed with Amoco Power Resources. The project is intended to enter construction during the first quarter of 1997 and be in commercial operation by late 1997.

The year 1996 was one of progress. CEA holds a minority interest in two 300-megawatt coal-fired units located in the interior province of Gansu, China. The first unit successfully passed its first performance test in 1996, meeting all national environmental

standards, and is delivering electricity to the country's power grid. The second unit is scheduled to go on-line in late 1997; both units will supply a substantial amount of electricity to this rapidly-developing rural area.

Last year CEA and its partner AES, a developer and operator of power plants, successfully closed project financing for Central Térmica San Nicolás, a 650-megawatt plant located in Argentina. The ability to refinance with a \$60 million non-recourse loan in the Argentine market demonstrates a high degree of bank confidence in Argentina's power sector reforms and in San Nicolás' viability as a key energy producer.

CEA also enjoys a well-established reputation in the U.S. The JFK Energy Center, which is owned and operated by CEA and Gas Energy, Inc., a wholly-owned subsidiary of Brooklyn Union Gas Company, completed its first full year of commercial operation. The center is a 105-megawatt plant that supplies electricity and hot and chilled water for New York's Kennedy International Airport. Additional electrical capacity is sold to the local utility, Consolidated Edison.

CEA has investments in 22 cogeneration and power plants around the world totalling 2,400 megawatts of electric generation capacity. Operating from offices in Hong Kong, Argentina, Thailand, India and the U.S., CEA professionals are pursuing nearly 70 potential projects in more than twelve countries.



EDHI's net income reached a record high in 1996. Net income from continuing operations increased 28.5% as compared to 1995 primarily due to a strong performance by Public Service Resources Corporation.

*Without EGDC impairment of \$(50.4) million.

Smarter energySM

Drawing on Enterprise's depth of experience and financial strength, Energis Resources, our newest subsidiary, provides a single source for reliable, top-quality service focused on customer needs. The company is concentrating on industrial and commercial customers throughout the Northeast and Mid-Atlantic states.

Energis Resources offers customers a wide range of services to improve business operations and performance through more cost-efficient energy utilization, energy process redesign, optimized energy investment strategies and unique financing options for energy-related projects.

The company has absorbed two Enterprise companies with proven track records: U.S. Energy Partners, which sold natural gas, and

Enterprise Strategic Energy Solutions, which provided consulting, engineering and repair services. In addition, the financing of energy-savings, or demand-side management projects, formerly offered by the utility subsidiary, Public Service Conservation Resources Corporation, will now be supplied by Energis Resources.

Energis Resources offers an impressive array of products and services, beginning with the sale of natural gas. In 1996, U.S. Energy Partners sold more than \$67 million of gas to some 3,600 customers in New Jersey, New York and states as far south as the Carolinas. New Jersey has been a pioneer in the deregulation of natural gas sales, allowing the customer to buy the gas itself from suppliers like Energis Resources, with delivery arranged through the local utility.

The company is already marketing natural gas to a number of customers, including more than 50 Boston

Market restaurants throughout the Northeast, as well as more than 40 branch offices of a major Manhattan-based bank.

Similarly, deregulation of electricity is proceeding throughout the U.S. and at a particularly fast clip in the Northeast — Energis Resources' home territory. New Jersey customers will begin gaining the ability to choose their electricity supplier in October 1998. Retail customers in Rhode Island and Pennsylvania will be able to choose in 1997. Since the federal Energy Policy Act of 1992 deregulated the wholesale electricity market, Enterprise has been one of the most active and aggressive participants in that market. Energis Resources will draw on this expertise to serve retail markets afforded freedom of choice.

Along with energy supply, Energis Resources provides consulting, engineering and operations services and financing solutions. The ultimate objective is to successfully provide total energy management to customers in the Northeast, allowing them to completely outsource their energy functions.

Energis Resources is already working on energy projects with a number of major customers. It is installing and maintaining power supply equipment for a major telecommunications company's fiber optic network. For a national food processor, the company is financing third-party installation of high-efficiency lighting at 200 of its locations.

Expanding a traditional portfolio

PSE&G, through its Sunburst Customer Solutions program, offers its meter reading,

billing, payment processing and collection services to municipalities and other investor-owned utilities. Municipalities and other utilities can reduce costs and increase efficiencies by utilizing PSE&G's sophisticated customer service operations and extensive meter reading experience. As of January 1997, seven municipalities and two regional water utilities have signed on.

PSE&G's appliance service business is the only region-wide provider of premium service and service contracts for all major appliance brands with 24-hour service, 365-days-a-year availability. Banking on a strong name awareness

within its service territory and a well-trained staff of service technicians, the appliance service business has expanded its traditional portfolio of service offerings. These new services create added opportunities for bringing in additional revenues. The business has also gained efficiencies and sharpened its competitive advantage with the introduction of home-based reporting, which allows service technicians to report directly to their first job in the morning instead of stopping first at the office.

In addition, PSE&G, with its long-established rights-of-way, extensive network of wires, and long-term customer relationships, is also exploring the possibility of adding wire and wireless telecommunications services to its broad portfolio of products and services.



Frank Cassidy President and CEO Energis Resources
"Energy customers want reduced costs, improved efficiency and more innovative energy solutions. Energis Resources provides a single source for reliable, top-quality service. That sets us apart from competitors. We offer the smarter energy alternative."



Joyce Buford Director-Marketing Communications
"Energis Resources 'We're barely off the launching pad, yet our cost-effective and quality services already have attracted several important customers. Energis Resources is providing energy products and services that address the concerns of commercial and business energy customers."

Operational Highlights

Public Service Enterprise Group continues to pursue a strategy of enhancing stockholder value through retention and reinvestment of earnings and payment of an annual dividend.



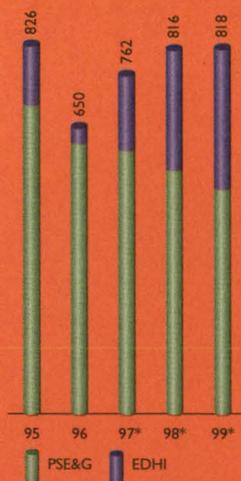
(dollars)

This shows the value on December 31 of each year of \$100 invested in Enterprise on December 31, 1991 (assumes reinvested dividends).



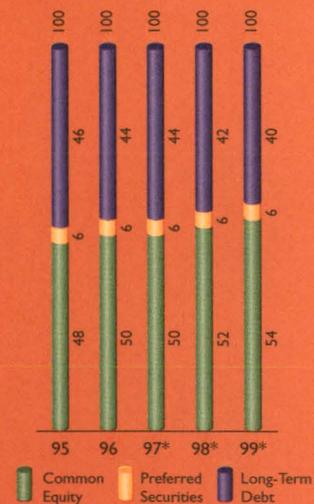
(percent)

Return on Average Common Equity for 1996 was 11.3%, which reflects various one-time adjustments, as discussed in the Chairman's letter of this annual report.



*Projected
(dollars in millions)

Declining utility capital expenditures are expected to be funded through internally generated cash, while growing EDHI needs are expected to be met by additional debt and internally generated cash.



*Projected
(percent)

One of our key objectives, as reflected in Enterprise's capitalization ratio, is to strengthen the balance sheet by deleveraging PSE&G.

Consolidated Financial Statistics ^(A)

Dollars in thousands where applicable	1996	1995	1994	1993	1992
Selected Income Information					
Operating Revenues:					
Electric	\$ 3,944,362	\$ 4,020,842	\$ 3,739,713	\$ 3,696,114	\$ 3,407,830
Gas	1,880,994	1,686,403	1,778,528	1,594,341	1,586,181
Nonutility Activities	215,893	186,417	177,082	137,069	112,268
Total Operating Revenues	\$ 6,041,249	\$ 5,893,662	\$ 5,695,323	\$ 5,427,524	\$ 5,106,279
Income from Continuing Operations	\$ 587,358	\$ 627,287	\$ 666,521	\$ 549,178	\$ 475,150
Cumulative effect of change in accounting for income taxes	—	—	—	5,414	—
Income from Discontinued Operations	24,238	35,036	12,512	46,341	28,967
Net Income	\$ 611,596	\$ 662,323	\$ 679,033	\$ 600,933	\$ 504,117
Earnings per Average Share:					
From Continuing Operations	\$ 2.42	\$ 2.57	\$ 2.73	\$ 2.29	\$ 2.05
From Cumulative effect of change in accounting for income taxes	—	—	—	.02	—
From Discontinued Operations	.10	.14	.05	.19	.12
Total Earnings per Average Share	\$ 2.52	\$ 2.71	\$ 2.78	\$ 2.50	\$ 2.17
Dividends Paid per Share	\$ 2.16	\$ 2.16	\$ 2.16	\$ 2.16	\$ 2.16
Payout Ratio	86%	80%	78%	86%	100%
Rate of Return on Average Common Equity ^(B)	11.28%	12.32%	12.94%	11.91%	10.69%
Ratio of Earnings to Fixed Charges	2.68	2.78	2.84	2.57	2.33
Book Value per Common Share ^(C)	\$22.33	\$22.22	\$21.68	\$21.07	\$20.32
Gross Utility Plant	\$17,327,635	\$16,925,280	\$16,566,058	\$15,861,484	\$15,081,907
Accumulated Depreciation and Amortization of Utility Plant	\$ 6,148,482	\$ 5,737,849	\$ 5,467,813	\$ 5,057,104	\$ 4,610,595
Total Assets	\$16,915,331	\$16,816,491	\$16,312,734	\$15,995,433	\$14,543,696
Consolidated Capitalization					
Common Stock	\$ 3,626,792	\$ 3,801,157	\$ 3,801,157	\$ 3,772,662	\$ 3,499,183
Retained Earnings	1,586,256	1,636,971	1,505,010	1,361,018	1,282,931
Common Equity	5,213,048	5,438,128	5,306,167	5,133,680	4,782,114
Preferred Stock Without Mandatory Redemption	113,392	324,994	384,994	429,994	429,994
Preferred Stock With Mandatory Redemption	150,000	150,000	150,000	150,000	75,000
Monthly Guaranteed Preferred Beneficial Interest in PSE&G's Subordinated Debentures	210,000	210,000	150,000	—	—
Quarterly Guaranteed Preferred Beneficial Interest in PSE&G's Subordinated Debentures	208,000	—	—	—	—
Long-Term Debt	4,580,231	5,189,791	5,110,022	5,100,228	4,962,884
Total Capitalization	\$10,474,671	\$11,312,913	\$11,101,183	\$10,813,902	\$10,249,992

(A) The detailed consolidated financial statements and related discussion appear in Appendix A of the Proxy Statement.

(B) Net Income for a twelve-month period divided by the thirteen-month average of Common Equity.

(C) Total Common Equity divided by end-of-period Common Shares outstanding.

Condensed Consolidated Statements of Income

In thousands (except per share data) for the years ended December 31,	1996	1995	1994
Operating Revenues			
Electric	\$3,944,362	\$4,020,842	\$3,739,713
Gas	1,880,994	1,686,403	1,778,528
Nonutility Activities	215,893	186,417	177,082
Total Operating Revenues	6,041,249	5,893,662	5,695,323
Operating Expenses			
Fuel for Electric Generation and Interchanged Power	918,514	891,782	695,763
Gas Purchased	1,117,716	961,539	1,023,956
Operation and Maintenance	1,371,800	1,320,345	1,323,886
Depreciation and Amortization	607,293	596,966	555,461
Taxes	968,967	1,027,840	974,418
Total Operating Expenses	4,984,290	4,798,472	4,573,484
Operating Income	1,056,959	1,095,190	1,121,839
Allowance for Funds Used During Construction and Capitalized Interest	18,155	38,163	42,588
Other Income — Net	(1,920)	8,041	6,430
Interest Charges	453,111	464,207	462,189
Preferred Securities Dividend Requirements and Premium	32,725	49,900	42,147
Income from Continuing Operations	587,358	627,287	666,521
Income from Discontinued Operations	24,238	35,036	12,512
Net Income	\$ 611,596	\$ 662,323	\$ 679,033
Shares of Common Stock Outstanding			
End of Period	233,470,291	244,697,930	244,697,930
Average for Period	242,400,755	244,697,930	244,470,794
Earnings per Average Share:			
From Continuing Operations	\$2.42	\$2.57	\$2.73
From Discontinued Operations	.10	.14	.05
Total Earnings per Average Share	\$2.52	\$2.71	\$2.78
Dividends Paid per Share of Common Stock	\$2.16	\$2.16	\$2.16

The detailed consolidated financial statements and related discussion appear in Appendix A of the Proxy Statement.

Condensed Consolidated Statements of Cash Flows

In thousands for the years ended December 31,	1996	1995	1994
Net Income	\$ 611,596	\$ 662,323	\$ 679,033
Adjustments to net income, primarily depreciation and amortization	822,864	872,550	564,745
Net cash provided by operating activities	1,434,460	1,534,873	1,243,778
Net cash used in investing activities, primarily additions to utility plant (offset by the net proceeds from the sale of Discontinued Operations in 1996)	(9,225)	(935,305)	(1,010,420)
Net cash used in financing activities	(1,208,296)	(603,093)	(237,200)
Net increase (decrease) in Cash and Cash Equivalents	216,939	(3,525)	(3,842)
Cash and Cash Equivalents at Beginning of Period	61,964	65,489	69,331
Cash and Cash Equivalents at End of Period	\$ 278,903	\$ 61,964	\$ 65,489

The detailed consolidated financial statements and related discussion appear in Appendix A of the Proxy Statement.

Condensed Consolidated Balance Sheets

In thousands at December 31,	1996	1995
Assets		
Utility Plant:		
Utility Plant (including Nuclear Fuel)	\$16,858,348	\$16,532,232
Less: Accumulated Depreciation and Amortization	6,148,482	5,737,849
Net Utility Plant in Service	10,709,866	10,794,383
Construction Work in Progress (including Nuclear Fuel)	445,321	369,082
Plant Held for Future Use	23,966	23,966
Net Utility Plant	11,179,153	11,187,431
Investments and Other Noncurrent Assets	2,351,984	2,242,744
Current Assets	1,744,427	1,828,477
Deferred Debits	1,639,767	1,557,839
Total	\$16,915,331	\$16,816,491
Capitalization and Liabilities		
Capitalization:		
Common Equity	\$ 5,213,048	\$ 5,438,128
Subsidiaries' Preferred Securities:		
Preferred Stock Without Mandatory Redemption	113,392	324,994
Preferred Stock With Mandatory Redemption	150,000	150,000
Monthly Guaranteed Preferred Beneficial Interest in PSE&G's Subordinated Debentures	210,000	210,000
Quarterly Guaranteed Preferred Beneficial Interest in PSE&G's Subordinated Debentures	208,000	—
Long-Term Debt	4,580,231	5,189,791
Total Capitalization	10,474,671	11,312,913
Other Long-Term Liabilities	184,769	199,832
Current Liabilities	2,271,754	1,548,026
Deferred Credits	3,984,137	3,755,720
Total	\$16,915,331	\$16,816,491

The detailed consolidated financial statements and related discussion appear in Appendix A of the Proxy Statement.

Condensed Consolidated Statements of Retained Earnings

In thousands for the years ended December 31,	1996	1995	1994
Balance January 1	\$1,636,971	\$1,505,010	\$1,361,018
Add Net Income	611,596	662,323	679,033
Total	2,248,567	2,167,333	2,040,051
Deduct			
Dividends on Common Stock	522,565	528,548	528,071
Retirement of Common Stock	133,047	—	—
Preferred Securities Issuance Expenses	6,699	1,814	6,970
Total Deductions	662,311	530,362	535,041
Balance December 31	\$1,586,256	\$1,636,971	\$1,505,010

The detailed consolidated financial statements and related discussion appear in Appendix A of the Proxy Statement.

Notes to Consolidated Financial Statements

For full text of Organization and Summary of Significant Accounting Policies refer to Note 1 to Consolidated Financial Statements in Appendix A of the Proxy Statement.

For full text of Commitments and Contingent Liabilities refer to Note 13 to Consolidated Financial Statements in Appendix A of the Proxy Statement.

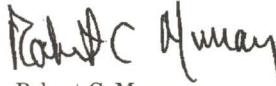
Financial Statement of Responsibility

To the Stockholders of Public Service Enterprise Group Incorporated:

The condensed financial statements in this Summary Annual Report were derived from the consolidated financial statements included in the Public Service Enterprise Group Incorporated (the "Company") Proxy Statement for the 1997 Annual Meeting of Stockholders, which has been enclosed in the same mailing as this Summary Annual Report. The integrity and objectivity of the financial information presented in the Proxy Statement and this Summary Annual Report are the responsibility of the Company's management. The financial statements report on management's accountability for corporate operations and assets. To this end, management maintains a highly developed system of internal controls and procedures designed to provide reasonable assurance that the Company's assets are protected and that all transactions are accounted for in conformity with generally accepted accounting principles. The system includes documented policies, guidelines and self-assessments, augmented by a comprehensive program of internal and independent audits conducted to monitor overall accuracy of financial information and compliance with established procedures. The consolidated financial statements included in the Proxy Statement were audited by Deloitte & Touche LLP, independent auditors, whose report on the condensed consolidated financial statements appears herein.



E. James Ferland
Chairman of the Board,
President and Chief Executive Officer



Robert C. Murray
Vice President and
Chief Financial Officer



Patricia A. Rado
Vice President and Controller,
Principal Accounting Officer

February 14, 1997

Independent Auditors' Report

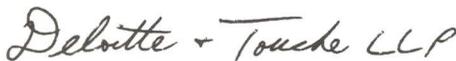
To the Stockholders and the Board of Directors of Public Service Enterprise Group Incorporated:

**Deloitte &
Touche LLP**



We have audited the consolidated balance sheets of Public Service Enterprise Group Incorporated and its subsidiaries (the "Company") as of December 31, 1996 and 1995, and the related consolidated statements of income, retained earnings and cash flows for each of the three years in the period ended December 31, 1996. Such consolidated financial statements and our report thereon dated February 14, 1997, expressing an unqualified opinion (which are not presented herein) are included in Appendix A of the Proxy Statement for the 1997 Annual Meeting of Stockholders. The accompanying condensed consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on such condensed consolidated financial statements in relation to the complete consolidated financial statements.

In our opinion, the information set forth in the accompanying condensed consolidated balance sheets as of December 31, 1996 and 1995 and the related condensed consolidated statements of income, retained earnings and cash flows for each of the three years in the period ended December 31, 1996 is fairly stated in all material respects in relation to the basic consolidated financial statements from which it has been derived.



February 14, 1997

Parsippany, New Jersey

Board of Directors

Lawrence R. Codey

has been a director since 1991. Has been President and Chief Operating Officer of PSE&G since September 1991. Member of Executive Committee and Finance Committee. Director of PSE&G, Sealed Air Corporation, The Trust Company of New Jersey, United Water Resources Inc. and Blue Cross & Blue Shield of New Jersey.

Ernest H. Drew

has been a director since 1993. Has been a member, Board of Management of Hoechst AG, Frankfurt, Germany, a manufacturer of pharmaceuticals, chemicals, fibers, film, specialties and advanced materials, since January 1995. Was Chairman of the Board and Chief Executive Officer of Hoechst Celanese Corporation of Somerville, New Jersey from May 1994 until January 1995 and was President and Chief Executive Officer from January 1988 to May 1994. Member of Executive Committee, Audit Committee and Finance Committee. Director of EDHI and Thomas & Betts Corporation.

T. J. Dermot Dunphy

has been a director since 1980. Has been Chairman of the Board and Chief Executive Officer of Sealed Air Corporation, a Saddle Brook, New Jersey manufacturer of protective packaging products and systems, since November 1996. Was President and Chief Executive Officer of Sealed Air Corporation from 1971 to November 1996. Chairman of Finance Committee and member of the Audit Committee and Organization and Compensation Committee. Director of EDHI, Sealed Air Corporation, Summit Bancorp and Summit Bank.

E. James Ferland

has been a director since 1986. Has been Chairman of the Board, President and Chief Executive Officer of Enterprise since July 1986, Chairman of the Board and Chief Executive Officer of PSE&G since September 1991, and Chairman of the Board and Chief Executive Officer of EDHI since June 1989. Chairman of Executive Committee. Director of PSE&G, EDHI, and EDHI's principal subsidiaries, and of Foster Wheeler Corporation and The Hartford Steam Boiler Inspection and Insurance Company.

Raymond V. Gilmartin

has been a director since 1993. Has been Chairman of the Board, President and Chief Executive Officer of Merck & Co., Inc. of Whitehouse, New Jersey, a global pharmaceutical firm that discovers, develops, produces and markets human and animal health products, since November 1994. Was President and Chief Executive Officer of Merck & Co., Inc. from June 1994 to November 1994. Was Chairman of the Board, President and Chief Executive Officer of Becton Dickinson and Company from November 1992 to June 1994. Chairman of Nominating Committee and member of Finance Committee and Organization and Compensation Committee. Director of PSE&G, Merck & Co., Inc. and Provident Corporation.

Irwin Lerner

has been a director since 1981. Retired Chairman, President and Chief Executive Officer of Hoffmann-La Roche Inc., of Nutley, New Jersey, a manufacturer of prescription pharmaceuticals, vitamins and fine chemicals, and diagnostic products and services. Chairman of

the Organization and Compensation Committee and member of the Audit Committee, Finance Committee and Nuclear Committee. Director of PSE&G, Humana, Inc., Sequana Therapeutics, Inc. and Medarex Inc.

Marilyn M. Pfaltz

has been a director since 1980. Has been a partner of P and R Associates of Summit, New Jersey, a communications firm, since 1968. Chair of Audit Committee and member of Nominating Committee and Organization and Compensation Committee. Director of EDHI and AAA National Association.

James C. Pitney

has been a director since 1979. Has been a partner in the law firm of Pitney, Hardin, Kipp & Szuch of Morristown, New Jersey, since 1958. Member of Executive Committee, Audit Committee, Finance Committee and Nominating Committee. Director of PSE&G, Tri-Continental Corporation, sixteen funds of the Seligman family of funds and Seligman Quality, Inc.

Forrest J. Remick

has been a director since 1995. Has been an engineering consultant since July 1994. Retired Commissioner of the United States Nuclear Regulatory Commission. Was Associate Vice President - Research and Professor of Nuclear Engineering at Pennsylvania State University, from 1985 to 1989. Chairman of Nuclear Committee and member of Audit Committee and Nominating Committee. Director of PSE&G.

Richard J. Swift

has been a director since 1994. Has been Chairman of the Board, President and Chief Executive Officer of Foster Wheeler Corporation, of Clinton, New Jersey, a firm providing design, engineering, construction, manufacturing, management, plant operations and environmental services, since May 1994. Member of Finance Committee, Nominating Committee and Nuclear Committee. Director of EDHI, Foster Wheeler Corporation and Ingersoll-Rand Company.

Josh S. Weston

has been a director since 1984. Has been Chairman of the Board of Automatic Data Processing, Inc., of Roseland, New Jersey, since April 1986 and was Chief Executive Officer of Automatic Data Processing, Inc. from January 1983 to August 1996. Member of Executive Committee, Nuclear Committee and Organization and Compensation Committee. Director of EDHI, Automatic Data Processing Inc., Olsten Corporation, Vanstar Corporation and Shared Medical Systems Corporation.

Executive Officers of Enterprise

E. James Ferland

Chairman of the Board, President and Chief Executive Officer; Chairman of the Board and Chief Executive Officer of PSE&G; Chairman of the Board and Chief Executive Officer of EDHI.

Lawrence R. Codey

President and Chief Operating Officer of PSE&G.

Leon R. Eliason

Chief Nuclear Officer and President-Nuclear Business Unit of PSE&G.

Robert J. Dougherty, Jr.

President and Chief Operating Officer of EDHI.

Alfred C. Koeppe

Senior Vice President-Corporate Services and External Affairs of PSE&G.

Robert C. Murray

Vice President and Chief Financial Officer; Senior Vice President and Chief Financial Officer of PSE&G.

R. Edwin Selover

Vice President and General Counsel; Senior Vice President and General Counsel of PSE&G.

Frank Cassidy

President and Chief Executive Officer of Energis Resources.

Patricia A. Rado

Vice President and Controller; Vice President and Controller of PSE&G.

Michael J. Thomson

President and Chief Executive Officer of CEA.

Stockholder Information

Stock Exchange Listings

New York (Enterprise common and PSE&G preferred)
Philadelphia (Enterprise common)
Trading Symbol: PEG

Annual Meeting

Please note that the annual meeting of stockholders of Public Service Enterprise Group Incorporated will be held at Newark Symphony Hall, 1020 Broad Street, Newark, New Jersey, on Tuesday, April 15, 1997 at 2 p.m.

Stockholder Services

Stockholder inquiries about stock transfer, dividends, dividend reinvestment, direct deposit, missing or lost certificates, change of address notification and other account information should be directed to: Stockholder Services Department, Public Service Electric & Gas Company, P.O. Box 1171, Newark, NJ 07101-1171. Please include your account number or social security number.

Stockholders can also phone our toll-free number **800-242-0813**, Monday through Friday, with questions about stock transfer and registration, shares held in Enterprise Direct and our other stockholder services. Hours are: 10 a.m. to 3:30 p.m. Eastern time. The telephone number for the hearing impaired with special equipment is TDD 800-732-3241. Please have your account number or Social Security number ready when you call.

Stockholders can reach us by Internet e-mail at:
stkserv@pseg.com

Stockholders can also reach us by FAX at: 201-824-7056

Transfer Agents

The transfer agents for the common and preferred stocks are:

Stockholder Services
Department
Public Service Electric
and Gas Company
P.O. Box 1171
Newark, NJ 07101-1171

First Chicago Trust
Company of New York
P.O. Box 2506
Jersey City, NJ 07303-2506

Enterprise Direct — Stock Purchase and Dividend Reinvestment Plan

Enterprise offers Enterprise Direct, a Stock Purchase and Dividend Reinvestment Plan. For additional information, including a prospectus and enrollment form, contact us through Internet e-mail at **stkserv@pseg.com** or call **800-242-0813**.

Dividends

Dividends on the common stock of Enterprise, as declared by the Board of Directors, are generally payable on the last business day of March, June, September and December of each year. Regular quarterly dividends on PSE&G's preferred stock are payable on the last business day of March, June, September and December of each year.

Direct Deposit of Dividends

No more dividend checks delayed in the mail. No waiting in bank lines. Your quarterly common and preferred stock dividend payments can be deposited electronically to your personal checking or savings account. To use this free service, call us at **800-242-0813**.

Security Analysts and Institutional Investors

For information contact:
Director — Investor Relations
201-430-6564

Available Publications

Form 10-K: A copy of Enterprise's 1996 Annual Report to the Securities and Exchange Commission, filed on Form 10-K, may be obtained by calling 201-430-6503 or writing to:
Director — Investor Relations
Public Service Electric and Gas Company T6B
P.O. Box 570
Newark, NJ 07101

The copy so provided will be without exhibits. Exhibits may be purchased for a specified fee.

Financial and Statistical Review: A comprehensive statistical report containing historical financial and operating data may also be obtained from the Director — Investor Relations.

Again this year, Enterprise has adopted a summary annual report format, with no loss of information since the full financials are available as an Appendix to the accompanying Proxy Statement. This format is intended to provide stockholders with information in a more reader-friendly format. This report focuses on the key events that made 1996 such a pivotal year in our transition toward a competitive environment. It describes a superior service strategy that meets customer needs, and provides communications that meet stockholder needs. At the same time, the reduced cost of this format reflects our company's commitment to operating more efficiently.

Common Stock — Market Price and Dividends per Share

	1996			1995		
	High	Low	Div.	High	Low	Div.
First Quarter	\$32%	\$25%	\$.54	\$29%	\$26	\$.54
Second Quarter	27%	25%	.54	30%	26%	.54
Third Quarter	27%	25%	.54	29%	26%	.54
Fourth Quarter	29	26%	.54	30%	28%	.54

The number of holders of record of Public Service Enterprise Group Incorporated common stock as of December 31, 1996 was 167,205.

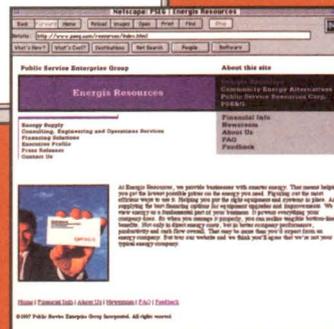
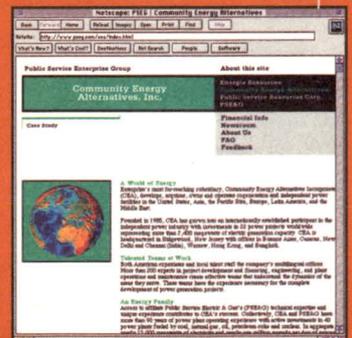
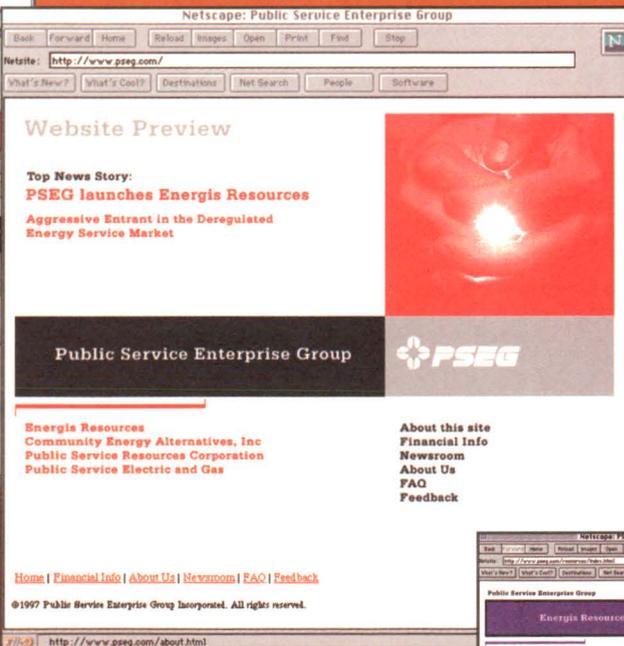
Communicating with our Customers, Stockholders and Friends

Enterprise's corporate web site was launched this January, giving anyone with Internet access the freedom to choose information about our company at any time. The site can be reached by the

address, www.pseg.com. It's a one-stop information resource about Enterprise and its subsidiaries. Sections include an overview of the company, a historical archive of press releases, detailed financial information and a feedback section for users to ask questions or provide comments. In

its first week of existence, the site was positively received by stockholders, analysts and employees. It also secured three new customer contacts for Energis Resources.

www.pseg.com





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