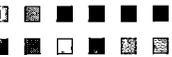


**HOW
PSEG
DID
IN
1998
FOR
SIX
PEOPLE
WHO
REALLY
MATTER
TO US**



PSEG

Summary
Annual Report
1998



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"We make things work for you"

With the onset of competition, energy utilities are faced with the challenge of demonstrating the qualities that make us better – more efficient, more innovative, more technically skilled – than competitors.

In 1998, Public Service Enterprise Group (PSEG) reminded our current and potential customers that energy plays a major role in all of our lives... and that the PSEG family of companies provides essential services to the community. Through a series of television and radio commercials in the New York, New Jersey and Philadelphia markets, we introduced the new tagline "We make things work for you" to create an emotional connection to our work and the constantly improving standard of living made possible through reliable energy and energy services.

Also, last June, we renamed our unregulated subsidiaries to better reflect their affiliation to PSEG, the parent corporation, and to more accurately describe our businesses as they have evolved. As you review our 1998 accomplishments and plans for the future, please keep the following in mind:

- PSEG Energy Holdings Inc., the holding company for our unregulated subsidiaries, was Enterprise Diversified Holdings Incorporated (EDHI),
- PSEG Global Inc., our global energy infrastructure company, was Community Energy Alternatives Incorporated (CEA),
- PSEG Resources Inc., our investment subsidiary, was Public Service Resources Corporation (PSRC), and
- PSEG Energy Technologies Inc., our energy management solutions company, was Energis Resources Incorporated.

More detailed descriptions of the PSEG companies are located in the "At a Glance" chart on pages 16 and 17.

FINANCIAL HIGHLIGHTS

Dollars in millions, where applicable	1998	1997	% Change
Total Operating Revenues	\$ 5,931	\$ 6,100	(3)
Total Operating Expenses	\$ 4,745	\$ 4,985	(5)
Net Income	\$ 644	\$ 560	15
Common Stock			
Shares Outstanding – Average (Thousands)	230,974	231,986	–
Earnings per Average Share	\$ 2.79	\$ 2.41	16
Dividends Paid per Share	\$ 2.16	\$ 2.16	–
Book Value per Share – Year-end	\$ 22.51	\$ 22.47	–
Market Price per Share – Year-end	\$ 40.00	\$ 31.81	26
Ratio of Earnings to Fixed Charges – PSEG ^(A)	2.86	2.61	
Ratio of Earnings to Fixed Charges – PSE&G ^(A)	3.15	2.70	
Gross Additions to Utility Plant	\$ 547	\$ 557	(2)
Total Gross Utility Plant	\$18,236	\$17,815	2

(A) Includes Preferred Securities Dividend Requirements.
The detailed Consolidated Financial Statements and related discussion appear in Appendix A of the Proxy Statement.

On Our Cover

As the energy industry goes through dramatic changes, Public Service Enterprise Group remains committed to our shareholders, customers, employees and the environment. In this report, we introduce you to six of the people who benefit from the commitment of more than 19,000 people of PSEG.

<input type="checkbox"/> <input type="checkbox"/>	Chairman's Letter	1
<input type="checkbox"/> <input type="checkbox"/>	Six People Who Matter to Us	4
	At a Glance	16
	Operational Highlights	18
	Consolidated Financial Statistics	19

	Condensed Consolidated Financials	20
	Directors and Officers	23
	Stockholder Information	2
	Meeting the Year 2000 Challenge	2

CHAIRMAN'S LETTER

Dear Shareholder:

The year 1998 marked the close of one era for Public Service Enterprise Group (PSEG) and the beginning of a dynamic new one. The long-anticipated restructuring of the energy industry is under way in New Jersey, as it is across the nation and around the world. Your company is in a strong position to pursue the unprecedented opportunities those changes bring. We are executing strategies that position us for continued growth and success, both in the home territory of our largest subsidiary, Public Service Electric and Gas Company (PSE&G), as well as in other markets around the world.

PSEG reported consolidated earnings of \$2.79 per share in 1998, up from \$2.41 in 1997. The comparatively higher earnings in 1998 stemmed primarily from two factors. First, the increase in revenues from wholesale power activities of our utility subsidiary, PSE&G, offset the effects of moderate weather on the sale of natural gas. Second, 1997 results reflect a one-time charge of 27 cents per share resulting from the settlement of lawsuits related to the refurbishment outage of the Salem nuclear station, which is now back in service. Excluding this charge, 1997 results were \$2.68 per share.

In addition to reduced operating and maintenance costs related to our nuclear operations, PSE&G enjoyed higher electric sales in 1998 thanks to a comparatively warm summer and a healthy New Jersey economy.

PSEG Energy Holdings, the parent company of our unregulated ventures, contributed 21 cents per share, largely attributable to the overall strong performance of PSEG Resources' investment portfolio.

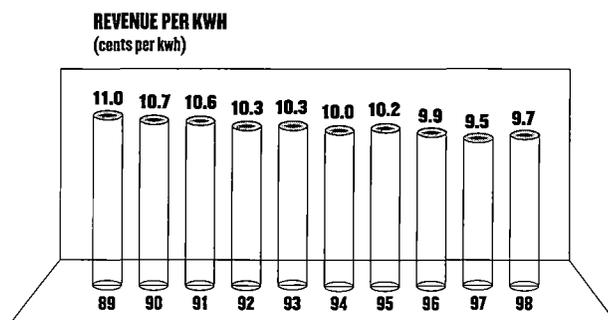
PSEG common stock finished 1998 at a closing price of \$40, up more than \$8 from the closing price of 1997. Your company has continued to outperform key industry stock indices on a total return basis, which is a combination of price appreciation and reinvested dividends. PSEG's 33 percent return exceeded the Standard & Poor's index of 26 electric utilities by nearly 18 percent and the Dow Jones Utilities index of 15 electric and gas companies by almost 15 percent in 1998. PSEG also outpaced the strong performance of the Standard & Poor's 500 Index by more than 5 percent.



Separately, two major rating agencies, Standard and Poor's and Moody's Investors Service, elevated their outlooks on PSE&G's bonds from negative to stable following the restart of our Salem units.

In anticipation of the regulatory approval of a technique known as securitization in conjunction with the deregulation of the utility industry in New Jersey, we announced our intention to repurchase up to 10 million shares of PSEG common stock on the open market. At year end, we had completed just over half of this program.

In this period of unprecedented change in the utility industry, New Jersey legislators labored through the fall and into 1999 on the Electric Discount and Energy Competition Act. Enacted in early 1999, this law permits the New Jersey Board of Public Utilities (BPU) to restructure the state's electric and gas utility industries, in effect "unbundling" our service into distinct components: gas and electric commodity sales, energy delivery, metering, billing and energy services. The new law has



Average revenue per kwh adjusted for inflation. Base year 1996.

PSE&G supplies electricity at the lowest cost per kwh of all the major utilities in New Jersey and intends to continue the trend.

granted the BPU the authority to implement these changes, and as this letter is being written, PSE&G is working to assure a positive decision by the regulatory agency on our restructuring plan. We expect a decision before the end of the second quarter.

As we await the outcome of the BPU proceeding, I can describe to you the broad outline of the competitive retail energy marketplace the legislation has established in the

Garden State. Under the legislation, starting in August 1999, consumers will gain the opportunity to shop for energy while PSE&G will continue to operate and maintain the pipes and wires that bring gas and electricity to our New Jersey customers. Mandates have been made on the electric side of the business for a 10 percent reduction from our April 1997 rates. After an initial rate reduction of 5 percent in August, the balance of the mandated reduction will be phased in over a three-year period.

Provisions are also made for continued service reliability and the continuation of energy conservation measures and other societal benefit programs. Customers will have the option to form buying groups to negotiate prices with energy suppliers. For at least the first year after restructuring, PSE&G and other utilities will continue to handle customer metering, billing and account administration. The BPU will determine whether customers will have the option to choose an alternate provider for these services after that first year.

While the new law does not specifically require retail gas sales to be separated from delivery, it enables the BPU to order that separation and requires that customers gain full retail choice of gas suppliers by the end of 1999.

One of the key outcomes of deregulation that will affect your investment in PSEG is the treatment of stranded assets. This term relates to the difference in the value of PSE&G's generating

Viewed collectively, we believe the many elements of this legislation offer the BPU the means to construct a regulatory decision that can provide desired rate reductions, maintain the financial viability of your company and assure New Jersey residents the same high quality service and reliability they have come to expect.

In New Jersey and nationally, PSE&G has played a key role in ensuring that restructuring does not create an unfavorable impact on the environment. The leadership of PSE&G President Larry Codey and the work of the corporate environmental and federal affairs teams, with partners in the environmental community, have helped to ensure that new competitors in New Jersey's energy market are required to meet the same stringent emissions standards as industries that currently operate here.

Business in Redefined Markets

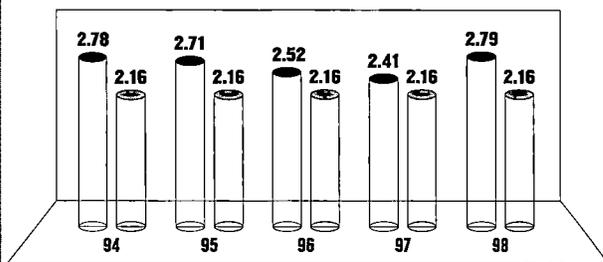
Energy market restructuring will present new opportunities, new risks and new rewards. Historically, the majority of your company's assets, revenues and earnings have been under the regulatory jurisdiction of the New Jersey BPU. In the future, that will not be the case. Electric and gas distribution activities in New Jersey will continue to operate under BPU regulation as electric generation and gas supply activities become competitive, non-regulated businesses. While we will continue to invest in PSE&G's energy delivery infrastructure to maintain its world-class status, we will devote significant resources to our other businesses that operate largely in competitive, non-regulated markets. The risks in unregulated businesses are greater, yet the potential rewards and growth prospects increase as well. We are continuing to execute plans to pursue those opportunities by capitalizing on your company's strongest competencies.

Our efforts of the past several years to revitalize our nuclear program are paying dividends. In 1998 our five plants operated at a combined 85 percent capacity factor, a record for our company. Our Salem, Hope Creek and Peach Bottom units operated reliably over the summer, a time of peak demand. We received further endorsement of our efforts last July when the Nuclear Regulatory Commission removed the Salem units from its Watch List.

Our domestic generation fleet has an opportunity to participate in the Pennsylvania-New Jersey-Maryland Interconnection (PJM), as well as adjacent power pools. Our energy marketing capability, operating under strong risk management controls, is designed to participate in the wholesale and retail marketplace while protecting the company from volatile price fluctuations.

As demands for reliable energy grow in economies around the world, PSEG Global is making significant inroads in key regions

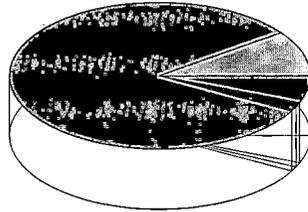
PSEG ANNUAL EARNINGS AND DIVIDEND PAYOUT PER SHARE
(dollars)



● Earnings per Share
▨ Annual Dividend Payout

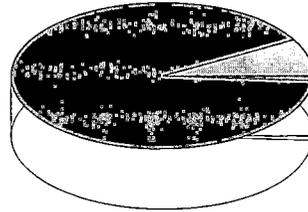
stations in a regulated market, where historically the BPU has included all of the stations' costs plus a profit in the rates we charge our customers, versus the lower expected value in a deregulated market, where the price of electricity will be determined by market forces. While the legislation permits the recovery of 100 percent of the stranded assets approved by the BPU, including the recovery of up to 75 percent through securitization, the ultimate level of recovery will be determined by the BPU.

ALLOCATION OF ASSETS AT DECEMBER 31, 1998
PSEG TOTAL ASSETS — \$18.0 BILLION



P&G		82%
Resources		10%
Global		6%
Energy Technologies		1%
Other		1%

1998 SOURCES OF CONSOLIDATED EARNINGS PER SHARE
PSEG EARNINGS PER AVERAGE SHARE — \$2.79



P&G		\$2.58
Resources		\$.24
Global		\$.03
Energy Technologies		(\$.06)

through acquisition or development of generation and distribution facilities. Working with carefully selected partners, PSEG Global has established itself in more than a dozen key markets that, in total, represent more than half of the world's projected new power needs.

PSEG Resources will continue to capitalize on our energy expertise to structure financial investments in energy-related projects that provide attractive earnings and cash flows.

PSEG Energy Technologies, your company's newest subsidiary, is laying the groundwork for PSEG's participation in the retail energy marketplace. This is a brand new market for consumers. Its development will be challenging but appears to have significant potential.

As our non-regulated businesses have grown over the past several years, we have demonstrated our ability to consistently earn money in the competitive energy marketplace. Because of the regulatory changes described above, your future company will include a larger component of competitive businesses. As the unregulated component of our business continues to grow, our earnings volatility will likely increase. Required changes to regulatory accounting that result from the BPU restructuring decision could also have an impact on PSEG's financial results in the short term. The business experience we have acquired in operating our non-utility businesses, and our continued commitment to a stable regulatory base, will be significant components in achieving future success.

While my letter has necessarily focused on New Jersey's restructuring process, I encourage you to review the remainder of this report, which highlights the exciting accomplishments and opportunities of your PSEG companies.

Our People

Our ability to compete in a changing operating environment is large part to the strong foundation created by the people of PSEG, from our board of directors and executive officers to the employees who serve our customers every day. Their

talents, contributions and perspectives differentiate your company in increasingly more competitive markets, and I am grateful for their enthusiasm, commitment and drive.

Of special note, the people of PSE&G have worked hard to ensure a fair and reasonable outcome to New Jersey's restructuring effort. In an outstanding display of mutual concern, representatives of our labor unions joined company management in testifying before legislative and regulatory bodies during deliberation on restructuring. Their counsel and support underscore our shared commitment toward preserving fair opportunities for our skilled and talented work force to serve our customers and compete in the new marketplace.

We're also committed to a very basic – and crucial – part of our current and potential success: the health and safety of our employees. Through an atmosphere of trust, mutual respect and open communication, we are striving to create an accident-free workplace.

Individually and in teams, our employees have laid the foundation for PSEG's success in the new energy marketplace – and we're counting on them to explore new opportunities to grow and prosper in the years to come. I speak on their behalf and mine when I thank you for your continued support and confidence in our commitment to provide you with outstanding value for your investment.

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

Public Service Enterprise Group
 Incorporated

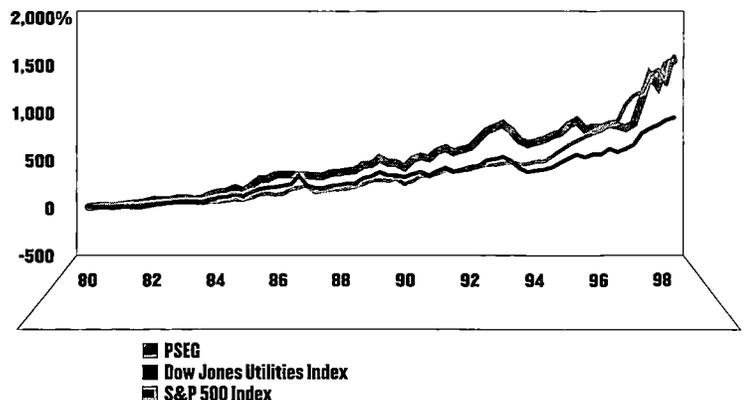
February 12, 1999



**JOANNE
SCHIFANO**

DURING THE STOCK MARKET VOLATILITY OF 1998, PSEG WAS A NATURAL CHOICE FOR JOANNE AND OTHER PEOPLE SEEKING STEADY PERFORMERS FOR THEIR INVESTMENT PORTFOLIOS. FOR THE SECOND STRAIGHT YEAR, PSEG TOTAL SHAREHOLDER RETURN EXCEEDED THE STANDARD & POOR'S ELECTRIC UTILITIES INDEX AND THE DOW JONES UTILITIES INDEX.

When measured from December 31, 1980 to December 31, 1998, PSEG has outpaced the Dow Jones Utilities Index on a total return basis.



marketers experienced large losses in the wholesale market, our trading operations performed well.

Industry restructuring has created significant opportunities for merchant power producers. Consequently, PSEG is exploring new markets with an eye on selectively acquiring generation facilities in the Northeast region.

Delivering Energy to New Jersey Homes and Businesses

Deregulation gives our customers the freedom to shop for power, but they'll still be served through PSE&G's electric and gas distribution system. While this part of the business will stay regulated, its long-term profitability will depend on the efficiency and quality of our service, now more than ever.

Growth in our domestic energy delivery business relies in part on productivity improvements. In 1998, the people of PSE&G continued long-standing efforts to improve productivity and service quality and, ultimately, customer satisfaction. Combining gas and electric delivery under a unified distribution organization has created new efficiencies. In concert with the unions that represent our work force, we are also investigating new ways to use productivity improvements to restore service to our customers more quickly following severe weather outages.

PSE&G's energy delivery system may also grow geographically through merger or acquisition. We will seek to combine

with or purchase energy delivery companies that share our commitment to quality service, safety and reliability.

We're also actively considering ways to draw on the skills of distribution employees to expand the "wires" portion of the business. Wireless and fiber optic communications are growing rapidly in the heavily-developed New York-to-Philadelphia corridor that PSE&G serves, and telecommunications companies seek economical, time-saving alternatives to building their own infrastructure. Available space for new towers and wiring is scarce, and local governments and residents often balk at the prospect of locating new large wireless towers in their neighborhoods. In response, we are exploring opportunities to provide installation and maintenance services for communications equipment on our own transmission towers and distribution network.

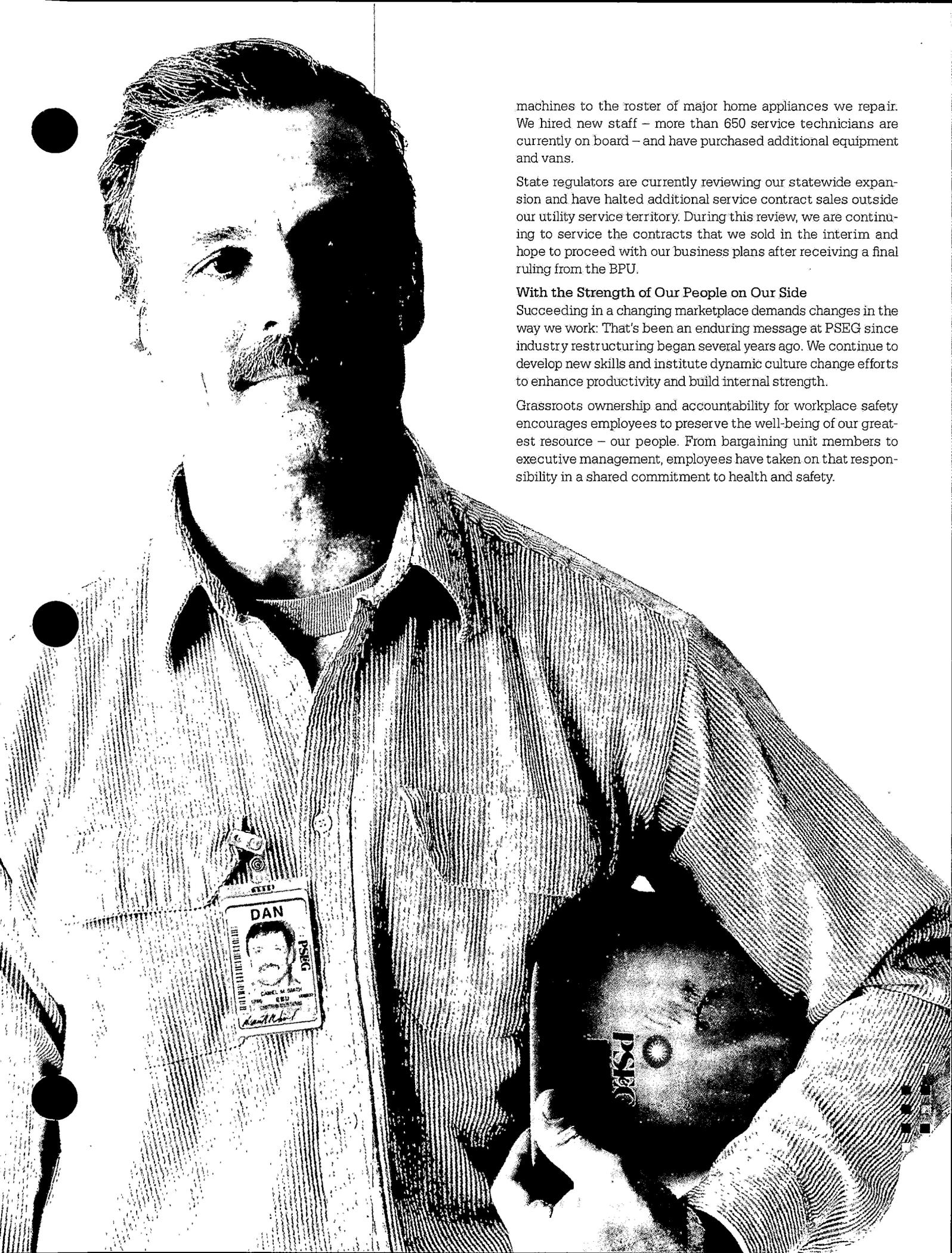
Giving Customers What They Want

Our customers count on safe, reliable PSE&G energy service, and more and more New Jerseyans are counting on us to make sure their appliances work just as reliably.

In 1998, our appliance service business received regulatory approval to add more service offerings, including repair and service contracts to businesses for heating and cooling equipment. We also added refrigerators, dishwashers and washing

**DAN
SMITH**

THE PEOPLE OF PSE&G HAVE BUILT THE ENGINE THAT POWERS NEW JERSEY—AND THEY'RE ALWAYS LOOKING FOR NEW WAYS TO IMPROVE THE SYSTEM TO MEET CUSTOMERS' CHANGING NEEDS. DURING THE RESTRUCTURING OF OUR INDUSTRY, CHIEF LINEMAN DAN SMITH AND OTHER PSE&G UNION REPRESENTATIVES JOINED MANAGEMENT IN URGING THE NEW JERSEY LEGISLATURE FOR A FAIR OPPORTUNITY TO CONTINUE PROVIDING CUSTOMERS WITH RELIABLE ENERGY SERVICE.



machines to the roster of major home appliances we repair. We hired new staff – more than 650 service technicians are currently on board – and have purchased additional equipment and vans.

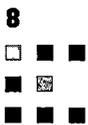
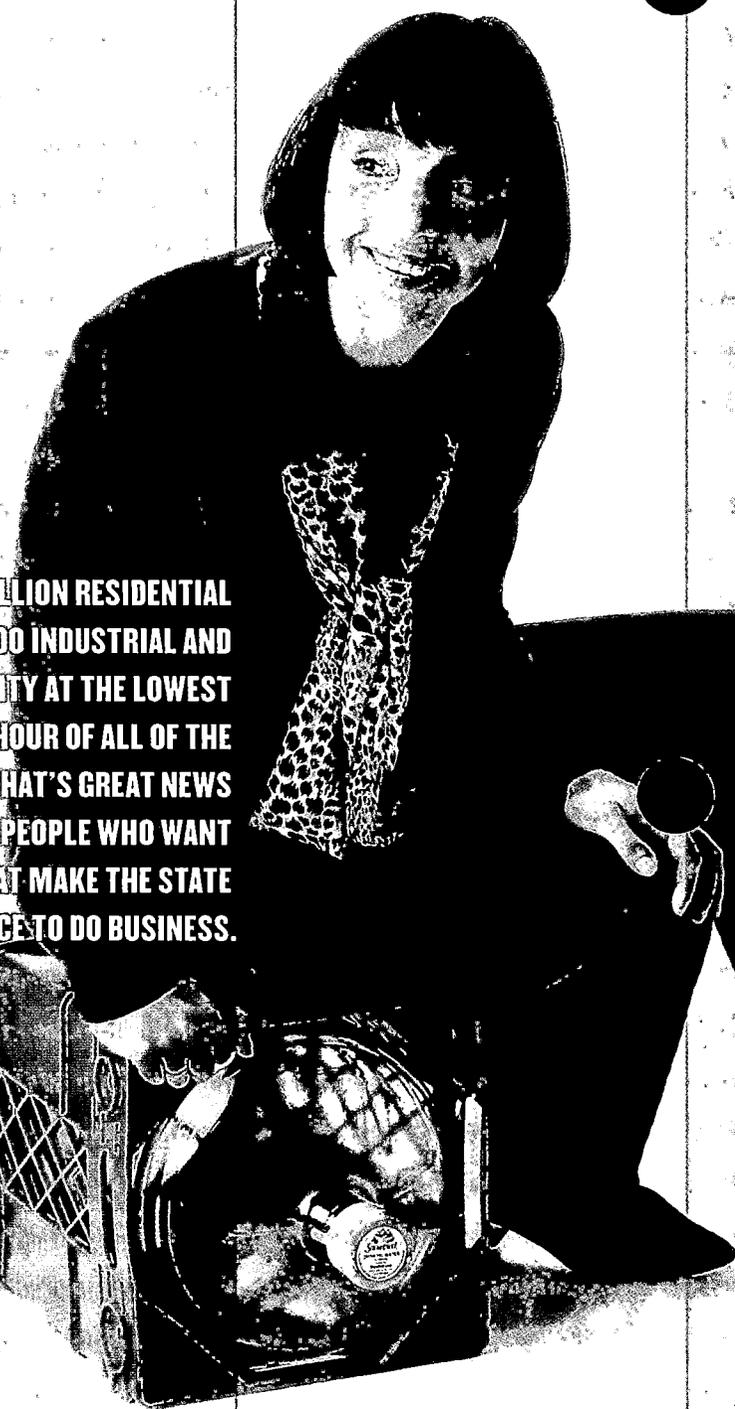
State regulators are currently reviewing our statewide expansion and have halted additional service contract sales outside our utility service territory. During this review, we are continuing to service the contracts that we sold in the interim and hope to proceed with our business plans after receiving a final ruling from the BPU.

With the Strength of Our People on Our Side

Succeeding in a changing marketplace demands changes in the way we work. That's been an enduring message at PSEG since industry restructuring began several years ago. We continue to develop new skills and institute dynamic culture change efforts to enhance productivity and build internal strength.

Grassroots ownership and accountability for workplace safety encourages employees to preserve the well-being of our greatest resource – our people. From bargaining unit members to executive management, employees have taken on that responsibility in a shared commitment to health and safety.

**PSE&G SERVES MORE THAN 1.9 MILLION RESIDENTIAL
CUSTOMERS AND NEARLY 300,000 INDUSTRIAL AND
COMMERCIAL CLIENTS, SUPPLYING ELECTRICITY AT THE LOWEST
COST PER KILOWATT HOUR OF ALL OF THE
MAJOR UTILITIES IN NEW JERSEY. THAT'S GREAT NEWS
FOR DIANE AND OTHER BUSINESS PEOPLE WHO WANT
TO CAPITALIZE ON THE QUALITIES THAT MAKE THE STATE
A GREAT PLACE TO DO BUSINESS.**



Through the work of scores of employees representing every operating division and all five unions, we are building an enhanced climate of trust, commitment, improved training and open communication to create an accident-free workplace. Employees are urged to voice their concerns and have the authority to stop work that will endanger the well-being of workers or the public.

We're already seeing results: PSE&G's Recordable Case Incidence Rate, which shows the number of occupational illnesses and serious injuries per 100 employees per year, dropped nearly 20 percent in 1998, compared with the year before. This is the second straight year that we established a new all-time low for this standard measure of work force safety in our industry.

Employee empowerment on health and safety is just one measure of the evolving culture of mutual respect that continues to strengthen lines of communication between supervisors and line workers. Training programs targeting first-line supervisors enable managers to develop effective coaching

and counseling skills that enhance team productivity, while other programs focus on teamwork and individual initiative at all levels of the company.

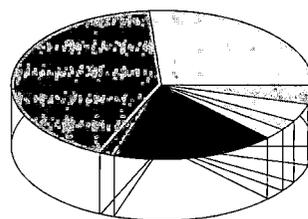
New systems and technology improvements are being put into place to help employees work more efficiently and effectively, reduce costs and improve customer service. PSEG's Business Integration initiative is well under way, using SAP R/3 software and activity-based management to provide an integrated view of all of the processes involved in getting work done, including maintenance, supply chain management, project management, scheduling, staffing and budgeting. First implemented in our Fossil Generation business unit in January 1998, Business Integration is being introduced throughout the rest of the business in 1999.

Providing Energy Solutions

Aggressive energy service companies stand to benefit from the opportunities opened up through industry restructuring. PSEG Energy Technologies provides a full menu of energy management solutions for businesses in the Northeast corridor.

DIANE DREY

The net electric and gas plant in-service amounted to \$10.6 billion at December 31, 1998. Our transmission and distribution system will remain regulated while the nuclear and fossil plants enter the competitive energy marketplace in 1999.



	■	Transmission and Distribution	42.1%
Hope Creek	■		26.4%
Salem 1	■		4.1%
Salem 2	■		3.9%
Peach Bottom 2	■		2.2%
Peach Bottom 3	■		2.3%
	■	Nuclear Generation	38.9%
	■	Fossil Generation	17.5%
	■	Other	1.5%

Participation in energy choice pilot programs, such as those in Pennsylvania and New York, brought us nearly 1,700 new electricity customers. These programs have also helped PSEG Energy Technologies gain name recognition and develop opportunities to sell business solutions to commercial and industrial customers. Despite the challenges of a continually changing regulatory environment, we have made inroads in these markets.

In Pennsylvania, PSEG Energy Technologies exceeded sales projections fourfold. Among its customers are the School District of Philadelphia, which includes 260 schools, and the Municipal Utility Alliance, an association of nearly 20 municipalities in eastern Pennsylvania. In 1998, PSEG Energy Technologies made its first venture into a residential-only pilot program in Bucks County, Pennsylvania.

We also participated in a retail choice pilot in New York City and Westchester County, New York, securing 1,000 customers who represent some 90 megawatts of electric capacity, including International Paper in Purchase, New York, as well as several Manhattan landmarks.



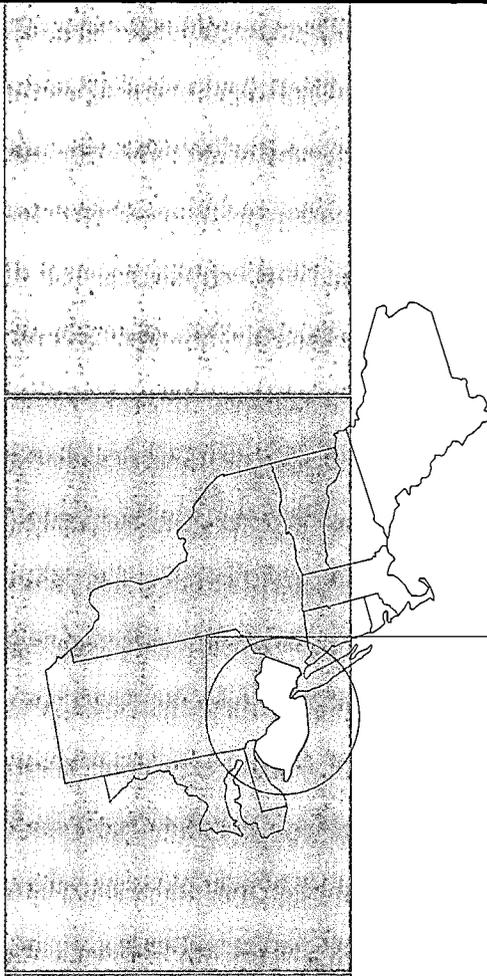
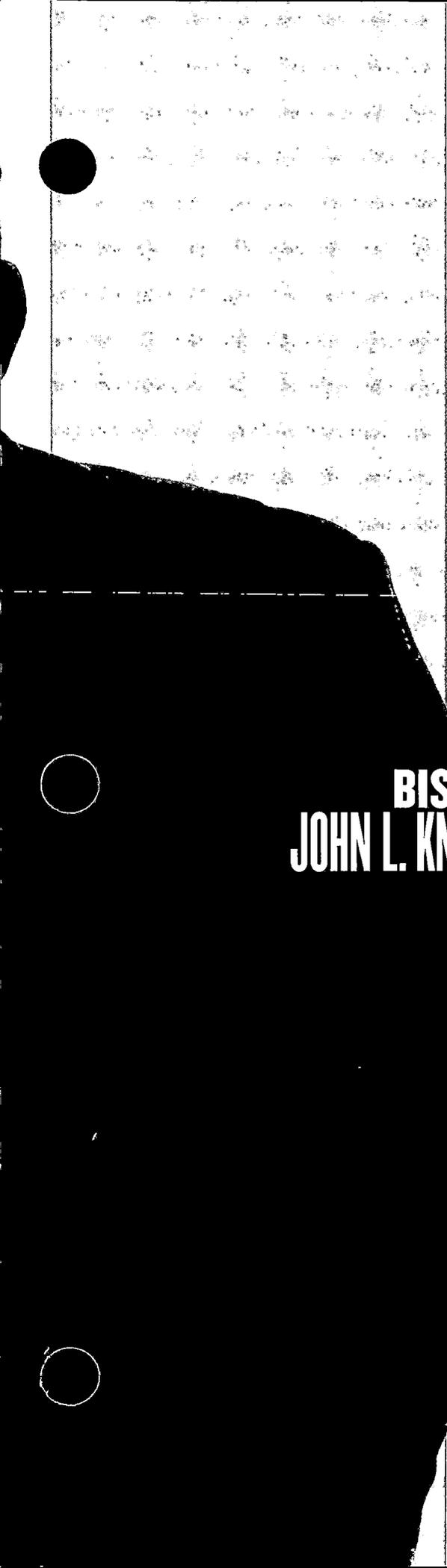
Two key acquisitions helped PSEG Energy Technologies expand the energy construction and management services we provide to commercial and industrial customers. Early in 1998, we acquired Fluidics, Inc., a Philadelphia-based mechanical contracting company, and in January 1999, we completed the acquisition of Arden Engineering, Inc., a premier Rhode Island-based mechanical contractor. Both companies, operating as subsidiaries of PSEG Energy Technologies, will help expand our business in the Northeast.

One example of how PSEG Energy Technologies provides energy solutions is its partnership with United Water Resources, the nation's second largest investor-owned water services firm. Combined, the two companies expect to provide several New Jersey municipalities with services that will reduce costs and improve efficiencies in water and wastewater operations.

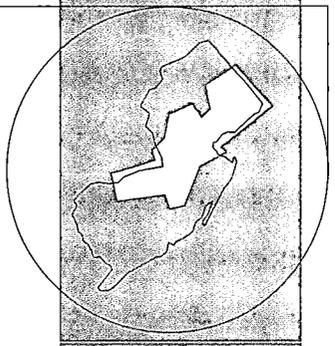
PSEG Energy Technologies expects to begin marketing AlliedSignal's TurboGenerator microturbines this year. We have the exclusive right to sell and service these compact, portable generators throughout the Northeast, as well as in Argentina and parts of Canada. The TurboGenerator can create enough power to meet the energy needs of many small businesses efficiently and cost-effectively.

Emerging Markets...Globally

Opportunity in the energy industry extends far beyond the borders of the United States, to nations all over the globe, where the potential for growth is substantial. Rapidly developing nations need reliable energy to fuel the industrialization of their economies and to improve the quality of life for their citizens. PSEG is capitalizing on its energy expertise to take part in those opportunities, whether by dedicating funds through passive investments, or by building, purchasing and operating generation and energy delivery systems in select areas of the world.



PSE&G serves the intensely developed corridor between New York City and Philadelphia. PSEG Energy Technologies serves the 11-state Maine to Maryland corridor.

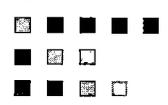
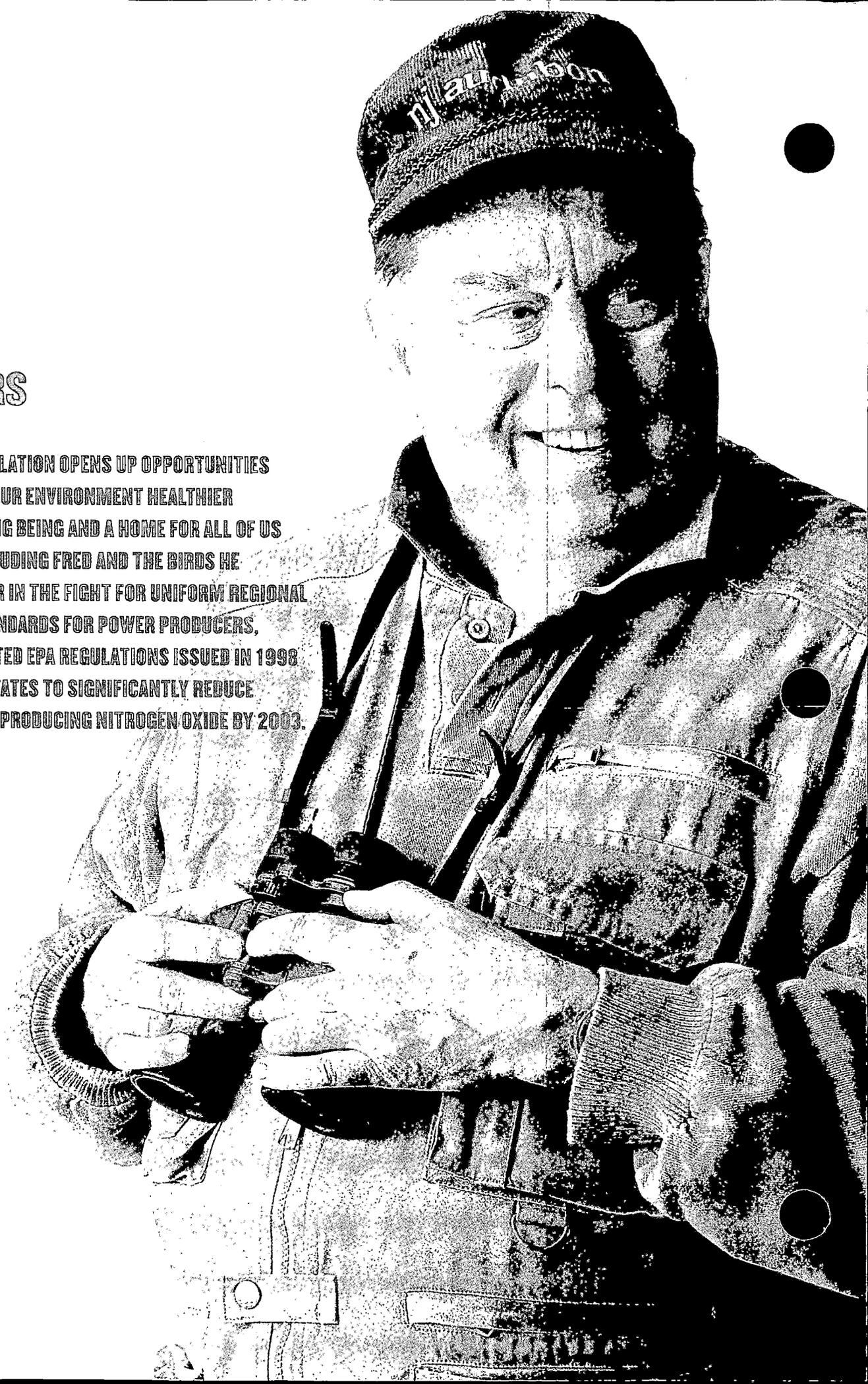


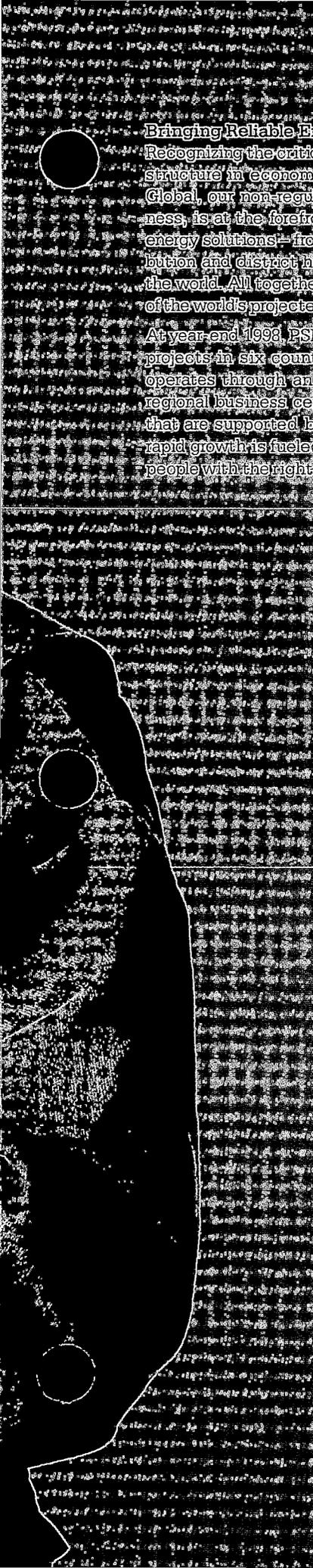
BISHOP JOHN L. KNIGHT

NEW JERSEY'S STRENGTH IS IN ITS COMMUNITIES AND THE INSTITUTIONS THAT SERVE THEM. THE PEOPLE OF PSE&G STRIVE TO MAKE A DIFFERENCE IN OUR NEIGHBORHOODS THROUGH PARTNERSHIPS WITH INFLUENTIAL LEADERS LIKE BISHOP KNIGHT. IN SEVEN NEW JERSEY CITIES, OUR URBAN INITIATIVE WORKS WITH FAITH-BASED ORGANIZATIONS, LOCAL BUSINESSES AND RESIDENTS, CORPORATIONS, LOCAL GOVERNMENTS, NON-PROFIT GROUPS, EDUCATIONAL ORGANIZATIONS AND OTHERS TO BUILD AN ECONOMIC MODEL THAT MOVES COMMUNITIES TOWARD SELF-SUFFICIENCY.

FRED DITMARS

ENERGY DEREGULATION OPENS UP OPPORTUNITIES TO HELP MAKE OUR ENVIRONMENT HEALTHIER FOR EVERY LIVING BEING AND A HOME FOR ALL OF US TO ENJOY—INCLUDING FRED AND THE BIRDS HE SPOTS. A LEADER IN THE FIGHT FOR UNIFORM REGIONAL EMISSIONS STANDARDS FOR POWER PRODUCERS, PSE&G ADVOCATED EPA REGULATIONS ISSUED IN 1998 FOR EASTERN STATES TO SIGNIFICANTLY REDUCE AND CAP OZONE-PRODUCING NITROGEN OXIDE BY 2003.





Bringing Reliable Energy to the World

Recognizing the critical role of reliable power sources and infrastructure in economic development and global trade, PSEG Global, our non-regulated generation and distribution business, is at the forefront of providing efficient, cost-effective energy solutions—from generation and cogeneration to distribution and district heating—in over a dozen markets around the world. All together, these markets represent more than half of the world's projected incremental megawatt (MW) demand.

At year-end 1998, PSEG Global held interests in private power projects in six countries and six U.S. states. The company operates through an international network of experts, with regional business centers in Miami, London and Hong Kong, that are supported by nine additional offices. PSEG Global's rapid growth is fueled by our commitment to getting the best people with the right skills close to customers and partners.

PSEG Global achieved a milestone in December with the financial closure of our first project in India, a 330 MW power plant to be constructed in the coastal village of Pillaiperumalnallur (PPN) in the state of Tamil Nadu. The company holds a 20 percent equity share in the project and will be the operations and maintenance contractor. This major commitment of time and resources by PSEG Global is expected to serve as a model for others. PPN is the first of several projects PSEG Global plans for India.

In the fall, PSEG Global announced the purchase of a 30 percent interest in the Argentine electric distribution company, Empresa Distribuidora La Plata S.A. (Edelap). This transaction increases PSEG Global's asset portfolio in the highly competitive Argentine power market. Combined with two other distribution systems acquired in 1997, the Edelap acquisition makes PSEG Global and our partner the third largest power distributor in Argentina, providing over 6,500 gigawatt hours to a population of nearly two million in a service territory more than eight times the size of New Jersey.

PSEG Global's earlier distribution acquisition in Argentina, the combined EDEN/EDES system, has made significant strides in performance. The operation received an 85 percent approval rating in customer satisfaction, significantly reduced outages and improved operating practices and facilities.

PSEG Global's largest investment, the Brazilian distribution system, Rio Grande Energia (RGE), serves 870,000 customers in a territory nearly six and a half times the size of New Jersey. The company is instituting improvements in its customer service and reliability similar to those initiated in Argentina. In 1998, the duration of customer outages dropped 28 percent and the frequency of outages fell 30 percent from the previous year. At the same time, 84 percent of the system's customers ranked service as good to excellent, an improvement of more than 5 percent from a 1997 survey.

The current downturn in the Brazilian economy will require adjustment to the carrying value of this asset on the balance sheet, based on the relationship of the Brazilian currency, the real, to the U.S. dollar. However, RGE's projected revenues are more than adequate under present conditions to sustain it as a profitable investment.

Strengthening our pipeline of development projects for future growth, PSEG Global advanced our Brazilian strategy when we were selected in August by Petrobras, the Brazilian national oil company, as its partner to jointly develop a 480 MW power plant at the REPAR refinery in Southern Brazil. With Rio Grande Energia, PSEG Global established a presence in the Brazilian distribution business. With the REPAR project, we expect to do the same in the Brazilian generation market.

When assessing development and purchase opportunities, PSEG Global identifies regions that demonstrate an increasing need for energy infrastructure and prospects for incremental growth that we believe will withstand short-term economic turbulence.

PSEG Global's potential for further growth is strong. Our portfolio includes four distribution companies, 21 operating plants totaling nearly 2,300 MW, and four projects under construction totaling nearly 500 MW. With projects in the United States, China, Brazil, Argentina, India and Venezuela, and a healthy

PSEG Global has power generation and distribution assets in North and South America and Asia, as well as development activities worldwide.



WHEN YOUR PRODUCT IS SOMETHING AS FUNDAMENTAL AS RELIABLE ENERGY, IT'S A GIVEN THAT YOU'RE PART OF YOUR NEIGHBORS' LIVES, AFFECTING THEM IN UNEXPECTED WAYS. IN PARTS OF ARGENTINA, CHILDREN LIKE JONATHAN WERE OFTEN SENT HOME FROM SCHOOL DUE TO RECURRING POWER OUTAGES. THROUGH OUR PARTNERSHIP IN THE EDEN/EDES SYSTEM TERRITORY, RELIABLE POWER HAS HELPED KEEP SCHOOLS IN SESSION.

**JONATHAN
MATOS**



backlog of prospects in active development or preliminary screening, PSEG Global continues its focus on worldwide expansion, exploring additional generation and distribution opportunities in those countries and in regions of Europe, Africa, the Middle East, Asia, and North and South America.

Investing for Growth

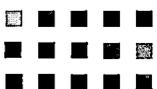
Investments in energy infrastructure around the globe also create dynamic opportunities for knowledgeable energy companies to increase shareholder value through their industry acumen and deal-making capabilities.

PSEG Resources does just that, making investments that are designed to produce immediate, predictable earnings to balance the corporation's overall portfolio. Other parts of the corporation can then focus on longer-term growth initiatives with more distant earnings horizons.

PSEG Resources makes financial investments, primarily in energy and infrastructure-related assets. Since its inception in November 1985, the subsidiary has produced consistent earnings and dividends for PSEG shareholders. Our successful track record is built on solid investment experience and the ability to structure transactions that create additional value for the corporation.

The year 1998 was one of the most successful in PSEG Resources' 13 years of activity as the corporation's investment arm. Despite a turbulent securities market, PSEG Resources generated earnings of \$56 million, managing a diverse portfolio of some \$1.8 billion and closing on new investments totaling \$255 million. The new investments included leases of energy facilities in the United States, the Netherlands and the United Kingdom, which, when combined with liquidations of \$119 million, resulted in a net increase of \$136 million in invested capital for the year.

While the forward-looking statements about PSEG's expectations made throughout this report are based on information currently available and on reasonable assumptions, actual results could be materially different. For more information, please refer to PSEG reports that are filed periodically with the Securities and Exchange Commission.



**PUBLIC SERVICE
ENTERPRISE GROUP
INCORPORATED
AT A GLANCE**

entity

group

leadership

Public Service Enterprise Group
Incorporated

PSEG

E. James Ferland



Chairman of the Board
President and
Chief Executive Officer

80 Park Plaza, T4B
Newark, NJ 07102
973-430-7000
www.pseg.com

Public Service Electric and Gas
Company

PSE&G

Lawrence R. Codey



President and Chief Operating Officer

80 Park Plaza, T4B
Newark, NJ 07102
973-430-7000
www.pseg.com

PSEG Energy Holdings Inc.

PSEG Energy Holdings Inc.

Robert J. Dougherty, Jr.



President and Chief Operating Officer

80 Park Plaza, T4B
Newark, NJ 07102
973-430-7750
www.pseg.com

PSEG Energy Technologies Inc.

Frank Cassidy



President

499 Thornall Street
Edison, NJ 08837
888-336-3744
www.pseg.com

PSEG Global Inc.

Michael J. Thomson



President

1200 East Ridgewood Avenue
Ridgewood, NJ 07450
201-652-2772
www.pseg.com

PSEG Resources Inc.

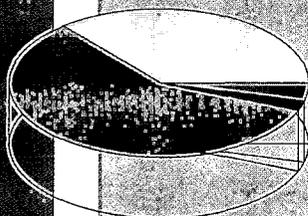
Eileen A. Moran



President

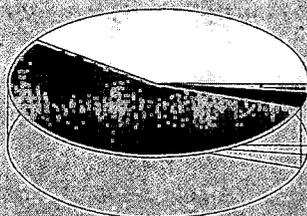
80 Park Plaza, T22
Newark, NJ 07102
973-456-3560
www.pseg.com

**ALLOCATION OF ASSETS AT DECEMBER 31, 1998
ENERGY HOLDINGS TOTAL ASSETS — \$3.111 BILLION**



Resources 58%
 Global 36%
 Energy Technologies 4%
 Other 2%

**ALLOCATION OF ASSETS AT DECEMBER 31, 1997
ENERGY HOLDINGS TOTAL ASSETS — \$2.912 BILLION**



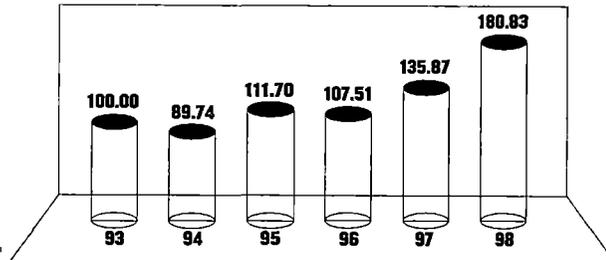
Resources 55%
 Global 40%
 Energy Technologies 2%
 Other 3%

profile	business scope	products / services	market outlook
<p>Publicly-traded diversified energy and energy services holding company located in New Jersey with annual revenues of nearly \$6 billion, consisting of two main subsidiaries: Public Service Electric and Gas Company and PSEG Energy Holdings Inc.</p>	<p>Collectively, PSE&G and PSEG Global, a subsidiary of PSEG Energy Holdings, have more than 90 years of power plant operating experience, with active investments in more than 50 power plants fueled by coke, 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 PSEG 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. PSE&G is one of the 10 largest combined electric and gas companies in the United States.</p>	<p>PSE&G provides the lowest cost, most reliable electric and gas service of any major New Jersey utility. It maintains a staff of over 650 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 service guarantees.</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 • Tradelink Export Assistance Program • Business Enhancement Program • Residential Electric 	<p>While new business ventures will play a vital role in PSEG's long-term growth and strength, PSE&G remains the corporation's core business and currently comprises more than 90 percent of its total revenues.</p>
<p>Operates PSEG's non-utility businesses seeking to maintain and expand energy services in the world. Consists of three primary subsidiaries: PSEG Global, PSEG Energy Technologies and PSEG Resources.</p>	<p>PSEG Energy Holdings builds on the nearly 100-year tradition of PSE&G 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 • International Electric Distribution • Energy Consulting and Planning • Integrated Energy Management Services • Operations and Maintenance Support • Energy Investments 	<p>PSEG Energy Holdings will enter new markets in the energy arena when 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>PSEG Energy Technologies offers a wide variety of services to customers in order to help them reduce costs and improve related energy efficiencies. Along with offering several new services, PSEG Energy Technologies also brings the expertise of functions previously performed by a number of PSEG subsidiaries to northeastern markets that 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>PSEG Energy Technologies serves industrial and commercial customers in the Mid-Atlantic and New England region through three product platforms: energy supply; consulting, engineering and operations services; and financing solutions.</p>
<p>Develops, acquires, owns and operates independent power production and distribution facilities throughout the world.</p>	<p>More than 200 experts in project development and financing, engineering and facility operations, and maintenance create effective teams that understand the dynamics of the areas they serve.</p>	<ul style="list-style-type: none"> • Electric Generation • Electric Distribution Services 	<p>PSEG Global pursues investments in generation and distribution in strategic markets.</p>
<p>Enhances PSEG Energy Holdings' financial strength with a strong, diversified portfolio of more than 60 separate investments across a wide spectrum of industry sectors and asset types, with a focus on energy infrastructure.</p>	<p>PSEG Resources' 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>PSEG Resources 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 energy industry deregulation.</p>

OPERATIONAL HIGHLIGHTS

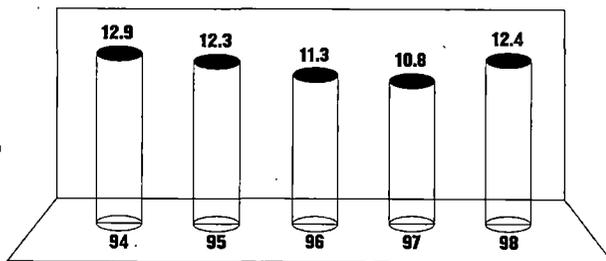
Public Service Enterprise Group continues to pursue a strategy of enhancing stockholder value through retention and reinvestment of earnings and payment of an annual dividend.

RETURN ON \$100 INVESTMENT (dollars)



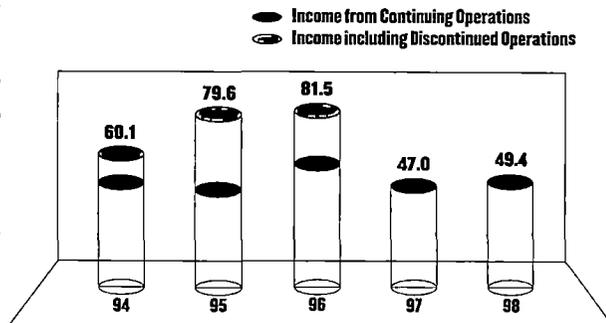
This shows the value on December 31 of each year of \$100 invested in PSEG on December 31, 1993 (assumes reinvested dividends).

RETURN ON AVERAGE COMMON EQUITY (percent)



Return on Average Common Equity for 1998 was 12.4%.

PSEG ENERGY HOLDINGS NET INCOME (dollars in millions)



PSEG Energy Holdings net income grew in 1998 due to strong performance by PSEG Resources.

CONSOLIDATED FINANCIAL STATISTICS^(A)

Dollars in millions where applicable	1998	1997	1996	1995	1994
Selected Income Information					
Operating Revenues					
Electric	\$ 4,031	\$ 3,918	\$ 3,944	\$ 4,021	\$ 3,740
Gas	1,559	1,937	1,881	1,686	1,778
Non-utility Activities	341	245	216	186	177
Total Operating Revenues	\$ 5,931	\$ 6,100	\$ 6,041	\$ 5,893	\$ 5,695
Income from Continuing Operations	\$ 644	\$ 560	\$ 588	\$ 627	\$ 667
Income from Discontinued Operations	—	—	24	35	12
Net Income	\$ 644	\$ 560	\$ 612	\$ 662	\$ 679
Earnings per Average Share (Basic and Diluted):					
Income from Continuing Operations	\$ 2.79	\$ 2.41	\$ 2.42	\$ 2.57	\$ 2.73
Income from Discontinued Operations	—	—	0.10	0.14	0.05
Total Earnings per Average Share	\$ 2.79	\$ 2.41	\$ 2.52	\$ 2.71	\$ 2.78
Dividends Paid per Share	\$ 2.16	\$ 2.16	\$ 2.16	\$ 2.16	\$ 2.16
Payout Ratio	77%	90%	86%	80%	78%
Rate of Return on Average Common Equity ^(B)	12.4%	10.8%	11.3%	12.3%	12.9%
Ratio of Earnings to Fixed Charges ^(C)	2.86	2.61	2.68	2.78	2.84
Book Value per Common Share ^(D)	\$ 22.51	\$ 22.47	\$ 22.33	\$ 22.22	\$ 21.68
Gross Utility Plant	\$18,236	\$17,815	\$17,327	\$16,925	\$16,566
Accumulated Depreciation and Amortization of Utility Plant	\$ 7,360	\$ 6,765	\$ 6,148	\$ 5,738	\$ 5,468
Total Assets	\$17,997	\$17,943	\$16,915	\$16,816	\$16,313
Consolidated Capitalization					
Common Stock	\$ 3,603	\$ 3,603	\$ 3,627	\$ 3,801	\$ 3,801
Preferred Stock	(207)	—	—	—	—
Retained Earnings	1,748	1,623	1,586	1,637	1,505
Currency Translation Adjustment and Other	(46)	(15)	—	—	—
Common Shareholders' Equity	5,098	5,211	5,213	5,438	5,306
Subsidiaries' Preferred Securities	1,208	683	682	685	685
Long-Term Debt	4,763	4,873	4,580	5,190	5,110
Total Capitalization	\$11,069	\$10,767	\$10,475	\$11,313	\$11,101

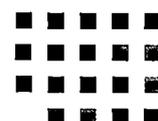
(A) The detailed Consolidated Financial Statements and related discussion appear in Appendix A of the Proxy Statement.

(B) Net Income for a 12-month period divided by the 13-month average of Common Equity.

(C) Includes Preferred Securities Dividend Requirements.

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

NOTE: Certain reclassifications of prior year data have been made to conform with the current presentation.



CONDENSED CONSOLIDATED STATEMENTS OF INCOME

In millions of dollars (except per share data) for the years ended December 31,	1998	1997	1996
Operating Revenues			
Electric	\$4,031	\$3,918	\$3,944
Gas	1,559	1,937	1,881
Non-utility Activities	341	245	216
Total Operating Revenues	5,931	6,100	6,041
Operating Expenses			
Net Interchanged Power and Fuel for Electric Generation	945	909	919
Gas Purchased	970	1,101	1,118
Operation and Maintenance	1,501	1,364	1,371
Depreciation and Amortization	669	630	607
Taxes	660	981	969
Total Operating Expenses	4,745	4,985	4,984
Operating Income	1,186	1,115	1,057
Settlement of Salem Litigation – Net of Applicable Taxes of \$29	–	(53)	–
Other Income – Net	6	7	(2)
Interest Expense and Preferred Securities Dividends	548	509	467
Income from Continuing Operations	644	560	588
Income from Discontinued Operations – Net of Taxes	–	–	24
Net Income	\$ 644	\$ 560	\$ 612
Weighted Average Common Shares and Potential Dilutive Effect of Stock Options Outstanding (000's)	230,974	231,986	242,401
Earnings per Share (Basic and Diluted)			
Income from Continuing Operations	\$ 2.79	\$ 2.41	\$ 2.43
Income from Discontinued Operations	–	–	0.10
Total Earnings per Share	\$ 2.79	\$ 2.41	\$ 2.52
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.

NOTE: Certain reclassifications of prior year data have been made to conform with the current presentation.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

In millions of dollars for the years ended December 31,	1998	1997	1996
Net Income	\$ 644	\$ 560	\$ 612
Adjustments to net income, primarily depreciation and amortization	778	535	858
Net cash provided by operating activities	1,422	1,095	1,470
Cash flows from investing activities			
Additions to Utility Plant, excluding AFDC	(535)	(542)	(586)
Net change in Long-Term Investments	(58)	(914)	5
Net proceeds from the sale of discontinued operations	–	–	704
Change in net assets – discontinued operations	–	–	(51)
Other	(119)	(158)	(81)
Net cash used in investing activities	(712)	(1,614)	(9)
Net cash (used in) provided by financing activities	(653)	323	(1,200)
Net change in Cash and Cash Equivalents	57	(196)	62
Cash and Cash Equivalents at Beginning of Period	83	279	62
Cash and Cash Equivalents at End of Period	\$ 140	\$ 83	\$ 279

The detailed Consolidated Financial Statements and related discussion appear in Appendix A of the Proxy Statement.

CONDENSED CONSOLIDATED BALANCE SHEETS

In millions of dollars for the years ended December 31,

	1998	1997
Assets		
Utility Plant:		
Utility Plant (including Nuclear Fuel)	\$17,993	\$17,465
Less: Accumulated Depreciation and Amortization	7,360	6,765
Net Utility Plant in Service	10,633	10,700
Construction Work in Progress (including Nuclear Fuel)	219	326
Plant Held for Future Use	24	24
Net Utility Plant	10,876	11,050
Investments and Other Noncurrent Assets	3,833	3,532
Current Assets	1,654	1,663
Deferred Debits	1,634	1,698
Total	\$17,997	\$17,943
Capitalization and Liabilities		
Capitalization:		
Common Stockholders' Equity	\$ 5,098	\$ 5,211
Subsidiaries' Preferred Securities	1,208	683
Long-Term Debt	4,763	4,873
Total Capitalization	11,069	10,767
Other Long-Term Liabilities	517	457
Current Liabilities	2,458	2,827
Deferred Credits	3,953	3,892
Total	\$17,997	\$17,943

Condensed Consolidated Financial Statements and related discussion appear in Appendix A of the Proxy Statement.

CONDENSED CONSOLIDATED STATEMENTS OF COMMON STOCKHOLDERS' EQUITY

In millions of dollars	Common Stock	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Income	Total
Balance as of January 1, 1996	\$3,801	\$ -	\$1,637	\$ -	\$5,438
Net Income	-	-	612	-	612
Cash Dividends on Common Stock	-	-	(523)	-	(523)
Retirement of Common Stock	(174)	-	(133)	-	(307)
Preferred Securities Issuance Expenses	-	-	(7)	-	(7)
Balance as of December 31, 1996	3,627	-	1,586	-	5,213
Net Income	-	-	560	-	560
Currency Translation Adjustment	-	-	-	(15)	(15)
Cash Dividends on Common Stock	-	-	(501)	-	(501)
Retirement of Common Stock	(24)	-	(19)	-	(43)
Preferred Securities Issuance Expenses	-	-	(3)	-	(3)
Balance as of December 31, 1997	3,603	-	1,623	(15)	5,211
Net Income	-	-	644	-	644
Currency Translation Adjustment and Other	-	-	-	(31)	(31)
Cash Dividends on Common Stock	-	-	(499)	-	(499)
Retirement of Treasury Stock	-	(207)	-	-	(207)
Restricted Stock Award	-	-	(5)	-	(5)
Preferred Securities Issuance Expenses	-	-	(15)	-	(15)
Balance as of December 31, 1998	\$3,603	\$(207)	\$1,748	\$(46)	\$5,098

The detailed Consolidated Financial Statements and related discussion appear in Appendix A of the Proxy Statement.

Notes to Consolidated Financial Statements

For the 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 the full text of Commitments and Contingent Liabilities refer to Note 10 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 1999 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 12, 1999

INDEPENDENT AUDITORS' REPORT

**Deloitte &
Touche LLP**

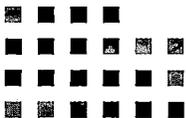


To the Stockholders and Board of Directors of
Public Service Enterprise Group Incorporated:
We have audited the consolidated balance sheets of Public Service Enterprise Group Incorporated and its subsidiaries (the "Company") as of December 31, 1998 and 1997, and the related consolidated statements of income, common stockholders' equity and cash flows for each of the three years in the period ended December 31, 1998. Such consolidated financial statements and our report thereon dated February 12, 1999, expressing an unqualified opinion (which are not presented herein) are included in Appendix A of the Proxy Statement for the 1999 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, 1998 and 1997 and the related condensed consolidated statements of income, common stockholders' equity and cash flows for each of the three years in the period ended December 31, 1998 is fairly stated in all material respects in relation to basic consolidated financial statements from which it has been derived.



February 12, 1999
Parsippany, New Jersey



Lawrence R. Codey
has been a director since 1991. Has been President and Chief Operating Officer of PSE&G since September 1991.

Ernest H. Drew
has been a director since 1993. Was Chief Executive Officer of Industries and Technology Group, Westinghouse Electric Corporation, from July 1997 to December 1997. Was a member, Board of Management of Hoechst AG, Frankfurt, Germany, a manufacturer of pharmaceuticals, chemicals, fibers, film, specialties and advanced materials, from January 1995 to June 1997. 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.

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.

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 PSEG Energy Holdings.

Lawrence R. Codey
President and Chief Operating Officer of PSE&G.

E. James Ferland
has been a director since 1986. Has been Chairman of the Board, President and Chief Executive Officer of PSEG 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 PSEG Energy Holdings since June 1989.

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.

Frank Cassidy
President of
PSEG Energy Technologies.

Robert J. Dougherty, Jr.
President and
Chief Operating Officer of
PSEG Energy Holdings.

Harold W. Keiser
Chief Nuclear Officer
and President –
Nuclear Business Unit of
PSE&G.

Conrad K. Harper
has been a director since May 1997. Has been a partner in the law firm of Simpson Thacher and Bartlett of New York City since October 1996 and from 1974 to May 1993. Was Legal Advisor, U.S. Department of State from May 1993 to June 1996.

Irwin Lerner
has been a director since 1981. Was Chairman of the Board and Executive Committee of Hoffmann-LaRoche, Inc., of Nutley, New Jersey, a manufacturer of prescription pharmaceuticals, vitamins and fine chemicals, and diagnostic products and services, from January 1993 to September 1993 and President and Chief Executive Officer from 1980 to December 1992.

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.

Alfred C. Koeppel
Senior Vice President –
Corporate Services and
External Affairs of PSE&G.

Eileen A. Moran
President of PSEG Resources;
President of EGDC.

Robert C. Murray
Vice President and
Chief Financial Officer;
Executive Vice President –
Finance of PSE&G.

BOARD OF DIRECTORS

Forrest J. Remick
has been a director since 1995. Has been an engineering consultant since July 1994. Was Commissioner of the United States Nuclear Regulatory Commission from December 1989 to June 1994. Was Associate Vice President – Research and Professor of Nuclear Engineering at Pennsylvania State University, from 1985 to 1989.

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 April 1994.

Josh S. Weston
has been a director since 1984. Has been Honorary Chairman of Automatic Data Processing, Inc. of Roseland, New Jersey, since April 1998. Was Chairman of the Board of Automatic Data Processing, Inc. from April 1986 to April 1998 and was Chief Executive Officer from January 1983 to August 1996.

EXECUTIVE OFFICERS

Patricia A. Rado
Vice President and Controller,
Vice President and
Controller of PSE&G.

R. Edwin Selover
Vice President and
General Counsel,
Senior Vice President and
General Counsel of PSE&G.

Michael J. Thomson
President of
PSEG Global.

STOCKHOLDER INFORMATION

Stock Exchange Listings
 New York (PSEG common and PSE&G preferred)
 Philadelphia (PSEG common)
 Trading Symbol: PEG

Annual Meeting

Please note that the annual meeting of stockholders of Public Service Enterprise Group Incorporated will be held at the New Jersey Performing Arts Center (NJPAC), One Center Street, Newark, New Jersey, on Tuesday, April 20, 1999 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, Enterprise Direct transactions 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 973-824-7056.

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
 % Equiserve
 P.O. Box 2500
 Jersey City, NJ 07303-2500

Enterprise Direct - Stock Purchase and Dividend Reinvestment Plan

PSEG 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 PSEG, 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**.

Deposit of Certificates

To eliminate the risk and cost of loss, shareholders can deposit their certificates with the company and still receive a paid dividend.

Security Analysts and Institutional Investors

For information contact:

Director - Investor Relations 973-430-6564

Available Publications

Form 10-K: A copy of PSEG's 1998 Annual Report to the Securities and Exchange Commission, filed on Form 10-K, may be obtained by calling 973-430-6503 or writing to:

Director - Investor Relations
 Public Service Electric and Gas Company
 80 Park Plaza, T6B
 Newark, NJ 07102

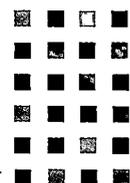
The copy so provided will be without exhibits. Exhibits may be purchased for a specified fee.

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

COMMON STOCK — MARKET PRICE AND DIVIDENDS PER SHARE

	1998			1997		
	high	low	div.	high	low	div.
First Quarter	\$37 ¹ / ₁₆	\$30 ⁰ / ₁₆	\$.54	\$29 ¹ / ₄	\$26 ¹ / ₁₆	\$.54
Second Quarter	37 ⁷ / ₁₆	31 ¹ / ₁₆	.54	26 ¹ / ₂	22 ⁷ / ₁₆	.54
Third Quarter	39 ¹ / ₁₆	32 ¹ / ₁₆	.54	26 ¹ / ₁₆	24 ¹ / ₁₆	.54
Fourth Quarter	42 ¹ / ₄	36 ¹ / ₁₆	.54	31 ¹ / ₁₆	24 ¹ / ₄	.54

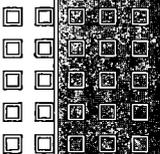
The number of holders of record of Public Service Enterprise Group Incorporated common shares as of December 31, 1998 was 144,218.



Meeting the Year 2000 Challenge

With the millennium quickly approaching, energy providers around the world are working to ensure that when the clock strikes midnight on December 31, 1999, customers will enjoy uninterrupted service. PSEG's own Year 2000 (Y2K) team has been working for several years to inventory, assess, correct and test our computerized systems to provide the greatest possible assurance that the lights and heat will stay on for our customers.

Because electric service is intertwined in large grids around the country, it's vital that every link is strong. PSEG is also working with other members of the Pennsylvania-New Jersey-Maryland Interconnection (PJM) grid, our supplier base and others to make sure that PJM systems remain functional. We are also helping to assure data sharing between PSEG and the New Jersey Board of Public Utilities, the Nuclear Regulatory Commission and the North American Electric Reliability Council.





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