

PUBLIC SERVICE ENTERPRISE GROUP INC
 Form 10-Q
 July 30, 2013

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 June 30, 2013

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, 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) 80 Park Plaza, P.O. Box 570 Newark, New Jersey 07101-0570 973 430-7000 http://www.pseg.com	22-1212800

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 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.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

Public Service Enterprise
Group Incorporated

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

Public Service Electric
and Gas Company Large accelerated filer Accelerated filer Non-accelerated filer 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

As of July 16, 2013, Public Service Enterprise Group Incorporated had outstanding 505,857,262 shares of its sole class of Common Stock, without par value.

As of July 16, 2013, 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.

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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. 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,” and “may” and 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 9. 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 the demand for or the price of the capacity and energy that we sell into wholesale electricity markets,
- adverse changes in energy industry law, policies and regulation, including market structures and a potential shift away from competitive markets toward subsidized market mechanisms, transmission planning and cost allocation rules, including rules regarding how transmission is planned and who is permitted to build transmission in the future, 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 our operations,
- changes in nuclear regulation and/or general developments in the nuclear power industry, including various impacts from any accidents or incidents experienced at our facilities or by others in the industry, 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 risks,
- any deterioration in our credit quality or the credit quality of our counterparties, including in our leveraged leases,
- availability of capital and credit at commercially reasonable terms and conditions and our ability to meet cash needs,
- changes in the cost of, or interruption in the supply of, fuel and other commodities necessary to the operation of our generating units,
- 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,
- any inability to achieve, or continue to sustain, our expected levels of operating performance,
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers, and any inability to sufficiently obtain coverage or recover proceeds of insurance on such matters,
- increases in competition in energy supply markets as well as competition for certain rate-based transmission projects,
- any inability to realize anticipated tax benefits or retain tax credits,
- challenges associated with recruitment and/or retention of a qualified workforce,
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements, and
- changes in technology and customer usage patterns.

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 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 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 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.

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

Millions

(Unaudited)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2013	2012	2013	2012
OPERATING REVENUES	\$2,310	\$2,098	\$5,096	\$4,973
OPERATING EXPENSES				
Energy Costs	755	761	1,910	1,940
Operation and Maintenance	646	629	1,356	1,257
Depreciation and Amortization	283	255	573	511
Taxes Other Than Income Taxes	14	20	35	49
Total Operating Expenses	1,698	1,665	3,874	3,757
OPERATING INCOME	612	433	1,222	1,216
Income from Equity Method Investments	3	2	5	2
Other Income	52	51	113	95
Other Deductions	(13	) (19	) (42	) (35
Other-Than-Temporary Impairments	(2	) (7	) (4	) (12
Interest Expense	(101	) (103	) (203	) (204
INCOME FROM CONTINUING OPERATIONS BEFORE	551	357	1,091	1,062
INCOME TAXES				
Income Tax Expense	(218	) (146	) (438	) (358
NET INCOME	\$333	\$211	\$653	\$704
WEIGHTED AVERAGE COMMON SHARES				
OUTSTANDING (THOUSANDS):				
BASIC	505,900	505,903	505,921	505,956
DILUTED	507,381	506,969	507,301	506,999
EARNINGS PER SHARE:				
BASIC				
INCOME FROM CONTINUING OPERATIONS	\$0.66	\$0.42	\$1.29	\$1.39
NET INCOME	\$0.66	\$0.42	\$1.29	\$1.39
DILUTED				
INCOME FROM CONTINUING OPERATIONS	\$0.66	\$0.42	\$1.29	\$1.39
NET INCOME	\$0.66	\$0.42	\$1.29	\$1.39
DIVIDENDS PAID PER SHARE OF COMMON STOCK	\$0.3600	\$0.3550	\$0.7200	\$0.7100

See Notes to Condensed Consolidated Financial Statements.

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
 CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Millions
 (Unaudited)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2013	2012	2013	2012
NET INCOME	\$333	\$211	\$653	\$704
Other Comprehensive Income (Loss), net of tax				
Unrealized Gains (Losses) on Available-for-Sale Securities, net of tax (expense) benefit of \$16, \$17, \$(11) and \$(21) for the three and six months ended 2013 and 2012, respectively	(16	) (15	) 11	22
Change in Fair Value of Derivative Instruments, net of tax (expense) benefit of \$0, \$3, \$0 and \$(11) for the three and six months ended 2013 and 2012, respectively	—	(5	) —	15
Reclassification Adjustments for Net Amounts included in Net Income, net of tax (expense) benefit of \$1, \$2, \$3 and \$17 for the three and six months ended 2013 and 2012, respectively	—	(5	) (4	) (25
Pension/Other Postretirement Benefit Costs (OPEB) adjustment, net of tax (expense) benefit of \$(7), \$(6), \$(14) and \$(11) for the three and six months ended 2013 and 2012, respectively	9	8	19	15
Other Comprehensive Income (Loss), net of tax	(7	) (17	) 26	27
COMPREHENSIVE INCOME	\$326	\$194	\$679	\$731

See Notes to Condensed Consolidated Financial Statements.

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
CONDENSED CONSOLIDATED BALANCE SHEETS

Millions
(Unaudited)

	June 30, 2013	December 31, 2012
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$164	\$379
Accounts Receivable, net of allowances of \$61 and \$56 in 2013 and 2012, respectively	1,133	1,069
Tax Receivable	226	227
Unbilled Revenues	257	314
Fuel	481	583
Materials and Supplies, net	435	422
Prepayments	312	283
Derivative Contracts	142	138
Deferred Income Taxes	32	49
Regulatory Assets	396	349
Other	37	56
Total Current Assets	3,615	3,869
PROPERTY, PLANT AND EQUIPMENT		
Less: Accumulated Depreciation and Amortization	(7,954)	(7,666)
Net Property, Plant and Equipment	20,561	19,736
NONCURRENT ASSETS		
Regulatory Assets	3,628	3,830
Regulatory Assets of Variable Interest Entities (VIEs)	603	713
Long-Term Investments	1,323	1,324
Nuclear Decommissioning Trust (NDT) Fund	1,580	1,540
Other Special Funds	183	191
Goodwill	16	16
Other Intangibles	41	34
Derivative Contracts	161	153
Restricted Cash of VIEs	23	23
Other	325	296
Total Noncurrent Assets	7,883	8,120
TOTAL ASSETS	\$32,059	\$31,725

See Notes to Condensed Consolidated Financial Statements.

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
CONDENSED CONSOLIDATED BALANCE SHEETS

Millions
(Unaudited)

	June 30, 2013	December 31, 2012
LIABILITIES AND CAPITALIZATION		
CURRENT LIABILITIES		
Long-Term Debt Due Within One Year	\$576	\$1,026
Securitization Debt of VIEs Due Within One Year	232	226
Commercial Paper and Loans	157	263
Accounts Payable	1,046	1,304
Derivative Contracts	42	46
Accrued Interest	97	91
Accrued Taxes	31	17
Deferred Income Taxes	46	72
Clean Energy Program	204	153
Obligation to Return Cash Collateral	121	122
Regulatory Liabilities	120	67
Other	386	390
Total Current Liabilities	3,058	3,777
NONCURRENT LIABILITIES		
Deferred Income Taxes and Investment Tax Credits (ITC)	6,686	6,542
Regulatory Liabilities	215	209
Regulatory Liabilities of VIEs	11	10
Asset Retirement Obligations	644	627
Other Postretirement Benefit (OPEB) Costs	1,272	1,285
Accrued Pension Costs	717	876
Clean Energy Program	27	—
Environmental Costs	449	537
Derivative Contracts	158	122
Long-Term Accrued Taxes	167	164
Other	116	108
Total Noncurrent Liabilities	10,462	10,480
COMMITMENTS AND CONTINGENT LIABILITIES (See Note 9)		
CAPITALIZATION		
LONG-TERM DEBT		
Long-Term Debt	7,033	6,148
Securitization Debt of VIEs	385	496
Project Level, Non-Recourse Debt	24	43
Total Long-Term Debt	7,442	6,687
STOCKHOLDERS' EQUITY		
Common Stock, no par, authorized 1,000,000,000 shares; issued, 2013 and 2012—533,556,660 shares	4,842	4,833
Treasury Stock, at cost, 2013— 27,699,398 shares; 2012— 27,664,188 shares	(615	) (607
Retained Earnings	7,231	6,942
Accumulated Other Comprehensive Loss	(362) (388

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Total Common Stockholders' Equity	11,096	10,780
Noncontrolling Interest	1	1
Total Stockholders' Equity	11,097	10,781
Total Capitalization	18,539	17,468
TOTAL LIABILITIES AND CAPITALIZATION	\$32,059	\$31,725

See Notes to Condensed Consolidated Financial Statements.

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PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

Millions

(Unaudited)

Six Months Ended

June 30,

2013

2012

CASH FLOWS FROM OPERATING ACTIVITIES

Net Income	\$653		\$704	
Adjustments to Reconcile Net Income to Net Cash Flows from Operating Activities:				
Depreciation and Amortization	573		511	
Amortization of Nuclear Fuel	95		84	
Provision for Deferred Income Taxes (Other than Leases) and ITC	146		165	
Non-Cash Employee Benefit Plan Costs	122		134	
Leveraged Lease Income, Adjusted for Rents Received and Deferred Taxes	(26)	)	(98))
Net Realized and Unrealized (Gains) Losses on Energy Contracts and Other Derivatives	20		(86))
Deferred Storm Costs	(81)	)	5	
Net Change in Other Regulatory Assets and Liabilities	62		(94))
Cost of Removal	(46)	)	(44))
Net Realized (Gains) Losses and (Income) Expense from NDT Fund	(47)	)	(26))
Net Change in Certain Current Assets and Liabilities	24		278	
Employee Benefit Plan Funding and Related Payments	(194)	)	(175))
Other	42		20	
Net Cash Provided By (Used In) Operating Activities	1,343		1,378	
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to Property, Plant and Equipment	(1,406)	)	(1,280))
Proceeds from Sale of Capital Leases and Investments	42		1	
Proceeds from Sales of Available-for-Sale Securities	681		850	
Investments in Available-for-Sale Securities	(684)	)	(867))
Other	(12)	)	(43))
Net Cash Provided By (Used In) Investing Activities	(1,379)	)	(1,339))
CASH FLOWS FROM FINANCING ACTIVITIES				
Net Change in Commercial Paper and Loans	(106)	)	16	
Issuance of Long-Term Debt	900		500	
Redemption of Long-Term Debt, including Securitization Debt	(556)	)	(240))
Cash Dividends Paid on Common Stock	(364)	)	(359))
Other	(53)	)	(25))
Net Cash Provided By (Used In) Financing Activities	(179)	)	(108))
Net Increase (Decrease) in Cash and Cash Equivalents	(215)	)	(69))
Cash and Cash Equivalents at Beginning of Period	379		834	
Cash and Cash Equivalents at End of Period	\$164		\$765	
Supplemental Disclosure of Cash Flow Information:				
Income Taxes Paid (Received)	\$138		\$114	
Interest Paid, Net of Amounts Capitalized	\$194		\$197	
Accrued Property, Plant and Equipment Expenditures	\$222		\$207	

