PUBLIC SERVICE ENTERPRISE GROUP INC
Form 11-K
June 27, 2003

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 11-K

(Mark One)

[X] ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 (NO FEE REQUIRED)

For the year ended December 31, 2002

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 (NO FEE REQUIRED)

Commission File Number 001-09120

A. Full title of the plan and the address of the plan, if different from that of the issuer named below:

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED

EMPLOYEE SAVINGS PLAN

80 PARK PLAZA

NEWARK, NEW JERSEY 07102

MAILING ADDRESS: P.O. Box 1171

NEWARK, NEW JERSEY 07101-1171

B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office.

N/A

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INDEPENDENT AUDITORS' REPORT

Employee Benefits Committee of
Public Service Enterprise Group Incorporated:

We have audited the accompanying statements of net assets available for benefits of the Public Service Enterprise Group Incorporated Employee Savings Plan (the Plan) as of December 31, 2002 and 2001, and the related statement of changes in net assets available for benefits for the year ended December 31, 2002. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the net assets available for benefits of the Plan at December 31, 2002 and 2001, and the changes in net assets available for benefits for the year ended December 31, 2002 in conformity with accounting principles generally accepted in the United States of America.

/s/ DELOITTE & TOUCHE LLP
Parsippany, New Jersey
June 13, 2003

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
EMPLOYEE SAVINGS PLAN
STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS

	As of December 31,	
	2002	2001
ASSETS		
Investments, at fair value-		
Plan Interest in Master Employee Benefit Plan Trust	$409,465,667	$421,192,783
Receivables:		
Deposits and Contributions - employee	698,505	1,261,490
Deposits and Contributions - employer	220,317	358,228
Receivables from investments sold	151,620	110,159
Interest and dividends	1,060	2,068
	410,537,169	422,924,728
LIABILITIES		
Payable for investments purchased	25,123	22,390
Accrued expenses	470,666	187,832
	495,789	210,222
NET ASSETS AVAILABLE FOR BENEFITS	$410,041,380	$422,714,506

See notes to financial statements.

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
EMPLOYEE SAVINGS PLAN
STATEMENT OF CHANGES IN NET ASSETS
AVAILABLE FOR BENEFITS
FOR THE YEAR ENDED DECEMBER 31, 2002

ADDITIONS:	
Net Investment loss	
Plan Interest in Master Employee Benefit Plan Trust	$(41,259,931)
Deposits and Contributions	
Employee	34,963,088
Employer	11,650,800
Total Deposits and Contributions	46,613,888
Transfer from the Wisvest 401(k) Plan	7,433,274
Total Additions	12,787,231
DEDUCTIONS:	
Benefit payments to participants	23,361,470
Administrative expenses	643,425
Transfers to Thrift and Tax-Deferred Savings Plan-net	1,455,462
Total Deductions	25,460.357
DECREASE IN NET ASSETS AVAILABLE FOR BENEFITS	(12,673,126)
NET ASSETS AVAILABLE FOR BENEFITS BEGINNING OF YEAR	422,714,506
NET ASSETS AVAILABLE FOR BENEFITS END OF YEAR	$410,041,380

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

As of December 31, 2002 and 2001 and
for the year ended December 31, 2002

1. DESCRIPTION OF THE PLAN

General

The following description of the Public Service Enterprise Group Incorporated (Company) Employee Savings Plan (Plan) is provided for general information purposes only. Participants (any person who has an interest in the Trust Fund) should refer to the Plan Document for more complete information.

The Plan is a defined contribution plan covering substantially all bargaining unit employees of the Company, and its participating affiliates, who are eligible on the date of hire. The Company's Employee Benefits Committee is the named fiduciary of the Plan and controls and manages its operation and administration. Deutsche Bank Trust Company Americas (Trustee) serves as the trustee of the Plan. Hewitt Associates is the recordkeeper of the Plan. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

The majority of the Plan's investment assets are held in a trust account by the Trustee, and consist of an undivided interest in an investment account of the Master Employee Benefit Trust (the Master Trust), a master trust established by the Company and administered by the Trustee.

During 2002, through a subsidiary, the Company acquired Wisvest Connecticut LLC. As a result of this transaction, the savings plan of the acquired company was merged with and into the Plan and the PSEG Thrift and Deferred Tax Saving Plan (Thrift Plan), effective December 31, 2002, and Participant account balances of $7,433,274 were transferred into the Plan as of December 31, 2002.

The Plan was amended effective January 1, 2002. Effective with that date, catch-up contributions of an additional $1,000 in pre-income tax deposits for employees age 50 or older in 2002 were permitted, maximum permitted employee contributions increased from 25% to 50%, acceptance of after-tax rollovers and rollovers from financial institutions were permitted, Internal Revenue Service (IRS) minimum distribution requirements were adopted for post age 70 1/2 distributions, the suspension period for making deposits to the Plan after a hardship withdrawal was decreased from one year to six months and the Enterprise Stock Fund was converted to an Employee Stock Ownership Plan (ESOP) with the result that Participants were permitted to elect to have dividends on Company stock held in that Fund made in cash.

Contributions

A Participant's Employer begins matching contributions when that Participant has completed a Year of Service, as defined by the Plan, with his/her Employer.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Each year, Participants may contribute from 1% to 7 % of their pretax annual compensation, as defined in the Plan, subject to certain Internal Revenue Code (IRC) limitations. The Company contributes 50% as its matching contribution to the Plan. Participants may also contribute amounts representing distributions from other qualified defined benefit or defined contribution plans.

Prior to March 1, 2002, employer contributions in excess of 5% and up to 7% of compensation were made in shares of the Company's Common Stock and were not available for transfer to any other investment fund or withdrawal from the Plan prior to the Participant's termination of employment.

Effective March 1, 2002, employer contributions are made in cash and invested according to the Participant's then current investment election and all shares of Company Stock held in a Participant's account are eligible for transfer to any other investment fund. In addition, a Participant may elect to make supplemental deposits to his/her Savings Account Fund in increments of 1% of compensation up to an additional 43% (18% prior to January 1, 2002) of compensation (Supplemental Deposits), subject to certain limitations, without any corresponding matching employer contribution. Participants may designate such Basic and/or Supplemental Deposits as post-income tax contributions (Nondeferred Deposits) or pre-income tax contributions (Deferred Deposits).

Each Participant may also, within any Plan Year, make one or more additional lump sum deposits on a nondeferred basis in minimum amounts of $250 and in such total amounts which, when aggregated with such Participant's Basic Deposits and Supplemental Deposits, do not exceed 50% of his or her Compensation for that Plan Year and subject to the limitations of the IRC. Prior to January 1, 2002, the maximum permitted annual employee contribution was limited to 25%.

Participant Accounts

Individual accounts are maintained for each Plan Participant. Each Participant's account is credited with the Participant's contributions, the Company's matching contributions, and Plan earnings, and charged with withdrawals and an allocation of Plan losses and administrative expenses. Allocations are based on Participant earnings or account balances, as defined. The benefit to which a Participant is entitled under the Plan is the accrued vested balance of his/her individual account as of any date.

ESOP Participants receive quarterly payments directly from the Trustee equal to the dividends paid to the Trustee on the shares of the Company's Common Stock held for their account in the ESOP Fund.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Participant Loans

Participants may borrow from their fund accounts up to a maximum of $50,000 reduced by the highest outstanding loan balance during the past twelve months, whichever is less. The loans are secured by the balance in the Participant's account and bear interest at rates commensurate with local prevailing rates. Principal and interest is paid ratably through payroll deductions. During 2002, the rate of interest on loans granted to Participants was 4.75%. During 2001, the rate of interest on loans ranged from 6.0% to 9.5%.

No amounts may be loaned directly from any ESOP Account, from any portion of a Participant's Savings Account attributable to transfers from the Cash Balance Plan for Represented Employees of Public Service Enterprise Group Incorporated (Cash Balance Plan), from assets held in the Schwab Personal Choice Retirement Account (PCRA) Fund, or, prior to March 1, 2002, from any portion of the Enterprise Common Stock Fund attributable to employer contributions made in shares of Company Common Stock. No Participant may have more than two loans outstanding at any time.

Payment of Benefits

On termination of service due to death, disability, or retirement, a Participant may elect to receive a lump-sum amount equal to the value of the Participant's vested interest in his or her account.

Forfeitures

Any nonvested portion of the Participant's Account, determined as of the date of severance from employment, shall be forfeited and shall be applied thereafter to reduce a subsequent contribution or contributions of the Employer as provided in the Plan. If such former Participant is rehired by an Employer on or before the end of and is employed by an Employer at the end of the fifth Plan Year after the Plan Year in which such severance occurred, then such nonvested portion of the Participant's Account shall be reinstated by the Employer and the Participant's right thereto shall be determined as if the Participant had not terminated employment, provided that the Participant repays to the Plan the amount of any distribution paid to him or her on account of the severance from employment. Unallocated forfeitures are used to reduce future contributions. For the years ending December 31, 2002 and 2001, these forfeitures amounted to $121,372 and $95,968, respectively.

Vesting

Except for amounts transferred from the Cash Balance Plan into the Plan, since May 1, 2002, Employer Contributions to a Participant's Savings Account are fully vested. Prior to that time, Employer Contributions vested according to a 5-year cliff vesting schedule. Amounts transferred from the Cash Balance Plan follow the Cash Balance Plan vesting regulations and vest upon a Participant's completion of five years of service with an Employer. All amounts credited to a Participant's ESOP Fund are fully vested.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Penalties Upon Withdrawal

If a Participant withdraws vested Employer Contributions and/or Deposits before they have been in the Plan for twenty-four months, such Participant will lose the matching Employer Contributions on Deposits made during the subsequent three months. Distributions to Participants electing to withdraw Nondeferred Deposits and Employer Contributions are made as soon as practicable after such elections are received by the Plan's Record Keeper. Nondeferred Deposits may be withdrawn at any time, but certain penalties may apply. Deferred Deposits may not be withdrawn during employment prior to age 59-1/2 except for reasons of extraordinary financial hardship and to the extent permitted by the IRC (hardship withdrawals). Distributions to Participants of approved hardship withdrawals are made as soon as practicable after such approval.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Plan have been prepared on an accrual basis in accordance with accounting principles generally accepted in the United States of America.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of net assets available for benefits and changes therein. Actual results could differ from those estimates.

Risks and Uncertainties

The Plan provides for various investment options. The mutual funds invest in various securities including U.S. Government securities, corporate debt instruments and corporate stocks. Investment securities, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect Participants' account balances and the amount reported in the statement of net assets available for Plan benefits.

Investment Valuation and Income Recognition (Master Trust Fund)

The investments in the Master Trust are stated at fair value except for its benefit-responsive investment contracts with the Stable Value Fund, which are recorded at contract value, which approximates fair value. The Plan's investments in the guaranteed annuity contracts of the Stable

Value Fund are with various insurance companies and other financial institutions, and are recorded at contract value, which approximates fair value, and is calculated as cost plus accumulated interest less withdrawals. Quoted market prices are used to value all other investments. Shares of mutual funds are valued at the net asset value of shares held by the Plan at year-end. Purchases and sales of securities are recorded on a trade-date basis. Temporary investments are stated at cost, which approximates fair market value. Dividend income is recorded on the ex-dividend date. The loans to participants are valued at outstanding principal balance plus accrued interest, which approximates fair value.

Investment gains and losses from securities transactions are computed using an adjusted cost basis as prescribed by the Department of Labor's (DOL) Rules and Regulations for Reporting and Disclosure.

Payment of Benefits

Benefit payments to Participants are recorded upon distribution. Amounts allocated to accounts of persons who have elected to withdraw from the plan but have not yet been paid were $175,778 and $249,211 as of December 31, 2002 and 2001, respectively.

Administrative Expenses of Plan

All expenses incurred for the administration of the Plan, including taxes and brokerage costs, are deducted from the Master Trust Fund.

Transfers of the ESOP Fund to Savings Account

Participants are permitted to transfer all, but not less than all, of the shares of the Company's Common Stock from their ESOP Fund to their Savings Accounts. To effect such transfers, the Trustee will sell the shares of the Company's Common Stock held in the ESOP Fund and invest the proceeds in the Savings Account Investment Funds designated by the Participant. The cash value of each share of the Company's Common Stock transferred will be equal to the price per share of the Company's Common Stock actually received by the Trustee. Any such transfer is treated as a rollover contribution.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

3. INVESTMENT OF THE PLAN AND THRIFT PLAN IN THE MASTER TRUST

Certain of the Plan's investment assets are held in a trust account by the Trustee and consist of an undivided interest in an investment account of the Master Trust. Use of the Master Trust permits the commingling of trust assets with the assets of the Thrift Plan for investment and administrative purposes. Although assets of both plans are commingled in the Master Trust, the Trustee maintains supporting records for the purpose of allocating the net gain or loss of the investment account to the participating plans. The net investment income of the investment assets is allocated by the Trustee to each participating plan based on the relationship of the interest of each plan to the total of the interests of the participating plans. As of December 31, 2002 and 2001, the Plan's interests in such assets of the Master Trust were approximately 39%.

	December 31, 2002	December 31, 2001
Investments at fair value:		
Participant loans	$32,248,249	$31,729,786
Cash and cash equivalents	35,714,345	21,516,751
Common Stock of Public Service Enterprise Group Incorporated	131,765,788	151,220,984
Mutual funds	386,914,157	470,642,487
Guaranteed Investment Contracts	449,586,297	392,214,802
Schwab PCRA Fund (a)	20,363,052	24,676,728
Total Investments	$1,056,591,888	$1,092,001,538

	December 31, 2002
Investment income/(loss):	
Net depreciation in fair value of Mutual Funds	$(87,376,771)
Net depreciation in fair value of Common Stock of Public Service Enterprise Group Incorporated	(33,891,406)
Net depreciation in fair value of Schwab PCRA Fund (a)	(8,570,434)
Interest on Participant Loans	2,320,310
Interest from Enterprise Common Stock Funds	54,809
Interest from Guaranteed Investment Contracts	21,153,762
Dividends from Common Stock of Public Service Enterprise Group Incorporated	8,067,846
Total Investment loss, net	$(98,241,884)

(a) Amounts primarily relate to equity investments in stocks and through mutual funds. The net depreciation in fair value is primarily comprised of realized/unrealized gains or losses and dividends earned on these equity investments.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

The Master Trust includes the following GIC's in the Stable Value Fund as of December 31, 2002 and 2001:

A. Savings Account Investment Funds

(1) The assets of the Stable Value Fund are primarily invested in Traditional GICs or Synthetic GICs with additional investments in the Trustee's short-term investment fund. All GIC contract values approximate fair values. At December 31, 2002, the Stable Value Fund was comprised of the following:

Prudential Life Insurance Company	Traditional	November 30, 2005	6.99%
Caisse des Depots	Synthetic	February 3, 2003	2.89%
Bank of America (A)	Synthetic	Open-Ended	5.69%
Bank of America (B)	Synthetic	Open-Ended	4.31%
Bank of America (B)	Synthetic	Open-Ended	4.94%
Continental Assurance Company (B)	Synthetic	Open-Ended	4.94%
ING Life Insurance & Annuity Co.(B)	Synthetic	Open-Ended	2.44%
Allstate Life Insurance Company	Synthetic	Open-Ended	5.54%
State Street Bank and Trust Company	Synthetic	Open-Ended	4.63%
John Hancock	Synthetic	Open-Ended	5.62%
Monumental Life	Synthetic	Open-Ended	5.89%
JP Morgan Chase (B)	Synthetic	Open-Ended	4.25%
JP Morgan Chase (B)	Synthetic	Open-Ended	4.81%
JP Morgan Chase (A)	Synthetic	Open-Ended	6.71%
UBS AG	Synthetic	Open-Ended	6.45%
Total GICs			
Investment in Bankers Trust Short Term Investment Fund (1.36%)			
Total Stable Value Fund			

(A) Managed by PIMCO Investment Management Company
(B) Managed by INVESCO Institutional, Inc.

(2) The assets of the Enterprise Common Stock Fund are invested in the Company's Common Stock.

B. ESOP Fund

During 2002 and 2001, no contributions to or transfers into the ESOP Fund were permitted.

C. Schwab PCRA Fund

The Schwab PCRA Fund is a self-directed brokerage account in which Participants can select and manage a wide selection of investments including mutual funds, stocks and bonds. Deposits

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

into the Schwab PCRA Fund must come from balances transferred from the other options in the Plan. Participants may transfer up to 100% of their account balance, less $500 to pay for certain fees, to the Schwab PCRA Fund.

4. NON-PARTICIPANT DIRECTED INVESTMENTS

As stated previously, prior to March 1, 2002, Employer Contributions for Participants with respect to Basic Deposits in excess of 5% and up to 7% of Compensation were made in shares of the Company's Common Stock into the Enterprise Common Stock Fund and were not available for transfer to any other Investment Fund or withdrawal from the Plan prior to the Participant's termination of employment. Information about the net assets and the significant components of the changes in net assets relating to the Plan's interest in the Enterprise Common Stock Fund is as follows:

	As of December 31,	
	2002	2001
Net Assets:		
Enterprise Common Stock Fund	$54,686,823	$62,276,657
Changes in Net Assets:		
Deposits and Contributions	$ 4,795,372	
Dividends and Interest	3,250,362	
Net Depreciation	(13,821,385)	
Benefits paid to Participants	(3,341,232)	
Loan Repayments	1,220,960	
Loans to Participants	(1,133,842)	
Forfeitures	(4,685)	
Administrative Expenses	(94,084)	
Transfers from participant-directed investments	1,538,700	
Total Net Change	$(7,589,834)	

5. FEDERAL INCOME TAX STATUS

The Plan is intended to be qualified under Section 401(a) of the IRC and is intended to be exempt under Section 501(a) of the IRC. The Plan received a favorable IRS determination letter dated April 8, 1998. The Plan has since been amended. The Plan filed an application for a determination letter with the IRS in February 2002. To date, no action has been taken by the IRS on this application. However, the Plan Administrator believes that the Plan is currently being operated in compliance with the applicable requirements of the IRC.

NOTES TO FINANCIAL STATEMENTS (CONCLUDED)

6. RELATED PARTY TRANSACTIONS

Certain Plan investments are in the Company's Common Stock. As the Company is the Plan Sponsor, these transactions qualify as party-in-interest transactions. Certain administrative functions are performed by the officers and employees of the Company (who may also be Participants in the Plan) at no cost to the Plan. These transactions are not deemed prohibited party-in-interest transactions, because they are covered by statutory or administrative exemptions from ERISA's rules on prohibited transactions.

At December 31, 2002 and 2001, the Trust held 10,924,899 and 9,442,794 shares, respectively, of the Common Stock of Public Service Enterprise Group Incorporated, the sponsoring employer stock, with a cost basis per unit of $11.48 and $15.03, respectively.

At December 31, 2002 and 2001, the Trust held 308,532 and 325,810 shares, respectively, of the Common Stock of Public Service Enterprise Group Incorporated in the ESOP Fund, the sponsoring employer stock, and with a cost basis of $32.10 and $42.19 respectively.

During the year ended December 31, 2002, the Trust recorded dividend income of $8 million from the Common Stock of Public Service Enterprise Group Incorporated.

7. PLAN TERMINATION

Although it has not expressed any intention to do so, the Company has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions set forth in ERISA. In the event that the Plan is terminated, all Participants would become 100 percent vested in their account.

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees (or other persons who administer the Plan) have duly caused this annual report to be signed by the undersigned thereunto duly authorized.

Public Service Enterprise Group Incorporated
Employee Savings Plan
(Name of Plan)

By: Margaret M. Pego

Margaret M. Pego
Chairperson of Employee
Benefits Committee

Date: June 27, 2003

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED

EXHIBIT INDEX

Exhibit Number	
99	Independent Auditors' Consent