PSEG Fossil LLC Civil Judicial Settlement
Fact Sheet
January 24, 2002

Overview: On January 24, 2002, the Justice Department, the Environmental Protection Agency and the State of New Jersey announced a major Clean Air Act settlement involving PSEG Fossil LLC. This settlement commits PSEG to install and operate state-of-the-art controls for sulfur dioxide ("SO_2"), nitrogen oxide ("NO_x"), and particulate matter ("PM") emissions on every coal-fired unit, to retire SO_2 and NO_x allowances, and to undertake environmental projects. The PSEG settlement is an excellent instrument in furthering EPA's missions to protect human health and safeguard our natural environment. The Company is expected to spend more than $337 million over eleven years in capital costs and approximately $34.2 million in yearly operation and maintenance once all controls are installed. The agreement will reduce SO_2 and NO_x from PSEG's coal-fired electric generating fleet by 90% and 83%, respectively from 2000 levels. These reduction represent 19% of New Jersey statewide SO_2 emissions and 5% of New Jersey statewide NO_x emissions from all sources in the State (based on 1996 State emission inventory). The Agreement will also reduce PM emissions by 85% from 2000 levels at the Hudson facility, representing a reduction of 1100 tons per year.

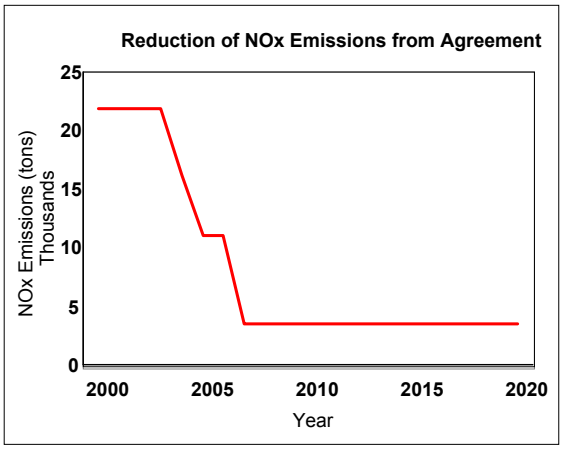
Coal-Fired Power Plant Compliance Strategy: This is one of a series of cases in the Prevention of Significant Deterioration/New Source Review ("PSD/NSR") enforcement effort to bring the power plant industry into full compliance with the Clean Air Act. The PSEG Consent Decree represents the second judicial settlement under the power plants enforcement effort; the first settlement being with Tampa Electric Company ("TECO") in January of 2000.

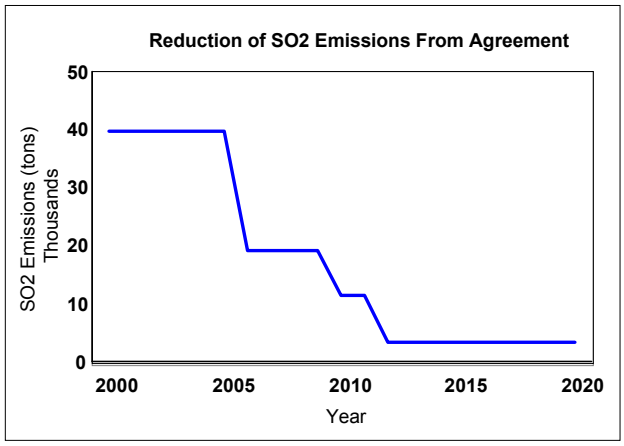
State Partnerships: The State of New Jersey is a co-plaintiff in the complaint and was instrumental in achieving this favorable settlement. This Consent Decree is an excellent example of how effective Federal and State partnerships in enforcement actions can greatly benefit the environment and assure public health protection.

Affected Power Plants: The PSEG coal-fired units covered under the Consent Decree are Hudson Unit 2, Mercer Unit 1 and Mercer Unit 2. These units represent 100% of PSEG's coal-fired fleet in the State of New Jersey. The agreement also addresses PSD/NSR issues surrounding construction of a new gas-fired unit at PSEG's Bergen facility.

Clean Air Act: The consent decree resolves certain violations associated with PSD/NSR standards requiring facilities to apply best available technology ("BACT") when "grandfathered" units are expanded in a way that increases emissions.

Environmental Benefits: This Agreement will result in the annual reduction of 18,273 tons of NO_x and 35,937 tons of SO_2. (Graphs and reductions assume constant utilization.) Sulfur dioxide and NOx are significant contributors to acid rain; NOx also increases low level ozone which causes smog; fine particulate matter causes haze. All of these pollutants cause severe respiratory problems and exacerbate cases of childhood asthma.





***State-of-the-Art Pollution Controls ($337 Million)*:** The agreement requires significant capital expenditures to install and operate technologies to control NO_x, SO_2, and Particulate Matter from the Units covered under the Consent Decree.

Summary of Pollution Controls Agreed Upon in the Consent Decree

	Hudson Unit 2	**Mercer Unit 1**	**Mercer Unit 2**	**Bergen Unit 2**
SO_2 Controls	FGD	FGD	FGD	none needed (gas fired)
SO_2 Control Installation Date	12/31/06	12/31/10	12/31/12	n/a
NO_x Controls	SCR	SCR	SCR	SCR
NO_x Control Installation Date	5/1/07	5/1/05	5/1/04	3/31/02
PM Controls	Optimize and install new baghouse	Optimize and/or upgrade existing ESP	Optimize and/or upgrade existing ESP	n/a
PM Control Installation Date	Optimization by 12/31/02; Baghouse by 12/31/06	12/31/02	12/31/02	n/a

***Environmental projects**:* PSEG must spend at least $6 million in the implementation of environmental projects. The mitigation projects specified in the Consent Decree are as follows:

a. Implement an agreement to reduce CO_2 emissions from the State of New Jersey by 15% from 1990 levels;
b. Invest $1.5 million in State projects designed to recover and beneficially reuse methane gas from landfills in New Jersey;
c. Invest $1 million in the development and installation of mercury emissions monitoring technology; and
d. Take actions to reduce mercury emissions by 90% after installation of FGDs.

Civil Penalty: PSEG has agreed to a $1.4 million penalty to the United States.

Prepared by the Office of Regulatory Enforcement, Air Enforcement Division and the EPA Region 2, Air Compliance Branch, January 24, 2002

GLOSSARY OF TERMS

Baghouse: State-of-the-Art technology that can remove 99.9% of the Particulate Matter emissions from a coal-fired electric generating unit.

Electrostatic Precipitator (ESP): State-of-the-Art technology that can remove more than 97% of the Particulate Matter emissions from a coal-fired electric generating unit.

Flue Gas Desulfurization Systems (FGDs): State-of-the-Art technology that can remove more than 90% of the SO_2 emissions from a coal-fired electric generating unit.

Nitrogen Oxides (NO_x): Burning fossil fuels, such as coal and gasoline, releases NO_x into the atmosphere. Nitrogen oxide emissions contribute to the formation of ground level ozone, acid rain, nitrogen deposits in lakes and coastal waters, crop damage, and reduced visibility. Ground level ozone can cause premature mortality, reduced lung function and aggravate existing respiratory problems such as asthma. Major sources of NO_x include oil refineries, power plants and automobiles.

Prevention of Significant Deterioration/New Source Review(PSD/NSR): Provisions in the Clean Air Act that require that permits and pollution controls be applied to major sources of air pollution when they are first built or undergo modifications that can increase emissions.

Selective Catalytic Reduction (SCR): State-of-the-Art technology that can remove more than 90% of the NO_x emissions from a coal-fired electric generating unit.

Particulate Matter (PM): Air pollutants called particulate matter include dust, dirt, soot, smoke and liquid droplets directly emitted into the air by sources such as factories, power plants, cars, construction activity, fires and natural windblown dust. Particles formed in the atmosphere by condensation or the transformation of emitted gases such as SO_2 and VOCs are also considered
particulate matter.

Sulfur Dioxide (SO_2): Colorless gas, odorless at low concentrations but pungent at very high concentrations. One of the major pollutants that cause acid rain. Harmful to humans and vegetation when concentrations are sufficiently high. Major sources of this pollutant are petroleum refineries, coal or oil burning power plants and diesel engines**.**