

PUBLIC SERVICE ELECTRIC & GAS CO
Form 10-Q
October 29, 2010
Table of Contents

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

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED September 30, 2010

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

FOR THE TRANSITION PERIOD FROM TO

Commission	Registrants, State of Incorporation,	I.R.S. Employer
File Number	Address, and Telephone Number	Identification No.
001-09120	PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED (A New Jersey Corporation) 80 Park Plaza, P.O. Box 1171 Newark, New Jersey 07101-1171 973 430-7000 http://www.pseg.com	22-2625848
001-34232	PSEG POWER LLC (A Delaware Limited Liability Company) 80 Park Plaza T25 Newark, New Jersey 07102-4194 973 430-7000 http://www.pseg.com	22-3663480
001-00973	PUBLIC SERVICE ELECTRIC AND GAS COMPANY (A New Jersey Corporation)	22-1212800

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80 Park Plaza, P.O. Box 570
 Newark, New Jersey 07101-0570
 973 430-7000
<http://www.pseg.com>

Indicate by check mark whether the registrants (1) have filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrants were required to file such reports), and (2) have been subject to such filing requirements for the past 90 days. Yes x No "

Indicate by check mark whether the registrants have submitted electronically and posted on their corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrants were required to submit and post such files).

Public Service Enterprise Group Incorporated	Yes x	No "
PSEG Power LLC	Yes "	No "
Public Service Electric and Gas Company	Yes "	No "

Indicate by check mark whether each registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Public Service Enterprise Group Incorporated	Large accelerated filer x	Accelerated filer "	Non-accelerated filer "	Smaller reporting company "
PSEG Power LLC	Large accelerated filer "	Accelerated filer "	Non-accelerated filer x	Smaller reporting company "
Public Service Electric and Gas Company	Large accelerated filer "	Accelerated filer "	Non-accelerated filer x	Smaller reporting company "

Indicate by check mark whether any of the registrants is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes " No x

As of October 15, 2010, Public Service Enterprise Group Incorporated had outstanding 505,933,984 shares of its sole class of Common Stock, without par value.

As of October 15, 2010, Public Service Electric and Gas Company had issued and outstanding 132,450,344 shares of Common Stock, without nominal or par value, all of which were privately held, beneficially and of record by Public Service Enterprise Group Incorporated.

PSEG Power LLC and Public Service Electric and Gas Company are wholly owned subsidiaries of Public Service Enterprise Group Incorporated and meet the conditions set forth in General Instruction H(1) (a) and (b) of Form 10-Q. Each is filing its Quarterly Report on Form 10-Q with the reduced disclosure format authorized by General Instruction H.

Table of Contents

	Page
<u>FORWARD-LOOKING STATEMENTS</u>	ii
<u>PART I. FINANCIAL INFORMATION</u>	
Item 1. <u>Financial Statements</u>	
<u>Public Service Enterprise Group Incorporated</u>	1
<u>PSEG Power LLC</u>	5
<u>Public Service Electric and Gas Company</u>	9
<u>Notes to Condensed Consolidated Financial Statements</u>	13
<u>Note 1. Organization and Basis of Presentation</u>	13
<u>Note 2. Recent Accounting Standards</u>	14
<u>Note 3. Variable Interest Entities</u>	15
<u>Note 4. Asset Dispositions</u>	16
<u>Note 5. Available-for-Sale Securities</u>	17
<u>Note 6. Pension and Other Postretirement Employee Benefits (OPEB)</u>	21
<u>Note 7. Commitments and Contingent Liabilities</u>	22
<u>Note 8. Changes in Capitalization</u>	34
<u>Note 9. Financial Risk Management Activities</u>	35
<u>Note 10. Fair Value Measurements</u>	42
<u>Note 11. Other Income and Deductions</u>	49
<u>Note 12. Income Taxes</u>	50
<u>Note 13. Comprehensive Income, Net of Tax</u>	52
<u>Note 14. Earnings Per Share (EPS)</u>	53
<u>Note 15. Financial Information by Business Segments</u>	54
<u>Note 16. Related-Party Transactions</u>	55
<u>Note 17. Guarantees of Debt</u>	58
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	61
<u>Overview of 2010 and Future Outlook</u>	61
<u>Results of Operations</u>	66
<u>Liquidity and Capital Resources</u>	76
<u>Capital Requirements</u>	79
<u>Accounting Matters</u>	79
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	80
Item 4. <u>Controls and Procedures</u>	81
<u>PART II. OTHER INFORMATION</u>	
Item 1. <u>Legal Proceedings</u>	82
Item 1A. <u>Risk Factors</u>	82
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	82
Item 5. <u>Other Information</u>	82
Item 6. <u>Exhibits</u>	87
<u>Signatures</u>	88

Table of Contents

FORWARD-LOOKING STATEMENTS

Certain of the matters discussed in this report constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These include, but are not limited to, future performance, revenues, earnings, strategies, prospects, consequences and all other statements that are not purely historical. Such forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ materially from those anticipated. Such statements are based on management's beliefs as well as assumptions made by and information currently available to management. When used herein, the words anticipate, intend, estimate, believe, expect, plan, should, hypothetical, potential, forecast, project, variations of such words and similar expressions are intended to identify forward-looking statements. Factors that may cause actual results to differ are often presented with the forward-looking statements themselves. Other factors that could cause actual results to differ materially from those contemplated in any forward-looking statements made by us herein are discussed in Item 1. Financial Statements Note 7. Commitments and Contingent Liabilities, Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations, and other factors discussed in filings we make with the United States Securities and Exchange Commission (SEC). These factors include, but are not limited to:

adverse changes in energy industry law, policies and regulation, including market structures, transmission planning and cost allocation rules, including rules regarding who is permitted to build transmission going forward, and reliability standards,

any inability of our transmission and distribution businesses to obtain adequate and timely rate relief and regulatory approvals from federal and state regulators,

changes in federal and state environmental regulations that could increase our costs or limit operations of our generating units,

changes in nuclear regulation and/or developments in the nuclear power industry generally that could limit operations of our nuclear generating units,

actions or activities at one of our nuclear units located on a multi-unit site that might adversely affect our ability to continue to operate that unit or other units located at the same site,

any inability to balance our energy obligations, available supply and trading risks,

any deterioration in our credit quality,

availability of capital and credit at commercially reasonable terms and conditions and our ability to meet cash needs,

any inability to realize anticipated tax benefits or retain tax credits,

changes in the cost of, or interruption in the supply of, fuel and other commodities necessary to the operation of our generating units,

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delays in receipt of necessary permits and approvals for our construction and development activities,

delays or unforeseen cost escalations in our construction and development activities,

adverse changes in the demand for or price of the capacity and energy that we sell into wholesale electricity markets,

increase in competition in energy markets in which we compete,

adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in discount rates and funding requirements, and

changes in technology and customer usage patterns.

Additional information concerning these factors is set forth in Part II under Item 1A. Risk Factors.

All of the forward-looking statements made in this report are qualified by these cautionary statements and we cannot assure you that the results or developments anticipated by management will be realized, or even if

Table of Contents

realized, will have the expected consequences to, or effects on, us or our business prospects, financial condition or results of operations. Readers are cautioned not to place undue reliance on these forward-looking statements in making any investment decision. Forward-looking statements made in this report only apply as of the date of this report. While we may elect to update forward-looking statements from time to time, we specifically disclaim any obligation to do so, even if internal estimates change, unless otherwise required by applicable securities laws.

The forward-looking statements contained in this report are intended to qualify for the safe harbor provisions of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended.

Table of Contents

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

Millions

(Unaudited)

	For The Three Months Ended September 30,		For The Nine Months Ended September 30,	
	2010	2009	2010	2009
OPERATING REVENUES	\$ 3,254	\$ 3,040	\$ 9,389	\$ 9,520
OPERATING EXPENSES				
Energy Costs	1,355	1,241	4,270	4,376
Operation and Maintenance	601	621	1,915	1,922
Depreciation and Amortization	265	224	730	634
Taxes Other Than Income Taxes	31	30	101	100
Total Operating Expenses	2,252	2,116	7,016	7,032
OPERATING INCOME	1,002	924	2,373	2,488
Income from Equity Method Investments	4	6	12	17
Other Income	75	43	165	205
Other Deductions	(9)	(19)	(37)	(118)
Other-Than-Temporary Impairments	(3)	0	(9)	(61)
Interest Expense	(120)	(129)	(356)	(407)
INCOME FROM CONTINUING OPERATIONS BEFORE				
INCOME TAXES	949	825	2,148	2,124
Income Tax (Expense) Benefit	(382)	(337)	(866)	(881)
NET INCOME	\$ 567	\$ 488	\$ 1,282	\$ 1,243
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING (THOUSANDS):				
BASIC	505,945	505,982	506,001	505,986
DILUTED	506,968	507,242	507,068	506,957
EARNINGS PER SHARE:				
BASIC	1.12	\$ 0.96	\$ 2.53	\$ 2.45
DILUTED	1.12	\$ 0.96	\$ 2.53	\$ 2.45
DIVIDENDS PAID PER SHARE OF COMMON STOCK	\$ 0.3425	\$ 0.3325	\$ 1.0275	\$ 0.9975

See Notes to Condensed Consolidated Financial Statements.

Table of Contents**PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED****CONDENSED CONSOLIDATED BALANCE SHEETS**

Millions

(Unaudited)

	September 30, 2010	December 31, 2009
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 332	\$ 350
Accounts Receivable, net of allowances of \$57 and \$79 in 2010 and 2009, respectively	1,211	1,229
Unbilled Revenues	276	411
Fuel	812	806
Materials and Supplies, net	373	361
Prepayments	331	161
Derivative Contracts	275	243
Other	61	85
Total Current Assets	3,671	3,646
PROPERTY, PLANT AND EQUIPMENT	23,458	22,069
Less: Accumulated Depreciation and Amortization	(6,995)	(6,629)
Net Property, Plant and Equipment	16,463	15,440
NONCURRENT ASSETS		
Regulatory Assets	4,105	4,402
Regulatory Assets of Variable Interest Entities (VIEs)	1,181	1,367
Long-Term Investments	1,698	2,032
Nuclear Decommissioning Trust (NDT) Funds	1,270	1,199
Other Special Funds	158	149
Goodwill	16	16
Other Intangibles	129	123
Derivative Contracts	172	123
Restricted Cash of VIEs	21	17
Other	220	216
Total Noncurrent Assets	8,970	9,644
TOTAL ASSETS	\$ 29,104	\$ 28,730

See Notes to Condensed Consolidated Financial Statements.

Table of Contents**PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED****CONDENSED CONSOLIDATED BALANCE SHEETS**

Millions

(Unaudited)

	September 30, 2010	December 31, 2009
LIABILITIES AND CAPITALIZATION		
CURRENT LIABILITIES		
Long-Term Debt Due Within One Year	\$ 800	\$ 323
Securitization Debt of VIEs Due Within One Year	204	198
Commercial Paper and Loans	0	530
Accounts Payable	992	1,081
Derivative Contracts	123	201
Accrued Interest	159	102
Accrued Taxes	38	90
Deferred Income Taxes	76	0
Clean Energy Program	189	166
Obligation to Return Cash Collateral	101	95
Other	336	428
Total Current Liabilities	3,018	3,214
NONCURRENT LIABILITIES		
Deferred Income Taxes and Investment Tax Credits (ITC)	4,232	4,139
Regulatory Liabilities	498	397
Regulatory Liabilities of VIEs	8	7
Asset Retirement Obligations	454	439
Other Postretirement Benefit (OPEB) Costs	1,088	1,095
Accrued Pension Costs	711	1,094
Clean Energy Program	270	400
Environmental Costs	671	704
Derivative Contracts	39	40
Long-Term Accrued Taxes	247	538
Other	151	140
Total Noncurrent Liabilities	8,369	8,993
COMMITMENTS AND CONTINGENT LIABILITIES (See Note 7)		
CAPITALIZATION		
LONG-TERM DEBT		
Long-Term Debt	7,121	6,481
Securitization Debt of VIEs	998	1,145
Project Level, Non-Recourse Debt	33	19
Total Long-Term Debt	8,152	7,645
SUBSIDIARY'S PREFERRED STOCK WITHOUT MANDATORY REDEMPTION	0	80

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STOCKHOLDERS EQUITY

Common Stock, no par, authorized 1,000,000,000 shares; issued, 2010 and 2009 533,556,660 shares	4,796	4,788
Treasury Stock, at cost, 2010 27,622,433 shares; 2009 27,567,030 shares	(594)	(588)
Retained Earnings	5,466	4,704
Accumulated Other Comprehensive Loss	(111)	(116)
Total Common Stockholders Equity	9,557	8,788
Noncontrolling Interest	8	10
Total Stockholders Equity	9,565	8,798
Total Capitalization	17,717	16,523
TOTAL LIABILITIES AND CAPITALIZATION	\$ 29,104	\$ 28,730

See Notes to Condensed Consolidated Financial Statements.

Table of Contents

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

Millions

(Unaudited)

	For the Nine Months Ended	
	September 30,	
	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	\$ 1,282	\$ 1,243
Adjustments to Reconcile Net Income to Net Cash Flows from Operating Activities:		
Depreciation and Amortization	730	634
Amortization of Nuclear Fuel	102	88
Provision for Deferred Income Taxes (Other than Leases) and ITC	205	209
Non-Cash Employee Benefit Plan Costs	236	260
Leveraged Lease Income, Adjusted for Rents Received and Deferred Taxes	(391)	(542)
Net (Gain) Loss on Lease Investments	(51)	(135)
Net Realized and Unrealized (Gains) Losses on Energy Contracts and Other Derivatives	(42)	(125)
Over (Under) Recovery of Electric Energy Costs (BGS and NTC) and Gas Costs	35	55
Over (Under) Recovery of Societal Benefits Charge (SBC)	(55)	40
Market Transition Charge Refund, net	98	0
Cost of Removal	(47)	(38)
Net Realized (Gains) Losses and (Income) Expense from NDT Funds	(73)	(25)
Realized Gains from Rabbi Trust	(31)	0
Net Change in Certain Current Assets and Liabilities	(237)	252
Employee Benefit Plan Funding and Related Payments	(483)	(426)
Other	61	(149)
Net Cash Provided By (Used In) Operating Activities	1,339	1,341
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to Property, Plant and Equipment	(1,517)	(1,232)
Proceeds from the Sale of Capital Leases and Investments	427	729
Proceeds from Sales of Available-for-Sale Securities	886	1,633
Investments in Available-for-Sale Securities	(905)	(1,655)
Restricted Funds	(2)	113
Other	15	(7)
Net Cash Provided By (Used In) Investing Activities	(1,096)	(419)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net Change in Commercial Paper and Loans	(530)	224
Issuance of Long-Term Debt	1,608	209
Redemption of Long-Term Debt	(548)	(584)
Repayment of Non-Recourse Debt	(3)	(284)
Redemption of Securitization Debt	(140)	(133)
Premium Paid on Debt Exchange	(13)	(36)

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Cash Dividends Paid on Common Stock	(520)	(505)
Redemption of Preferred Securities	(80)	0
Other	(35)	(4)
Net Cash Provided By (Used In) Financing Activities	(261)	(1,113)
Net Increase (Decrease) in Cash and Cash Equivalents	(18)	(191)
Cash and Cash Equivalents at Beginning of Period	350	321
Cash and Cash Equivalents at End of Period	\$ 332	\$ 130
Supplemental Disclosure of Cash Flow Information:		
Income Taxes Paid (Received)	\$ 1,080	\$ 1,060
Interest Paid, Net of Amounts Capitalized	\$ 299	\$ 344
See Notes to Condensed Consolidated Financial Statements.		

Table of Contents**PSEG POWER LLC****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

Millions

(Unaudited)

	For The Three Months		For The Nine Months	
	Ended September 30, 2010	2009	Ended September 30, 2010	2009
OPERATING REVENUES	\$ 1,663	\$ 1,564	\$ 5,324	\$ 5,391
OPERATING EXPENSES				
Energy Costs	714	599	2,732	2,757
Operation and Maintenance	263	265	817	820
Depreciation and Amortization	48	48	144	152
Total Operating Expenses	1,025	912	3,693	3,729
OPERATING INCOME	638	652	1,631	1,662
Other Income	44	40	126	196
Other Deductions	(9)	(17)	(36)	(111)
Other-Than-Temporary Impairments	(2)	0	(8)	(60)
Interest Expense	(37)	(37)	(119)	(125)
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	634	638	1,594	1,562
Income Tax (Expense) Benefit	(250)	(256)	(642)	(619)
EARNINGS AVAILABLE TO PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED	\$ 384	\$ 382	\$ 952	\$ 943

See disclosures regarding PSEG Power LLC included in the Notes to Condensed Consolidated Financial Statements.

Table of Contents**PSEG POWER LLC****CONDENSED CONSOLIDATED BALANCE SHEETS**

Millions

(Unaudited)

	September 30,	December 31,
	2010	2009
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 26	\$ 64
Accounts Receivable	379	425
Accounts Receivable - Affiliated Companies, net	283	459
Short-Term Loan to Affiliate	309	0
Fuel	812	806
Materials and Supplies, net	286	290
Derivative Contracts	254	231
Prepayments	72	64
Other	0	3
Total Current Assets	2,421	2,342
PROPERTY, PLANT AND EQUIPMENT		
Less: Accumulated Depreciation and Amortization	(2,415)	(2,194)
Net Property, Plant and Equipment	6,689	6,385
NONCURRENT ASSETS		
Nuclear Decommissioning Trust (NDT) Funds	1,270	1,199
Goodwill	16	16
Other Intangibles	122	114
Other Special Funds	31	30
Derivative Contracts	89	118
Long-Term Accrued Taxes	11	39
Other	86	90
Total Noncurrent Assets	1,625	1,606
TOTAL ASSETS	\$ 10,735	\$ 10,333
LIABILITIES AND MEMBER S EQUITY		
CURRENT LIABILITIES		
Long-Term Debt Due Within One Year	\$ 650	0
Accounts Payable	470	622
Short-Term Loan from Affiliate	0	194
Derivative Contracts	123	201
Deferred Income Taxes	123	0
Accrued Interest	84	43
Other	116	163
Total Current Liabilities	1,566	1,223

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NONCURRENT LIABILITIES		
Deferred Income Taxes and Investment Tax Credits (ITC)	660	644
Asset Retirement Obligations	239	226
Other Postretirement Benefit (OPEB) Costs	166	158
Derivative Contracts	39	26
Accrued Pension Costs	227	344
Environmental Costs	51	52
Other	99	72
Total Noncurrent Liabilities	1,481	1,522
COMMITMENTS AND CONTINGENT LIABILITIES (See Note 7)		
LONG-TERM DEBT		
Total Long-Term Debt	2,805	3,121
MEMBER S EQUITY		
Contributed Capital	2,028	2,028
Basis Adjustment	(986)	(986)
Retained Earnings	3,889	3,486
Accumulated Other Comprehensive Loss	(48)	(61)
Total Member s Equity	4,883	4,467
TOTAL LIABILITIES AND MEMBER S EQUITY	\$ 10,735	\$ 10,333

See disclosures regarding PSEG Power LLC included in the Notes to Condensed Consolidated Financial Statements.

Table of Contents**PSEG POWER LLC****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

Millions

(Unaudited)

	For the Nine Months Ended September 30,	
	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	\$ 952	\$ 943
Adjustments to Reconcile Net Income to Net Cash Flows from Operating Activities:		
Depreciation and Amortization	144	152
Amortization of Nuclear Fuel	102	88
Provision for Deferred Income Taxes and ITC	145	105
Net Realized and Unrealized (Gains) Losses on Energy Contracts and Other Derivatives	(42)	(125)
Non-Cash Employee Benefit Plan Costs	53	58
Net Realized (Gains) Losses and (Income) Expense from NDT Funds	(73)	(25)
Realized Gains from Rabbi Trust	(7)	0
Impairment of Emissions Allowances	15	0
Net Change in Certain Current Assets and Liabilities:		
Fuel, Materials and Supplies	(2)	(39)
Margin Deposits	(26)	63
Accounts Receivable	16	312
Accounts Payable	(99)	(236)
Accounts Receivable/Payable-Affiliated Companies, net	186	260
Accrued Interest Payable	41	45
Other Current Assets and Liabilities	(42)	(50)
Employee Benefit Plan Funding and Related Payments	(131)	(112)
Other	24	(10)
Net Cash Provided By (Used In) Operating Activities	1,256	1,429
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to Property, Plant and Equipment	(579)	(636)
Proceeds from Sales of Available-for-Sale Securities	759	1,633
Investments in Available-for-Sale Securities	(778)	(1,653)
Short-Term Loan Affiliated Company, net	(309)	55
Restricted Funds	2	111
Other	26	20
Net Cash Provided By (Used In) Investing Activities	(879)	(470)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of Recourse Long-Term Debt	594	209
Contributed Capital	0	229
Cash Dividend Paid	(550)	(815)
Redemption of Long-Term Debt	(248)	(530)
Short-Term Loan Affiliated Company, net	(194)	65
Cash Payment for Debt Exchange	(13)	0

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Accounts Receivable due from Affiliate Related to Debt Exchange	0	(101)
Other	(4)	0
Net Cash Provided By (Used In) Financing Activities	(415)	(943)
Net Increase (Decrease) in Cash and Cash Equivalents	(38)	16
Cash and Cash Equivalents at Beginning of Period	64	40
Cash and Cash Equivalents at End of Period	\$ 26	\$ 56
Supplemental Disclosure of Cash Flow Information:		
Income Taxes Paid (Received)	\$ 558	\$ 464
Interest Paid, Net of Amounts Capitalized	\$ 85	\$ 94
See disclosures regarding PSEG Power LLC included in the Notes to Condensed Consolidated Financial Statements.		

Table of Contents

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Table of Contents**PUBLIC SERVICE ELECTRIC AND GAS COMPANY****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

Millions

(Unaudited)

	For the Three Months Ended September 30,		For The Nine Months Ended September 30,	
	2010	2009	2010	2009
OPERATING REVENUES	\$ 2,007	\$ 1,943	\$ 5,987	\$ 6,321
OPERATING EXPENSES				
Energy Costs	1,115	1,167	3,572	4,005
Operation and Maintenance	327	351	1,084	1,090
Depreciation and Amortization	209	169	563	462
Taxes Other Than Income Taxes	31	30	101	100
Total Operating Expenses	1,682	1,717	5,320	5,657
OPERATING INCOME	325	226	667	664
Other Income	14	2	22	7
Other Deductions	(1)	0	(2)	(2)
Interest Expense	(82)	(77)	(239)	(236)
INCOME (LOSS) BEFORE INCOME TAXES	256	151	448	433
Income Tax (Expense) Benefit	(101)	(63)	(172)	(177)
NET INCOME	155	88	276	256
Preferred Stock Dividends	0	(1)	(1)	(3)
EARNINGS AVAILABLE TO PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED	\$ 155	\$ 87	\$ 275	\$ 253

See disclosures regarding Public Service Electric and Gas Company included in the Notes to Condensed Consolidated Financial Statements.

Table of Contents**PUBLIC SERVICE ELECTRIC AND GAS COMPANY****CONDENSED CONSOLIDATED BALANCE SHEETS**

Millions

(Unaudited)

	September 30, 2010	December 31, 2009
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 115	\$ 240
Accounts Receivable, net of allowances of \$56 in 2010 and \$78 in 2009, respectively	818	800
Unbilled Revenues	276	411
Materials and Supplies	87	70
Prepayments	212	86
Deferred Income Taxes	37	52
Other	22	3
Total Current Assets	1,567	1,662
PROPERTY, PLANT AND EQUIPMENT		
Less: Accumulated Depreciation and Amortization	(4,311)	(4,187)
Net Property, Plant and Equipment	9,438	8,746
NONCURRENT ASSETS		
Regulatory Assets	4,105	4,402
Regulatory Assets of VIEs	1,181	1,367
Long-Term Investments	218	204
Other Special Funds	54	51
Derivative Contracts	37	5
Restricted Cash of VIEs	21	17
Other	87	79
Total Noncurrent Assets	5,703	6,125
TOTAL ASSETS	\$ 16,708	\$ 16,533

See disclosures regarding Public Service Electric and Gas Company included in the Notes to Condensed Consolidated Financial Statements.

Table of Contents**PUBLIC SERVICE ELECTRIC AND GAS COMPANY****CONDENSED CONSOLIDATED BALANCE SHEETS**

Millions

(Unaudited)

	September 30, 2010	December 31, 2009
LIABILITIES AND CAPITALIZATION		
CURRENT LIABILITIES		
Long-Term Debt Due Within One Year	\$ 0	\$ 300
Securitization Debt of VIEs Due Within One Year	204	198
Accounts Payable	401	337
Accounts Payable - Affiliated Companies, net	141	496
Accrued Interest	68	56
Clean Energy Program	189	166
Obligation to Return Cash Collateral	101	95
Other	206	214
Total Current Liabilities	1,310	1,862
NONCURRENT LIABILITIES		
Deferred Income Taxes and ITC	2,815	2,710
Other Postretirement Benefit (OPEB) Costs	870	887
Accrued Pension Costs	338	565
Regulatory Liabilities	498	397
Regulatory Liabilities of VIEs	8	7
Clean Energy Program	270	400
Environmental Costs	620	652
Asset Retirement Obligations	213	211
Long-Term Accrued Taxes	118	96
Other	27	29
Total Noncurrent Liabilities	5,777	5,954
COMMITMENTS AND CONTINGENT LIABILITIES (See Note 7)		
CAPITALIZATION		
LONG-TERM DEBT		
Long-Term Debt	4,282	3,271
Securitization Debt of VIEs	998	1,145
Total Long-Term Debt	5,280	4,416
Preferred Stock Without Mandatory Redemption, \$100 par value, 7,500,000 authorized; issued and outstanding, 2009 795,234 shares	0	80
STOCKHOLDER'S EQUITY		
Common Stock; 150,000,000 shares authorized; issued and outstanding, 2010 and 2009 132,450,344 shares	892	892

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Contributed Capital	420	420
Basis Adjustment	986	986
Retained Earnings	2,043	1,918
Accumulated Other Comprehensive Income	0	5
Total Stockholders Equity	4,341	4,221
Total Capitalization	9,621	8,717
TOTAL LIABILITIES AND CAPITALIZATION	\$ 16,708	\$ 16,533

See disclosures regarding Public Service Electric and Gas Company included in the Notes to Condensed Consolidated Financial Statements.

Table of Contents**PUBLIC SERVICE ELECTRIC AND GAS COMPANY****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****Millions****(Unaudited)**

	For The Nine Months Ended	
	2010	September 30, 2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	\$ 276	\$ 256
Adjustments to Reconcile Net Income to Net Cash Flows from Operating Activities:		
Depreciation and Amortization	563	462
Provision for Deferred Income Taxes and ITC	41	99
Non-Cash Employee Benefit Plan Costs	162	177
Realized Gains from Rabbi Trust	(11)	0
Non-Cash Interest Expense	10	11
Cost of Removal	(47)	(38)
Market Transition Charge Refund, net	98	0
Over (Under) Recovery of Electric Energy Costs (BGS and NTC) and Gas Costs	35	55
Over (Under) Recovery of SBC	(55)	40
Other Non-Cash Charges	0	(2)
Net Changes in Certain Current Assets and Liabilities:		
Accounts Receivable and Unbilled Revenues	117	253
Materials and Supplies	(17)	(9)
Prepayments	(126)	(182)
Accounts Payable	11	(6)
Accounts Receivable/Payable-Affiliated Companies, net	(318)	(334)
Other Current Assets and Liabilities	8	(59)
Employee Benefit Plan Funding and Related Payments	(305)	(270)
Other	(15)	(31)
Net Cash Provided By (Used In) Operating Activities	427	422
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to Property, Plant and Equipment	(871)	(580)
Proceeds from Sales of Available-for-Sale Securities	54	1
Investments in Available-for-Sale Securities	(54)	(1)
Solar Loan Investments	(11)	(18)
Other	(4)	4
Net Cash Provided By (Used In) Investing Activities	(886)	(594)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net Change in Short-Term Debt	0	54
Issuance of Long-Term Debt	1,014	0
Redemption of Long-Term Debt	(300)	(60)
Redemption of Securitization Debt	(140)	(133)
Redemption of Preferred Securities	(80)	0
Contributed Capital	0	250
Deferred Issuance Costs	(9)	0
Common Stock Dividend	(150)	0
Preferred Stock Dividends	(1)	(3)

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Net Cash Provided By (Used In) Financing Activities	334	108
Net Increase (Decrease) In Cash and Cash Equivalents	(125)	(64)
Cash and Cash Equivalents at Beginning of Period	240	91
Cash and Cash Equivalents at End of Period	\$ 115	\$ 27
Supplemental Disclosure of Cash Flow Information:		
Income Taxes Paid (Received)	\$ 182	\$ 47
Interest Paid, Net of Amounts Capitalized	\$ 213	\$ 223

See disclosures regarding Public Service Electric and Gas Company included in the Notes to Condensed Consolidated Financial Statements.

Table of Contents

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

This combined Form 10-Q is separately filed by Public Service Enterprise Group Incorporated (PSEG), PSEG Power LLC (Power) and Public Service Electric and Gas Company (PSE&G). Information relating to any individual company is filed by such company on its own behalf. Power and PSE&G each is only responsible for information about itself and its subsidiaries.

Note 1. Organization and Basis of Presentation

Organization

PSEG is a holding company with a diversified business mix within the energy industry. Its operations are primarily in the Northeastern and Mid Atlantic United States and in other select markets. PSEG's four principal direct wholly owned subsidiaries are:

Power which is a multi-regional, wholesale energy supply company that integrates its generating asset operations and gas supply commitments with its wholesale energy, fuel supply, energy trading and marketing and risk management functions through three principal direct wholly owned subsidiaries. Power's subsidiaries are subject to regulation by the Federal Energy Regulatory Commission (FERC), the Nuclear Regulatory Commission (NRC) and the states in which they operate.

PSE&G which is an operating public utility engaged principally in the transmission of electricity and distribution of electricity and natural gas in certain areas of New Jersey. PSE&G is subject to regulation by the New Jersey Board of Public Utilities (BPU) and FERC. Pursuant to applicable BPU orders, PSE&G is also investing in the development of solar generation projects and energy efficiency programs within its service territory.

PSEG Energy Holdings L.L.C. (Energy Holdings) which owns and operates primarily domestic projects engaged in the generation of energy and has invested in leveraged leases through its direct wholly owned subsidiaries. Certain Energy Holdings' subsidiaries are subject to regulation by FERC and the states in which they operate. Energy Holdings is also investing in solar generation projects and exploring opportunities for other investments in renewable generation.

PSEG Services Corporation (Services) which provides management and administrative and general services to PSEG and its subsidiaries.

Basis of Presentation

The respective financial statements included herein have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (SEC) applicable to Quarterly Reports on Form 10-Q. Certain information and note disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States (GAAP) have been condensed or omitted pursuant to such rules and regulations. These Condensed Consolidated Financial Statements and Notes to Condensed Consolidated Financial Statements (Notes) should be read in conjunction with, and update and supplement matters discussed in the Annual Report on Form 10-K for the year ended December 31, 2009 and Quarterly Reports on Form 10-Q for the quarters ended March 31, 2010 and June 30, 2010.

The unaudited condensed consolidated financial information furnished herein reflects all adjustments which are, in the opinion of management, necessary to fairly state the results for the interim periods presented. All such adjustments are of a normal recurring nature. The year-end Condensed Consolidated Balance Sheets were derived from the audited Consolidated Financial Statements included in the Annual Report on Form 10-K for the year ended December 31, 2009.

Reclassifications

Certain reclassifications have been made to the prior period financial statements to conform to the current presentation.

Table of Contents

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

As a result of new guidance adopted in 2010 on Variable Interest Entities (VIEs), we are required to present certain consolidated amounts related to VIEs separately on the face of our Condensed Consolidated Balance Sheets for PSEG and PSE&G with prior period amounts being reclassified as appropriate. See Note 2. Recent Accounting Standards for additional information.

On October 1, 2009, Energy Holdings distributed the outstanding equity of PSEG Texas, LP (PSEG Texas) to PSEG. PSEG in turn contributed it to Power as an additional equity investment. This transaction was accounted for as a noncash transfer of an equity interest between entities under common control with prior period financial statements for Power being retrospectively adjusted to include the earnings related to PSEG Texas. As a result, Power's Operating Revenues for the three months and nine months ended September 30, 2009 increased by \$142 million and \$294 million, respectively. Power's Net Income for the three months and nine months ended September 30, 2009 increased by \$35 million and \$21 million, respectively.

Note 2. Recent Accounting Standards

New Standards Adopted during 2010

During 2010, we have adopted the following new accounting standards. The new standards adopted did not have a material impact on our financial statements. The following is a summary of the requirements and impacts of the new standards.

Accounting for VIEs

This accounting standard amends the criteria used to determine which enterprise has a controlling financial interest in a VIE. The amended standard includes the following provisions:

requires an enterprise to qualitatively assess whether it should consolidate a VIE based on whether it has (i) the power to direct the activities of a VIE that most significantly impact the economic performance of a VIE, and (ii) has the obligation to absorb losses or the right to receive benefits of the VIE that could potentially be significant to the VIE,

requires an ongoing reconsideration of the primary beneficiary,

amends the VIE reconsideration events (triggering events), and

requires additional disclosures for the enterprise that consolidates a VIE (the primary beneficiary) to present separately on the face of the consolidated balance sheet (i) assets of the consolidated VIE that can be used only to settle obligations of the consolidated VIE and (ii) liabilities of a consolidated VIE for which creditors have no recourse to the general credit of the primary beneficiary.

We adopted the standard on January 1, 2010 and there was no impact on our financial statements upon initial adoption, other than presentation. In accordance with the guidance, we continuously assess the primary beneficiaries of VIEs for which we have a variable interest. See Note 3. Variable Interest Entities for further information.

Improving Disclosures about Fair Value Measurements

requires disclosure of transfers between Level 1 and Level 2 and reasons for transfer,

requires disaggregation beyond the financial statement line item when disclosing fair value instruments in the hierarchy table, and

requires gross presentation in Level 3 rollforward (purchases, sales, issuances, and settlements) effective January 1, 2011.

We adopted the standard on January 1, 2010. We disclose the fair value instruments by appropriate classes, as required by this standard, and we do not have any transfers between Levels 1 and 2. See Note 10. Fair Value Measurements for further information.

Table of Contents

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

New Accounting Standards Issued But Not Yet Adopted

Disclosures about Credit Quality of Financing Receivables and Allowance for Credit Losses

This accounting standard update has been issued to provide greater transparency about an entity's allowance for credit losses and the credit quality of its financing receivables by requiring:

quantitative and qualitative information about the credit quality of financing receivables,

description of accounting policies and methodology used to estimate the allowance for credit losses, and

an analysis of financing receivables on nonaccrual or past due status.

We will adopt this new guidance effective December 31, 2010 and expect to enhance disclosure related to leveraged lease receivables.

Note 3. Variable Interest Entities

VIEs for which PSE&G is the Primary Beneficiary

PSE&G is the primary beneficiary of and consolidates two marginally capitalized VIEs, PSE&G Transition Funding LLC (Transition Funding) and PSE&G Transition Funding II LLC (Transition Funding II), which were created for the purpose of issuing transition bonds and purchasing bond transitional property of PSE&G, which is pledged as collateral to the trustee. PSE&G acts as the servicer for these entities to collect securitization transition charges authorized by the BPU. These funds are remitted to Transition Funding and Transition Funding II and are used for interest and principal payments on the transition bonds and related costs.

The assets and liabilities of these VIEs are presented separately on the face of the Condensed Consolidated Balance Sheets of PSEG and PSE&G because the Transition Funding and Transition Funding II assets are restricted and can only be used to settle their respective obligations. The Transition Funding and Transition Funding II creditors do not have any recourse to the general credit of PSE&G in the event the transition charges are not sufficient to cover the bond principal and interest payments of Transition Funding and Transition Funding II, respectively.

PSE&G's maximum exposure to loss is equal to its equity investment in these VIEs which was \$16 million as of September 30, 2010 and December 31, 2009. The risk of actual loss to PSE&G is considered remote. PSE&G did not provide any financial support to Transition Funding or Transition Funding II during the first nine months of 2010 or in 2009. Further, PSE&G does not have any contractual commitments or obligations to provide financial support to Transition Funding and Transition Funding II.

VIE for which Energy Holdings is the Primary Beneficiary

Energy Holdings has a variable interest through its equity investment in a project for energy storage where it is also the primary beneficiary. Energy Holdings has the power to direct the activities of the entity that most significantly impact the entity's economic performance. Energy Holdings also has the obligation to fund up to \$15 million in operating losses of the VIE through 2011. As of September 30, 2010, \$7 million had been extended in the form of a note receivable.

Table of Contents

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

As a result, Energy Holdings consolidates the assets and liabilities of this project which are disclosed below (excluding intercompany balances which are eliminated in consolidation):

	As of September 30, 2010	As of December 31, 2009
	Millions	
Current Assets	\$ 1	\$ 1