

PUBLIC SERVICE ENTERPRISE GROUP INC
 Form 10-Q
 October 31, 2017

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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, 2017
 OR
 TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
 SECURITIES EXCHANGE ACT OF 1934
 FOR THE TRANSITION PERIOD FROM TO

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

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 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). Yes No

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

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Public Service Enterprise Group Incorporated Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company Emerging growth company

Public Service Electric and Gas Company Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company Emerging growth company

PSEG Power LLC Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company Emerging growth company

If any of the registrants is an emerging growth company, indicate by check mark if such registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

As of October 17, 2017, Public Service Enterprise Group Incorporated had outstanding 506,038,791 shares of its sole class of Common Stock, without par value.

As of October 17, 2017, 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.

Public Service Electric and Gas Company and PSEG Power LLC 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.

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FORWARD-LOOKING STATEMENTS

Certain of the matters discussed in this report about our and our subsidiaries' future performance, including, without limitation, future revenues, earnings, strategies, prospects, consequences and all other statements that are not purely historical constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. 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 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 filings we make with the United States Securities and Exchange Commission (SEC), including our Annual Report on Form 10-K and subsequent reports on Form 10-Q and Form 8-K. These factors include, but are not limited to:

- fluctuations in wholesale power and natural gas markets, including the potential impacts on the economic viability of our generation units;
- our ability to obtain adequate fuel supply;
- any inability to manage our energy obligations with available supply;
- increases in competition in wholesale energy and capacity markets;
- changes in technology related to energy generation, distribution and consumption and customer usage patterns;
- economic downturns;
- third-party credit risk relating to our sale of generation output and purchase of fuel;
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements;
- changes in state and federal legislation and regulations;
- the impact of pending rate case proceedings;
- regulatory, financial, environmental, health and safety risks associated with our ownership and operation of nuclear facilities;
- adverse changes in energy industry laws, policies and regulations, including market structures and transmission planning;
- changes in federal and state environmental regulations and enforcement;
- delays in receipt of, or an inability to receive, necessary licenses and permits;
- adverse outcomes of any legal, regulatory or other proceeding, settlement, investigation or claim applicable to us and/or the energy industry;
- changes in tax laws and regulations;
- the impact of our holding company structure on our ability to meet our corporate funding needs, service debt and pay dividends;
- lack of growth or slower growth in the number of customers or changes in customer demand;
- any inability of Power to meet its commitments under forward sale obligations;
- reliance on transmission facilities that we do not own or control and the impact on our ability to maintain adequate transmission capacity;
- any inability to successfully develop or construct generation, transmission and distribution projects;
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers;
- our inability to exercise control over the operations of generation facilities in which we do not maintain a controlling interest;

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- any inability to maintain sufficient liquidity;
- any inability to realize anticipated tax benefits or retain tax credits;
- challenges associated with recruitment and/or retention of key executives and a qualified workforce;
- the impact of our covenants in our debt instruments on our operations; and
- the impact of acts of terrorism, cybersecurity attacks or intrusions.

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 realized, will have the expected consequences to, or effects on, us or our business, prospects, financial condition, results of operations or cash flows. 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 apply only 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 in light of new information or future events, 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.

FILING FORMAT

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

Discussions throughout the document refer to PSEG and its direct operating subsidiaries, PSE&G and Power.

Depending on the context of each section, references to “we,” “us,” and “our” relate to PSEG or to the specific company or companies being discussed.

Table of ContentsPUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONSMillions, except per share data
(Unaudited)

	Three Months Ended September 30, 2017		Nine Months Ended September 30, 2016	
OPERATING REVENUES	\$2,263	\$2,450	\$6,988	\$6,971
OPERATING EXPENSES				
Energy Costs	638	866	2,100	2,326
Operation and Maintenance	680	776	2,100	2,215
Depreciation and Amortization	252	231	1,721	679
Total Operating Expenses	1,570	1,873	5,921	5,220
OPERATING INCOME	693	577	1,067	1,751
Income from Equity Method Investments	3	3	11	9
Other Income	66	47	208	139
Other Deductions	(10)	(8)	(30)	(39)
Other-Than-Temporary Impairments	(5)	(5)	(9)	(25)
Interest Expense	(100)	(99)	(289)	(288)
INCOME BEFORE INCOME TAXES	647	515	958	1,547
Income Tax Expense	(252)	(188)	(340)	(562)
NET INCOME	\$395	\$327	\$618	\$985
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING:				
BASIC	505	505	505	505
DILUTED	507	508	507	508
NET INCOME PER SHARE:				
BASIC	\$0.78	\$0.65	\$1.22	\$1.95
DILUTED	\$0.78	\$0.64	\$1.22	\$1.94
DIVIDENDS PAID PER SHARE OF COMMON STOCK	\$0.43	\$0.41	\$1.29	\$1.23

See Notes to Condensed Consolidated Financial Statements.

Table of ContentsPUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOMEMillions
(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2017	2016	2017	2016
NET INCOME	\$ 395	\$ 327	\$618	\$985
Other Comprehensive Income (Loss), net of tax				
Unrealized Gains (Losses) on Available-for-Sale Securities, net of tax (expense) benefit of \$(15), \$(24), \$(40) and \$(50) for the three and nine months ended 2017 and 2016, respectively	17	24	42	50
Unrealized Gains (Losses) on Cash Flow Hedges, net of tax (expense) benefit of \$0, \$0, \$0 and \$(1) for the three and nine months ended 2017 and 2016, respectively	(1) 1	(1) 2
Pension/Other Postretirement Benefit Costs (OPEB) adjustment, net of tax (expense) benefit of \$(4), \$(5), \$(12) and \$(17) for the three and nine months ended 2017 and 2016, respectively	6	9	18	25
Other Comprehensive Income (Loss), net of tax	22	34	59	77
COMPREHENSIVE INCOME	\$ 417	\$ 361	\$677	\$1,062

See Notes to Condensed Consolidated Financial Statements.

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CONDENSED CONSOLIDATED BALANCE SHEETS

Millions

(Unaudited)

	September 30, 2017	December 31, 2016
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 278	\$ 423
Accounts Receivable, net of allowances of \$59 in 2017 and \$68 in 2016	1,022	1,161
Tax Receivable	127	78
Unbilled Revenues	176	260
Fuel	348	326
Materials and Supplies, net	588	561
Prepayments	200	76
Derivative Contracts	84	163
Regulatory Assets	239	199
Other	19	7
Total Current Assets	3,081	3,254
PROPERTY, PLANT AND EQUIPMENT		
Less: Accumulated Depreciation and Amortization	(9,383) (10,051)
Net Property, Plant and Equipment	30,533	29,286
NONCURRENT ASSETS		
Regulatory Assets	3,336	3,319
Long-Term Investments	936	1,050
Nuclear Decommissioning Trust (NDT) Fund	2,012	1,859
Long-Term Tax Receivable	—	104
Long-Term Receivable of Variable Interest Entity (VIE)	599	589
Other Special Funds	229	217
Goodwill	16	16
Other Intangibles	88	98
Derivative Contracts	62	24
Other	265	254
Total Noncurrent Assets	7,543	7,530
TOTAL ASSETS	\$ 41,157	\$ 40,070

See Notes to Condensed Consolidated Financial Statements.

Table of ContentsPUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
CONDENSED CONSOLIDATED BALANCE SHEETS

Millions

(Unaudited)

	September 30, 2017	December 31, 2016
LIABILITIES AND CAPITALIZATION		
CURRENT LIABILITIES		
Long-Term Debt Due Within One Year	\$ 1,250	\$ 500
Commercial Paper and Loans	202	388
Accounts Payable	1,305	1,459
Derivative Contracts	7	13
Accrued Interest	136	97
Accrued Taxes	146	31
Clean Energy Program	184	142
Obligation to Return Cash Collateral	132	132
Regulatory Liabilities	44	88
Other	425	426
Total Current Liabilities	3,831	3,276
NONCURRENT LIABILITIES		
Deferred Income Taxes and Investment Tax Credits (ITC)	8,931	8,658
Regulatory Liabilities	89	118
Asset Retirement Obligations	748	726
OPEB Costs	1,301	1,324
OPEB Costs of Servco	474	452
Accrued Pension Costs	504	568
Accrued Pension Costs of Servco	113	128
Environmental Costs	399	401
Derivative Contracts	1	3
Long-Term Accrued Taxes	173	180
Other	195	211
Total Noncurrent Liabilities	12,928	12,769
COMMITMENTS AND CONTINGENT LIABILITIES (See Note 9)		
CAPITALIZATION		
LONG-TERM DEBT	11,274	10,895
STOCKHOLDERS' EQUITY		
Common Stock, no par, authorized 1,000 shares; issued, 2017 and 2016—534 shares	4,938	4,936
Treasury Stock, at cost, 2017 and 2016—29 shares	(750)	(717)
Retained Earnings	9,140	9,174
Accumulated Other Comprehensive Loss	(204)	(263)
Total Stockholders' Equity	13,124	13,130
Total Capitalization	24,398	24,025
TOTAL LIABILITIES AND CAPITALIZATION	\$ 41,157	\$ 40,070

See Notes to Condensed Consolidated Financial Statements.

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

Millions

(Unaudited)

	Nine Months Ended		
	September 30,		
	2017	2016	
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Income	\$618	\$985	
Adjustments to Reconcile Net Income to Net Cash Flows from Operating Activities:			
Depreciation and Amortization	1,721	679	
Amortization of Nuclear Fuel	152	154	
Renewable Energy Credit (REC) Compliance Accrual	79	87	
Impairment Costs for Early Plant Retirements	—	102	
Provision for Deferred Income Taxes (Other than Leases) and ITC	227	445	
Non-Cash Employee Benefit Plan Costs	67	95	
Leveraged Lease (Income) Loss, Adjusted for Rents Received and Deferred Taxes	(7	(12)
Net (Gain) Loss on Lease Investments	48	86	
Net Realized and Unrealized (Gains) Losses on Energy Contracts and Other Derivatives	8	96	
Net Change in Regulatory Assets and Liabilities	(121	(72)
Cost of Removal	(72	(109)
Net Realized (Gains) Losses and (Income) Expense from NDT Fund	(86	(12)
Net Change in Certain Current Assets and Liabilities:			
Tax Receivable	64	282	
Accrued Taxes	115	202	
Margin Deposit	64	(4)
Other Current Assets and Liabilities	(69	(229)
Employee Benefit Plan Funding and Related Payments	(64LIGN="bottom">		
Municipal Bonds		\$ 176,579,879	\$ 176,579,879
Short-Term Investments :			
Municipal Bonds		\$ 1,000,000	\$ 1,000,000
Money Market Funds	\$ 54,898		54,898
Total Short-Term Investments	\$ 54,898	\$ 1,000,000	\$ 1,054,898

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Total Investments \$ 54,898 \$ 177,579,879 \$ 177,634,777

LIABILITIES

DESCRIPTION	QUOTED	OTHER	SIGNIFICANT	TOTAL
	PRICES	SIGNIFICANT	UNOBSERVABLE	
	(LEVEL	INPUTS	INPUTS	
	1)	(LEVEL 2)	(LEVEL 3)	
Other Financial Instruments:				
Futures Contracts	\$ 114,109			\$ 114,109

See Schedule of Investments for additional detailed categorizations.

2. Investments

At July 31, 2016, the aggregate gross unrealized appreciation and depreciation of investments for federal income tax purposes were substantially as follows:

Gross unrealized appreciation	\$ 21,047,077
Gross unrealized depreciation	(3,281,341)
Net unrealized appreciation	\$ 17,765,736

At July 31, 2016, the Fund had the following open futures contracts:

	Number of Contracts	Expiration Date	Basis Value	Market Value	Unrealized Depreciation
Contracts to Sell:					
U.S. Treasury Long-Term Bonds	19	9/16	\$ 3,200,204	\$ 3,314,313	\$ (114,109)

ITEM 2. CONTROLS AND PROCEDURES.

- (a) The registrant's principal executive officer and principal financial officer have concluded that the registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940, as amended (the "1940 Act")) are effective as of a date within 90 days of the filing date of this report that includes the disclosure required by this paragraph, based on their evaluation of the disclosure controls and procedures required by Rule 30a-3(b) under the 1940 Act and 15d-15(b) under the Securities Exchange Act of 1934.

- (b) There were no changes in the registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the 1940 Act) that occurred during the registrant's last fiscal quarter that have materially affected, or are likely to materially affect the registrant's internal control over financial reporting.

ITEM 3. EXHIBITS.

Certifications pursuant to Rule 30a-2(a) under the Investment Company Act of 1940, as amended, are attached hereto.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Western Asset Municipal High Income Fund Inc.

By /s/ JANE TRUST
 Jane Trust
 Chief Executive Officer

Date: September 21, 2016

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By /s/ JANE TRUST
 Jane Trust
 Chief Executive Officer

Date: September 21, 2016

By /s/ RICHARD F. SENNETT
 Richard F. Sennett
 Principal Financial Officer

Date: September 21, 2016