

**AUDIT COMMITTEE CHARTER
AMENDED AND RESTATED DECEMBER 16, 2003**

Committee Role and Organization

The Audit Committee of the Board of Directors of Public Service Enterprise Group Incorporated (the “Corporation”) assists the Board in fulfilling its responsibility for oversight of the integrity of the Corporation’s financial statements, and the quality and integrity of the accounting, auditing and financial reporting practices of the Corporation. The Audit Committee’s responsibilities also include assisting the Board in its oversight of the Corporation’s compliance with legal and regulatory requirements, the independence and qualifications of the independent auditor, and the performance of the independent auditor and the internal auditors. The Audit Committee shall perform such other duties as are directed by the Board or are required by law. The Committee shall have open and free access to all information and is empowered to investigate any matter involving the Corporation or its subsidiaries. The Committee may retain appropriate resources to assist it in discharging its responsibilities.

The Audit Committee shall consist of three or more independent Directors who are generally knowledgeable in financial matters, including at least one member with accounting or financial management expertise. Each member shall be free of any relationship that, in the opinion of the Board, would interfere with his or her individual exercise of independent judgment, or that would render such member not to be independent under applicable law. For this purpose, a member of the Audit Committee may not, other than in his or her capacity as a Board or Committee member, accept any consulting, advisory or other compensatory fee from the Corporation, and may not be an affiliated person of the Corporation or of its subsidiaries. A Director who serves on the audit committees of more than three other public companies may serve on the Audit Committee of this Corporation only if the Board determines that such simultaneous service will not impair the ability of such Director to serve on the Audit Committee. The Board will appoint and may remove members of the Audit Committee and will determine the Chair of the Committee, upon the recommendation of the Corporate Governance Committee.

The Committee will meet at least four times per year in discharge of its duties. The Committee shall maintain free and open communication (including private executive sessions) with the independent auditor, the internal auditors, the environmental health and safety auditors and management.

Independent Auditor

The Audit Committee, in its capacity as a committee of the Board of Directors, shall be directly responsible for the appointment, termination, compensation and oversight of the work of the independent auditor of the Corporation. The independent auditor shall report directly to the Audit Committee.

The Audit Committee shall ensure that the independent auditor submits on at least an annual basis a formal written statement delineating all relationships between the auditor and the Corporation and certifying the auditor’s independence, in accordance with Independence Standards Board Standard

No. 1 and applicable law. The Audit Committee shall, at least annually, obtain and review a report by the independent auditor describing the firm's internal quality-control procedures, any material issues raised by the most recent quality control or peer review, or governmental or professional inquiry within the preceding five years, and steps taken by the independent auditor to address any such issues. The Audit Committee shall discuss with the auditor its independence, such disclosed relationships and control matters that may impact on the objectivity or independence of the independent auditor. The Committee shall take such actions in its judgment as are necessary or appropriate to assure the independence of the auditor. The Audit Committee, or the Chair of the Committee, shall pre-approve the fees to be paid to the independent auditor for all services.

Committee Duties and Responsibilities

In carrying out its responsibilities, the Committee will:

- Review the adequacy of the Audit Committee Charter annually and submit Charter revisions to the Board for consideration, as required.
- Review the annual audited and the quarterly financial statements, and management's discussion and analysis of financial condition and results of operations, with the independent auditor, management and the internal auditors. This review will cover both the acceptability and the quality of the Corporation's financial statements, including the matters required by Statement on Auditing Standards No. 61.
- Generally discuss the Corporation's earnings press releases, as well as financial information and earnings guidance, which have been provided to analysts and rating agencies.
- Discuss policies with respect to risk assessment and risk management.
- Review with the independent auditor, management and the internal auditors the acceptability and application of policies and practices with respect to accounting, reporting and auditing, and the adequacy of internal controls.
- Provide for pre-approval of the scope of all services to be provided by the independent auditor and the fees associated therewith.
- Set hiring policies for employees and former employees of the independent auditor.
- Recommend to the Board of Directors the inclusion of the audited financial statements in the Corporation's Form 10-K Annual Report to the Securities and Exchange Commission.
- Issue an annual Audit Committee Report for inclusion in the Corporation's Proxy Statement.
- Resolve disagreements which may arise between management and the independent auditor regarding financial reporting.
- Review with the independent auditor any audit problems or difficulties and management's response.
- Assure that the Corporation has adequate, independent procedures for:

- the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, or auditing matters;
- the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters; and
- the reporting of allegations of material violations of securities laws and fiduciary requirements by attorneys representing the Corporation and its majority owned subsidiaries in practice before the Securities and Exchange Commission.
- Provide oversight of the internal audit and environmental, health and safety audit functions of the Corporation, including review and discussion of reports at least annually by these functions summarizing audit findings and implementation by management of recommendations made by the auditors.
- Review the status of pending material litigation, and legal and business conduct compliance.
- Conduct an annual performance evaluation of the Committee.
- Report Audit Committee activities to the Board.