PUBLIC SERVICE ENTERPRISE GROUP INC
Form 10-Q
October 31, 2013

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q
(Mark One)
ý QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE QUARTERLY PERIOD ENDED September 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 ý 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 ý 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 x Accelerated filer o Non-accelerated filer o Smaller reporting company o

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

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 ý

As of October 15, 2013, Public Service Enterprise Group Incorporated had outstanding 505,861,262 shares of its sole class of Common Stock, without par value.

As of October 15, 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.

FORWARD-LOOKING STATEMENTS

Certain of the matters discussed in this communication about us 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 ar 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 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 and available on our website: http://www.pseg.com. 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 obtain sufficient 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, such as distributed generation and microgrids, and resultant changes in customer usage patterns, including energy efficiency and demand response.

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 September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
OPERATING REVENUES	$2,554	$2,402	$7,650	$7,375
OPERATING EXPENSES				
Energy Costs	801	879	2,711	2,819
Operation and Maintenance	713	619	2,069	1,876
Depreciation and Amortization	313	286	886	797
Taxes Other Than Income Taxes	15	24	50	73
Total Operating Expenses	1,842	1,808	5,716	5,565
OPERATING INCOME	712	594	1,934	1,810
Income from Equity Method Investments	4	7	9	9
Other Income	59	121	172	216
Other Deductions	(12)	(26)	(54)	(61)
Other-Than-Temporary Impairments	(3)	(2)	(7)	(14)
Interest Expense	(100)	(106)	(303)	(310)
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	660	588	1,751	1,650
Income Tax Expense	(270)	(241)	(708)	(599)
NET INCOME	$390	$347	$1,043	$1,051
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING (THOUSANDS):				
BASIC	505,858	505,914	505,900	505,942
DILUTED	507,694	507,111	507,433	507,037
EARNINGS PER SHARE:				
BASIC				
INCOME FROM CONTINUING OPERATIONS	$0.77	$0.69	$2.06	$2.08
NET INCOME	$0.77	$0.69	$2.06	$2.08
DILUTED				
INCOME FROM CONTINUING OPERATIONS	$0.77	$0.68	$2.06	$2.07
NET INCOME	$0.77	$0.68	$2.06	$2.07
DIVIDENDS PAID PER SHARE OF COMMON STOCK	$0.3600	$0.3550	$1.0800	$1.0650

See Notes to Condensed Consolidated Financial Statements.

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
Millions
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
NET INCOME	$390	$347	$1,043	$1,051
Other Comprehensive Income (Loss), net of tax				
Unrealized Gains (Losses) on Available-for-Sale Securities, net of tax (expense) benefit of $(16), $5, $(27) and $(16) for the three and nine months ended 2013 and 2012, respectively	16	(10)	27	12
Unrealized Gains (Losses) on Cash Flow Hedges, net of tax (expense) benefit of $1, $8, $4 and $14 for the three and nine months ended 2013 and 2012, respectively	(1)	(10)	(5)	(20)
Pension/Other Postretirement Benefit Costs (OPEB) adjustment, net of tax (expense) benefit of $(6), $(5), $(20) and $(16) for the three and nine months ended 2013 and 2012, respectively	9	8	28	23
Other Comprehensive Income (Loss), net of tax	24	(12)	50	15
COMPREHENSIVE INCOME	$414	$335	$1,093	$1,066

See Notes to Condensed Consolidated Financial Statements.

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
CONDENSED CONSOLIDATED BALANCE SHEETS
Millions
(Unaudited)

	September 30, 2013	December 31, 2012
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$448	$379
Accounts Receivable, net of allowances of $57 and $56 in 2013 and 2012, respectively	1,069	1,069
Tax Receivable	225	227
Unbilled Revenues	211	314
Fuel	599	583
Materials and Supplies, net	450	422
Prepayments	210	283
Derivative Contracts	107	138
Deferred Income Taxes	31	49
Regulatory Assets	348	349
Other	43	56
Total Current Assets	3,741	3,869
PROPERTY, PLANT AND EQUIPMENT	29,206	27,402
Less: Accumulated Depreciation and Amortization	(8,127)	(7,666)
Net Property, Plant and Equipment	21,079	19,736
NONCURRENT ASSETS		
Regulatory Assets	3,519	3,830
Regulatory Assets of Variable Interest Entities (VIEs)	532	713
Long-Term Investments	1,320	1,324
Nuclear Decommissioning Trust (NDT) Fund	1,635	1,540
Other Special Funds	181	191
Goodwill	16	16
Other Intangibles	52	34
Derivative Contracts	184	153
Restricted Cash of VIEs	23	23
Other	328	296
Total Noncurrent Assets	7,790	8,120
TOTAL ASSETS	$32,610	$31,725

See Notes to Condensed Consolidated Financial Statements.

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
CONDENSED CONSOLIDATED BALANCE SHEETS
Millions
(Unaudited)

	September 30, 2013	December 31, 2012
LIABILITIES AND CAPITALIZATION		
CURRENT LIABILITIES		
Long-Term Debt Due Within One Year	$775	$1,026
Securitization Debt of VIEs Due Within One Year	235	226
Commercial Paper and Loans	—	263
Accounts Payable	1,024	1,304
Derivative Contracts	36	46
Accrued Interest	114	91
Accrued Taxes	83	17
Deferred Income Taxes	48	72
Clean Energy Program	185	153
Obligation to Return Cash Collateral	118	122
Regulatory Liabilities	171	67
Other	446	390
Total Current Liabilities	3,235	3,777
NONCURRENT LIABILITIES		
Deferred Income Taxes and Investment Tax Credits (ITC)	6,807	6,542
Regulatory Liabilities	213	209
Regulatory Liabilities of VIEs	11	10
Asset Retirement Obligations	653	627
Other Postretirement Benefit (OPEB) Costs	1,274	1,285
Accrued Pension Costs	710	876
Environmental Costs	431	537
Derivative Contracts	163	122
Long-Term Accrued Taxes	183	164
Other	115	108
Total Noncurrent Liabilities	10,560	10,480
COMMITMENTS AND CONTINGENT LIABILITIES (See Note 9)		
CAPITALIZATION		
LONG-TERM DEBT		
Long-Term Debt	7,134	6,148
Securitization Debt of VIEs	326	496
Project Level, Non-Recourse Debt	16	43
Total Long-Term Debt	7,476	6,687
STOCKHOLDERS' EQUITY		
Common Stock, no par, authorized 1,000,000,000 shares; issued, 2013 and 2012—533,556,660 shares	4,852	4,833
Treasury Stock, at cost, 2013— 27,695,398 shares; 2012— 27,664,188 shares	(615)	(607)
Retained Earnings	7,439	6,942
Accumulated Other Comprehensive Loss	(338)	(388)
Total Common Stockholders' Equity	11,338	10,780

Noncontrolling Interest	1	1
Total Stockholders' Equity	11,339	10,781
Total Capitalization	18,815	17,468
TOTAL LIABILITIES AND CAPITALIZATION	$32,610	$31,725

See Notes to Condensed Consolidated Financial Statements.

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
Millions
(Unaudited)

	Nine Months Ended September 30, 2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	$1,043	$1,051
Adjustments to Reconcile Net Income to Net Cash Flows from Operating Activities:		
Depreciation and Amortization	886	797
Amortization of Nuclear Fuel	145	129
Provision for Deferred Income Taxes (Other than Leases) and ITC	242	221
Non-Cash Employee Benefit Plan Costs	182	203
Leveraged Lease Income, Adjusted for Rents Received and Deferred Taxes	(7)	(81)
Net Realized and Unrealized (Gains) Losses on Energy Contracts and Other Derivatives	3	116
Change in Accrued Storm Costs	(87)	5
Net Change in Other Regulatory Assets and Liabilities	134	(82)
Cost of Removal	(66)	(71)
Net Realized (Gains) Losses and (Income) Expense from NDT Fund	(76)	(107)
Net Change in Tax Receivable	2	16
Net Change in Certain Current Assets and Liabilities	173	305
Employee Benefit Plan Funding and Related Payments	(210)	(193)
Other	71	2
Net Cash Provided By (Used In) Operating Activities	2,435	2,311
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to Property, Plant and Equipment	(2,102)	(1,969)
Proceeds from Sale of Capital Leases and Investments	42	—
Proceeds from Sales of Available-for-Sale Securities	914	1,473
Investments in Available-for-Sale Securities	(922)	(1,497)
Other	(20)	(58)
Net Cash Provided By (Used In) Investing Activities	(2,088)	(2,051)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net Change in Commercial Paper and Loans	(263)	—
Issuance of Long-Term Debt	1,500	850
Redemption of Long-Term Debt	(750)	(439)
Redemption of Securitization Debt	(162)	(154)
Repayment of Non-Recourse Debt	—	(1)
Cash Dividends Paid on Common Stock	(546)	(538)
Other	(57)	(32)
Net Cash Provided By (Used In) Financing Activities	(278)	(314)
Net Increase (Decrease) in Cash and Cash Equivalents	69	(54)
Cash and Cash Equivalents at Beginning of Period	379	834
Cash and Cash Equivalents at End of Period	$448	$780
Supplemental Disclosure of Cash Flow Information:		
Income Taxes Paid (Received)	$222	$109

Interest Paid, Net of Amounts Capitalized	$274	$280
Accrued Property, Plant and Equipment Expenditures	$258	$259

See Notes to Condensed Consolidated Financial Statements.

PSEG POWER LLC
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
Millions
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
OPERATING REVENUES	$1,169	$1,038	$3,806	$3,584
OPERATING EXPENSES				
Energy Costs	430	456	1,786	1,725
Operation and Maintenance	304	255	866	780
Depreciation and Amortization	66	60	195	175
Total Operating Expenses	800	771	2,847	2,680
OPERATING INCOME	369	267	959	904
Other Income	45	104	127	171
Other Deductions	(11)	(20)	(49)	(52)
Other-Than-Temporary Impairments	(3)	(2)	(7)	(14)
Interest Expense	(26)	(35)	(85)	(97)
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	374	314	945	912
Income Tax Expense	(153)	(133)	(383)	(374)
EARNINGS AVAILABLE TO PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED	$221	$181	$562	$538

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

PSEG POWER LLC
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
Millions
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
NET INCOME	$221	$181	$562	$538
Other Comprehensive Income (Loss), net of tax				
Unrealized Gains (Losses) on Available-for-Sale Securities, net of tax (expense) benefit of $(18), $6, $(29) and $(16) for the three and nine months ended 2013 and 2012, respectively	17	(11)	30	11
Unrealized Gains (Losses) on Cash Flow Hedges, net of tax (expense) benefit of $1, $8, $4 and $14 for the three and nine months ended 2013 and 2012, respectively	(1)	(11)	(6)	(21)
Pension/OPEB adjustment, net of tax (expense) benefit of $(6), $(4), $(17) and $(14) for the three and nine months ended 2013 and 2012, respectively	8	7	25	21
Other Comprehensive Income (Loss), net of tax	24	(15)	49	11
COMPREHENSIVE INCOME	$245	$166	$611	$549

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

PSEG POWER LLC
CONDENSED CONSOLIDATED BALANCE SHEETS
Millions
(Unaudited)

	September 30, 2013	December 31, 2012
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$9	$7
Accounts Receivable	211	269
Accounts Receivable—Affiliated Companies, net	34	340
Short-Term Loan to Affiliate	417	574
Fuel	599	583
Materials and Supplies, net	329	307
Derivative Contracts	72	118
Prepayments	16	17
Deferred Income Taxes	3	—
Other	—	19
Total Current Assets	1,690	2,234
PROPERTY, PLANT AND EQUIPMENT	10,035	9,697
Less: Accumulated Depreciation and Amortization	(2,973)	(2,679)
Net Property, Plant and Equipment	7,062	7,018
NONCURRENT ASSETS		
Nuclear Decommissioning Trust (NDT) Fund	1,635	1,540
Goodwill	16	16
Other Intangibles	52	34
Other Special Funds	38	36
Derivative Contracts	89	49
Other	139	105
Total Noncurrent Assets	1,969	1,780
TOTAL ASSETS	$10,721	$11,032

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

8

PSEG POWER LLC
CONDENSED CONSOLIDATED BALANCE SHEETS
Millions
(Unaudited)

	September 30, 2013	December 31, 2012
LIABILITIES AND MEMBER’S EQUITY		
CURRENT LIABILITIES		
Long-Term Debt Due Within One Year	$—	$300
Accounts Payable	404	498
Derivative Contracts	36	46
Deferred Income Taxes	—	16
Accrued Interest	37	26
Other	109	81
Total Current Liabilities	586	967
NONCURRENT LIABILITIES		
Deferred Income Taxes and Investment Tax Credits (ITC)	1,732	1,575
Asset Retirement Obligations	385	369
Other Postretirement Benefit (OPEB) Costs	230	221
Derivative Contracts	23	15
Accrued Pension Costs	225	272
Long-Term Accrued Taxes	50	50
Other	90	84
Total Noncurrent Liabilities	2,735	2,586
COMMITMENTS AND CONTINGENT LIABILITIES (See Note 9)		
LONG-TERM DEBT		
Total Long-Term Debt	2,041	2,040
MEMBER’S EQUITY		
Contributed Capital	2,028	2,028
Basis Adjustment	(986)	(986)
Retained Earnings	4,596	4,725
Accumulated Other Comprehensive Loss	(279)	(328)
Total Member’s Equity	5,359	5,439
TOTAL LIABILITIES AND MEMBER’S EQUITY	$10,721	$11,032

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

PSEG POWER LLC
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
Millions
(Unaudited)

	Nine Months Ended September 30, 2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	$562	$538
Adjustments to Reconcile Net Income to Net Cash Flows from Operating Activities:		
Depreciation and Amortization	195	175
Amortization of Nuclear Fuel	145	129
Provision for Deferred Income Taxes and ITC	96	189
Net Realized and Unrealized (Gains) Losses on Energy Contracts and Other Derivatives	3	116
Non-Cash Employee Benefit Plan Costs	50	53
Net Realized (Gains) Losses and (Income) Expense from NDT Fund	(76)	(107)
Net Change in Certain Current Assets and Liabilities:		
Fuel, Materials and Supplies	(38)	(10)
Margin Deposit	17	(107)
Accounts Receivable	69	50
Accounts Payable	(63)	(31)
Accounts Receivable/Payable-Affiliated Companies, net	306	193
Accrued Interest Payable	11	17
Other Current Assets and Liabilities	20	2
Employee Benefit Plan Funding and Related Payments	(45)	(40)
Other	32	5
Net Cash Provided By (Used In) Operating Activities	1,284	1,172
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to Property, Plant and Equipment	(419)	(493)
Proceeds from Sales of Available-for-Sale Securities	849	1,295
Investments in Available-for-Sale Securities	(864)	(1,315)
Short-Term Loan—Affiliated Company, net	157	17
Other	(13)	(10)
Net Cash Provided By (Used In) Investing Activities	(290)	(506)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash Dividend Paid	(690)	(600)
Redemption of Long-Term Debt	(300)	(66)
Other	(2)	(7)
Net Cash Provided By (Used In) Financing Activities	(992)	(673)
Net Increase (Decrease) in Cash and Cash Equivalents	2	(7)
Cash and Cash Equivalents at Beginning of Period	7	12
Cash and Cash Equivalents at End of Period	$9	$5
Supplemental Disclosure of Cash Flow Information:		
Income Taxes Paid (Received)	$107	$130
Interest Paid, Net of Amounts Capitalized	$72	$73

Accrued Property, Plant and Equipment Expenditures	$58	$84

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

PUBLIC SERVICE ELECTRIC AND GAS COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
Millions
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
OPERATING REVENUES	$1,666	$1,683	$5,084	$5,029
OPERATING EXPENSES				
Energy Costs	661	756	2,208	2,380
Operation and Maintenance	408	366	1,204	1,092
Depreciation and Amortization	236	216	658	594
Taxes Other Than Income Taxes	15	24	50	73
Total Operating Expenses	1,320	1,362	4,120	4,139
OPERATING INCOME	346	321	964	890
Other Income	13	16	41	39
Other Deductions	(1)	(6)	(3)	(8)
Interest Expense	(75)	(73)	(223)	(220)
INCOME BEFORE INCOME TAXES	283	258	779	701
Income Tax Expense	(115)	(103)	(311)	(248)
EARNINGS AVAILABLE TO PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED	$168	$155	$468	$453

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

PUBLIC SERVICE ELECTRIC AND GAS COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
Millions
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
NET INCOME	$168	$155	$468	$453
Unrealized Gains (Losses) on Available-for-Sale Securities, net of tax (expense) benefit of $0, $(1), $1 and $0 for the three and nine months ended 2013 and 2012, respectively	—	1	(1)	—
COMPREHENSIVE INCOME	$168	$156	$467	$453

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

PUBLIC SERVICE ELECTRIC AND GAS COMPANY
CONDENSED CONSOLIDATED BALANCE SHEETS
Millions
(Unaudited)

	September 30, 2013	December 31, 2012
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$253	$116
Accounts Receivable, net of allowances of $57 and $56 in 2013 and 2012, respectively	839	783
Accounts Receivable-Affiliated Companies, net	94	—
Unbilled Revenues	211	314
Materials and Supplies	118	114
Prepayments	138	29
Regulatory Assets	348	349
Derivative Contracts	19	5
Deferred Income Taxes	31	49
Other	24	24
Total Current Assets	2,075	1,783
PROPERTY, PLANT AND EQUIPMENT	18,503	17,006
Less: Accumulated Depreciation and Amortization	(4,916)	(4,726)
Net Property, Plant and Equipment	13,587	12,280
NONCURRENT ASSETS		
Regulatory Assets	3,519	3,830
Regulatory Assets of VIEs	532	713
Long-Term Investments	356	348
Other Special Funds	41	61
Derivative Contracts	69	62
Restricted Cash of VIEs	23	23
Other	128	123
Total Noncurrent Assets	4,668	5,160
TOTAL ASSETS	$20,330	$19,223

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

PUBLIC SERVICE ELECTRIC AND GAS COMPANY
CONDENSED CONSOLIDATED BALANCE SHEETS
Millions
(Unaudited)

	September 30, 2013	December 31, 2012
LIABILITIES AND CAPITALIZATION		
CURRENT LIABILITIES		
Long-Term Debt Due Within One Year	$775	$725
Securitization Debt of VIEs Due Within One Year	235	226
Commercial Paper and Loans	—	263
Accounts Payable	473	630
Accounts Payable—Affiliated Companies, net	—	73
Accrued Interest	77	65
Clean Energy Program	185	153
Deferred Income Taxes	55	60
Obligation to Return Cash Collateral	118	122
Regulatory Liabilities	171	67
Other	306	269
Total Current Liabilities	2,395	2,653
NONCURRENT LIABILITIES		
Deferred Income Taxes and ITC	4,354	4,223
Other Postretirement Benefit (OPEB) Costs	989	1,011
Accrued Pension Costs	360	463
Regulatory Liabilities	213	209
Regulatory Liabilities of VIEs	11	10
Environmental Costs	380	486
Asset Retirement Obligations	260	250
Derivative Contracts	140	107
Long-Term Accrued Taxes	48	32
Other	46	38
Total Noncurrent Liabilities	6,801	6,829
COMMITMENTS AND CONTINGENT LIABILITIES (See Note 9)		
CAPITALIZATION		
LONG-TERM DEBT		
Long-Term Debt	5,066	4,070
Securitization Debt of VIEs	326	496
Total Long-Term Debt	5,392	4,566
STOCKHOLDER’S EQUITY		
Common Stock; 150,000,000 shares authorized; issued and outstanding, 2013 and 2012—132,450,344 shares	892	892
Contributed Capital	520	420
Basis Adjustment	986	986
Retained Earnings	3,343	2,875
Accumulated Other Comprehensive Income	1	2
Total Stockholder’s Equity	5,742	5,175
Total Capitalization	11,134	9,741

TOTAL LIABILITIES AND CAPITALIZATION	$20,330	$19,223

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

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

	Nine Months Ended September 30, 2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	$468	$453
Adjustments to Reconcile Net Income to Net Cash Flows from Operating Activities:		
Depreciation and Amortization	658	594
Provision for Deferred Income Taxes and ITC	153	131
Non-Cash Employee Benefit Plan Costs	117	134
Cost of Removal	(66)	(71)
Change in Accrued Storm Costs	(87)	5
Net Change in Other Regulatory Assets and Liabilities	134	(82)
Net Change in Certain Current Assets and Liabilities:		
Accounts Receivable and Unbilled Revenues	48	97
Materials and Supplies	(4)	(11)
Prepayments	(109)	(28)
Net Change in Tax Receivable	—	16
Accounts Payable	3	(20)
Accounts Receivable/Payable-Affiliated Companies, net	(171)	(41)
Other Current Assets and Liabilities	29	22
Employee Benefit Plan Funding and Related Payments	(147)	(137)
Other	23	(21)
Net Cash Provided By (Used In) Operating Activities	1,049	1,041
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to Property, Plant and Equipment	(1,628)	(1,369)
Proceeds from Sales of Available-for-Sale Securities	35	73
Investments in Available-for-Sale Securities	(16)	(73)
Solar Loan Investments	(11)	(56)
Restricted Funds	—	1
Net Cash Provided By (Used In) Investing Activities	(1,620)	(1,424)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net Change in Short-Term Debt	(263)	—
Issuance of Long-Term Debt	1,500	850
Redemption of Long-Term Debt	(450)	(373)
Redemption of Securitization Debt	(162)	(154)
Contributed Capital	100	—
Other	(17)	(12)
Net Cash Provided By (Used In) Financing Activities	708	311
Net Increase (Decrease) In Cash and Cash Equivalents	137	(72)
Cash and Cash Equivalents at Beginning of Period	116	143
Cash and Cash Equivalents at End of Period	$253	$71

Supplemental Disclosure of Cash Flow Information:		
Income Taxes Paid (Received)	$174	$(30)
Interest Paid, Net of Amounts Capitalized	$199	$205
Accrued Property, Plant and Equipment Expenditures	$200	$175

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

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 and energy trading 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 a 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 the FERC. PSE&G also invests in solar generation projects and has implemented energy efficiency and demand response programs, which are regulated by the BPU.
- PSEG Energy Holdings L.L.C. (Energy Holdings)—which primarily has investments in leases and solar generation projects through its direct wholly owned subsidiaries. Certain Energy Holdings’ subsidiaries are subject to regulation by the FERC and the states in which they operate. A subsidiary of Energy Holdings has been awarded a contract to manage the transmission and distribution assets of the Long Island Power Authority (LIPA) starting in 2014.
- PSEG Services Corporation (Services)—which provides management, administrative and general services to PSEG and its subsidiaries at cost.

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, 2012 and Quarterly Reports on Form 10-Q for the quarters ended March 31, 2013 and June 30, 2013.

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. All significant intercompany accounts and transactions are eliminated in consolidation, except as discussed in Note 18. Related-Party Transactions. 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, 2012.

Note 2. Recent Accounting Standards

New Standards Adopted during 2013

Disclosures about Offsetting Assets and Liabilities

This accounting standard requires enhanced disclosures regarding assets and liabilities that are either offset in the financial statements, or are subject to an enforceable master netting arrangement or similar agreement. The guidance is applicable to certain financial instruments (e.g. derivatives) and securities borrowing and lending transactions. This standard requires entities:

- to disclose information about offsetting and related arrangements to enable users of financial statements to understand the effect of those arrangements on an entity's financial position, and

16

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

- to present both net (offset amounts) and gross information in the notes to the financial statements for relevant assets and liabilities.

We adopted this standard retrospectively effective January 1, 2013. As this standard requires disclosures only, it did not have any impact on our consolidated financial position, results of operations or cash flows. For additional information, see Note 11. Financial Risk Management Activities.

Reclassification Adjustments out of Accumulated Other Comprehensive Income

This accounting standard requires entities to disclose the following information about reclassification adjustments related to Accumulated Other Comprehensive Income:

- changes in Accumulated Other Comprehensive Income balances by component, and
- significant amounts reclassified out of Accumulated Other Comprehensive Income by respective line items of net income (for amounts that are required by GAAP to be reclassified to net income in their entirety in the same reporting period).

We adopted this standard prospectively effective January 1, 2013. As this standard requires disclosures only, it did not have any impact on our consolidated financial position, results of operations or cash flows. For additional information, see Note 15. Accumulated Other Comprehensive Income (Loss), Net of Tax.

New Accounting Standards Issued But Not Yet Adopted

Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists

This accounting standard was issued to address diversity in practice related to the presentation of an unrecognized tax benefit in certain cases. This standard requires entities to present an unrecognized tax benefit or a portion thereof on the Balance Sheet as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward.

However, in cases in which a net operating loss carryforward, a similar tax loss or a tax credit carryforward is not available at the reporting date under the tax law of the jurisdiction to settle any additional income taxes that would result from the disallowance of a tax position, or the tax law of the jurisdiction does not require an entity to use, and the entity does not intend to use the deferred tax asset for such purpose, the unrecognized tax benefit will be presented on the Balance Sheet as a liability and will not be combined with deferred tax assets.

The standard is effective for fiscal years and interim periods beginning after December 15, 2013. We are currently analyzing the impact of this standard to our financial statements.

Note 3. Variable Interest Entities (VIEs)

Variable Interest Entities for which PSE&G is the Primary Beneficiary

PSE&G is the primary beneficiary 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 a 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. No Transition Funding or Transition Funding II creditor has 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 or 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, 2013 and December 31, 2012. 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 2013 or in

2012. PSE&G does not have any contractual commitments or obligations to provide financial support to Transition Funding or Transition Funding II.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Note 4. Asset Disposition
In June 2013, Energy Holdings closed on the sale of its investments in a commercial office complex for proceeds of $41 million, resulting in an after-tax gain of $6 million.

Note 5. Rate Filings
The following information discusses significant updates regarding orders and pending rate filings. This Note should be read in conjunction with Note 6. Regulatory Assets and Liabilities to the Consolidated Financial Statements in the Annual Report on Form 10-K for the year ended December 31, 2012.

- Weather Normalization Clause (WNC)—In April 2013, the BPU approved PSE&G's filing with respect to deficiency revenues from the 2011-2012 Winter Period. As a result, provisional rates were approved to recover $41 million from customers during the 2012-2013 Winter Period, with a carryover deficiency of $24 million to the 2013-2014 Winter Period. In July 2013, PSE&G filed a petition with the BPU seeking approval to recover $26 million in revenues from its customers during the 2013-2014 Winter Period inclusive of the $24 million carryover deficiency. In September 2013, the BPU approved PSE&G's petition for $26 million of deficiency revenues which will be recovered from customers during the 2013-2014 Winter Period (October 1 through May 31).
- Universal Service Fund (USF) Lifeline—In June 2013, New Jersey’s electric and gas utilities, including PSE&G, filed requests to reset the statewide rates for the USF and Lifeline program. In September 2013, the BPU approved rates set to recover $274 million on a statewide basis. PSE&G earns no margin on the collection of the USF and Lifeline programs resulting in no impact on Net Income.
- Transmission Filing—In October 2013, PSE&G filed its 2014 Annual Formula Rate Update with the FERC, which provides for approximately $176 million in increased annual transmission revenues effective January 1, 2014.
- BGSS—In October 2013, PSE&G filed a self-implementing two-month BGSS bill credit with the BPU. This bill credit will be 35 cents per therm for the months of November and December 2013 and is designed to provide approximately $115 million to residential customers over the two months and reduce the BGSS deferred balance. The BGSS rate will revert back to the current rate on January 1, 2014.

Note 6. Financing Receivables
PSE&G
PSE&G sponsors a solar loan program designed to help finance the installation of solar power systems throughout its electric service area. The loans are generally paid back with Solar Renewable Energy Certificates (SRECs) generated from the installed solar electric system. The following table reflects the outstanding loans by class of customer, none of which are considered “non-performing.”

Credit Risk Profile Based on Payment Activity		
Consumer Loans	As of September 30, 2013	As of December 31, 2012
	Millions	
Commercial/Industrial	$183	$174
Residential	15	15
Total	$198	$189

Energy Holdings
Energy Holdings, through various of its indirect subsidiary companies, has investments in domestic energy and real estate assets subject primarily to leveraged lease accounting. A leveraged lease is typically comprised of an

investment by an equity investor and debt provided by a third party debt investor. The debt is recourse only to the assets subject to lease and is not included on PSEG's Condensed Consolidated Balance Sheets. As an equity investor, Energy Holdings' investments in the leases

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

are comprised of the total expected lease receivables on its investments over the lease terms plus the estimated residual values at the end of the lease terms, reduced for any income not yet earned on the leases. This amount is included in Long-Term Investments on PSEG's Condensed Consolidated Balance Sheets. The more rapid depreciation of the leased property for tax purposes creates tax cash flow that will be repaid to the taxing authority in later periods. As such, the liability for such taxes due is recorded in Deferred Income Taxes on PSEG's Condensed Consolidated Balance Sheets.

The table below shows Energy Holdings' gross and net lease investment as of September 30, 2013 and December 31, 2012, respectively.

	As of September 30, 2013	As of December 31, 2012
	Millions	
Lease Receivables (net of Non-Recourse Debt)	$701	$721
Estimated Residual Value of Leased Assets	529	535
	1,230	1,256
Unearned and Deferred Income	(405)	(416)
Gross Investments in Leases	825	840
Deferred Tax Liabilities	(705)	(723)
Net Investments in Leases	$120	$117

The corresponding receivables associated with the lease portfolio are reflected below, net of non-recourse debt. The ratings in the table represent the ratings of the entities providing payment assurance to Energy Holdings. "Not Rated" counterparties represent investments in lease receivables related to coal-fired assets and commercial real estate properties.

Counterparties' Credit Rating (Standard & Poor's (S&P)) As of September 30, 2013	Lease Receivables, Net of Non-Recourse Debt	
	As of September 30, 2013	As of December 31, 2012
	Millions	
AA	$20	$21
AA-	56	73
BBB+ - BBB-	316	316
B	165	166
Not Rated	144	145
Total	$701	$721

The "B" rating and the "Not Rated" above include lease receivables related to coal-fired assets in Pennsylvania and Illinois, respectively. As of September 30, 2013, the gross investment in the leases of such assets, net of non-recourse debt, was $562 million ($23 million, net of deferred taxes). A more detailed description of such assets under lease is presented in the following table.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Asset	Location	Gross Investment	% Owned		Total	Fuel Type	Counter-parties' S&P Credit Ratings	Counterparty
		Millions			MW			
Powerton Station Units 5 and 6	IL	$134	64	%	1,538	Coal	Not Rated	Edison Mission Energy
Joliet Station Units 7 and 8	IL	$84	64	%	1,044	Coal	Not Rated	Edison Mission Energy
Keystone Station Units 1 and 2	PA	$117	17	%	1,711	Coal	B	GenOn REMA, LLC
Conemaugh Station Units 1 and 2	PA	$117	17	%	1,711	Coal	B	GenOn REMA, LLC
Shawville Station Units 1, 2, 3 and 4	PA	$110	100	%	603	Coal	B	GenOn REMA, LLC

The credit exposure for lessors is partially mitigated through various credit enhancement mechanisms within the lease transactions. These credit enhancement features vary from lease to lease and may include letters of credit or affiliate guarantees. Upon the occurrence of certain defaults, indirect subsidiary companies of Energy Holdings would exercise their rights and attempt to seek recovery of their investment, potentially including stepping into the lease directly to protect their investments. While these actions could ultimately protect or mitigate the loss of value, they could require the use of significant capital investments and trigger certain material tax obligations. A bankruptcy of a lessee would likely delay any efforts on the part of the lessors to assert their rights upon default and could delay the monetization of claims. Failure to recover adequate value could ultimately lead to a foreclosure on the assets under lease by the lenders. If foreclosures were to occur, Energy Holdings could potentially record a pre-tax write-off up to its gross investment in these facilities and may also be required to pay significant cash tax liabilities to the Internal Revenue Service (IRS).

Indirect subsidiary companies of Energy Holdings lease three coal-fired generation facilities in Pennsylvania (Keystone, Conemaugh and Shawville) to GenOn REMA, LLC (GenOn REMA), a subsidiary of GenOn Energy Inc. (GenOn), which was acquired by NRG Energy, Inc. (NRG) in December 2012. With respect to addressing various environmental controls: Keystone has installed a flue gas desulfurization (FGD) system for sulfur dioxide (SO_2), selective catalytic reduction (SCR) equipment for nitrogen oxide (NO_X) and mercury control; Conemaugh has a FGD system, while SCR and mercury control equipment are scheduled to be installed and operational by the first quarter of 2015; and GenOn has disclosed its plan to place Shawville in a “long-term protective layup” by April 2015. GenOn has stated that it is evaluating whether to continue to pay the required rent and maintain the facility in accordance with the lease terms or terminate the lease for obsolescence in which case the lessee would be required, among other things, to pay the contractual termination value structured to recover Energy Holdings' indirect subsidiaries' lease investment as specified in the lease agreement.

Although all lease payments from the GenOn REMA leases are current, no assurances can be given that future payments in accordance with the lease contracts will continue. Factors which may impact future lease cash flows include, but are not limited to, new environmental legislation and regulation regarding air quality, water and other discharges in the process of generating electricity, market prices for fuel, electricity and capacity, overall financial condition of lease counterparties and the quality and condition of assets under lease.

Nesbitt Asset Recovery, LLC (Nesbitt), (an indirect, wholly owned subsidiary of Energy Holdings), owns approximately 64% of the lease interest in the Powerton and Joliet coal units in Illinois, with the balance held by Associates Capital Investments, L.L.P. (Associates) (an affiliate of Citigroup, and, together with Nesbitt, the "Equity

Investors"). These facilities are leased to Midwest Generation (MWG), an indirect subsidiary of Edison Mission Energy (EME).

MWG has substantially completed investments in mercury removal (Activated Carbon Injection) and NO_X emission controls (low NO_X burners and Selective Non-Catalytic Reduction systems). On April 4, 2013, MWG obtained approval from the Illinois Pollution Control Board to defer capital investments for up to two additional years to meet upcoming air emission compliance deadlines under Illinois law. Also, on July 8, 2013, the U.S. Court of Appeals affirmed the judgment of the lower court dismissing claims brought by the U.S. Environmental Protection Agency (EPA) and the State of Illinois against EME and MWG for alleged violations of the Clean Air Act.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

On December 17, 2012, EME and MWG filed for relief under Chapter 11 of the U.S. Bankruptcy Code. Immediately prior to that filing, EME, MWG and the Equity Investors, as well as certain affiliated owner lessors, entered into a forbearance agreement with holders of a majority of the lease debt that financed the original sale-leaseback transaction. The forbearance agreement, which was approved by the Bankruptcy Court, expired on April 5, 2013. In June 2013, the parties reached an agreement, which was approved by the Bankruptcy Court, to again extend the deadline for MWG to assume or reject the leases until September 30, 2013, and in September 2013, extended it to December 31, 2013. As part of this agreement, (i) MWG will make partial lease payments of $4 million each month during the extension period starting in July 2013, (ii) MWG will continue to make certain environmental capital expenditures at the units, and (iii) the parties reserve their rights, claims, and defenses with respect to whether the leases are secured financings, rent amounts due under the leases, and the classification of claims under the leases, among other things.

On October 18, 2013, NRG, EME, MWG, the Equity Investors and other creditor parties involved in the bankruptcy executed a new agreement, which was approved by the Bankruptcy Court on October 24, 2013. The new agreement contains the terms and conditions under which NRG would acquire substantially all of EME’s assets, including the Powerton and Joliet leased assets. As part of the proposed transaction, (i) the leases for the Powerton and Joliet coal units would be assumed on their existing terms, (ii) all past due rent under the leases would be paid in full, (iii) NRG would assume EME’s tax indemnity and guarantee obligations, and (iv) NRG would invest up to $350 million in the Powerton and Joliet coal units so they could be operated in compliance with all environmental regulations. The proposed transaction also requires approval by the FERC and other regulatory bodies, and there can be no assurances that the above transaction will be consummated. The terms of the aforementioned forbearance agreement will remain in effect beyond December 31, 2013 until such time as the NRG acquisition is consummated or terminated.

Note 7. Available-for-Sale Securities

Nuclear Decommissioning Trust (NDT) Fund

Power maintains an external master nuclear decommissioning trust to fund its share of decommissioning for its five nuclear facilities upon termination of operation. The trust contains a qualified fund and a non-qualified fund. Section 468A of the Internal Revenue Code limits the amount of money that can be contributed into a qualified fund. The trust funds are managed by third party investment advisers who operate under investment guidelines developed by Power.

Power classifies investments in the NDT Fund as available-for-sale. The following tables show the fair values and gross unrealized gains and losses for the securities held in the NDT Fund:

	As of September 30, 2013			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	Millions			
Equity Securities	$615	$234	$(6)	$843
Debt Securities				
Government Obligations	411	5	(6)	410
Other Debt Securities	313	11	(4)	320
Total Debt Securities	724	16	(10)	730
Other Securities	62	—	—	62
Total NDT Available-for-Sale Securities	$1,401	$250	$(16)	$1,635

21

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

	As of December 31, 2012			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	Millions			
Equity Securities	$648	$147	$(6)	$789
Debt Securities				
Government Obligations	274	11	—	285
Other Debt Securities	320	22	—	342
Total Debt Securities	594	33	—	627
Other Securities	124	—	—	124
Total NDT Available-for-Sale Securities	$1,366	$180	$(6)	$1,540

These amounts in the preceding tables do not include receivables and payables for NDT Fund transactions which have not settled at the end of each period. Such amounts are included in Accounts Receivable and Accounts Payable on the Condensed Consolidated Balance Sheets as shown in the following table.

	As of September 30, 2013	As of December 31, 2012
	Millions	
Accounts Receivable	$43	$18
Accounts Payable	$47	$53

The following table shows the value of securities in the NDT Fund that have been in an unrealized loss position for less than and greater than 12 months.

	As of September 30, 2013				As of December 31, 2012			
	Less Than 12 Months		Greater Than 12 Months		Less Than 12 Months		Greater Than 12 Months	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
	Millions							
Equity Securities (A)	$78	$(6)	$—	$—	$139	$(6)	$—	$—
Debt Securities								
Government Obligations (B)	158	(6)	—	—	34	—	1	—
Other Debt Securities (C)	131	(4)	—	—	31	—	6	—
Total Debt Securities	289	(10)	—	—	65	—	7	—
Other Securities	—	—	—	—	—	—	—	—
NDT Available-for-Sale Securities	$367	$(16)	$—	$—	$204	$(6)	$7	$—

(A) Equity Securities—Investments in marketable equity securities within the NDT Fund are primarily in common stocks within a broad range of industries and sectors. The unrealized losses are distributed over a broad range of securities with limited impairment durations. Power does not consider these securities to be other-than-temporarily impaired as of September 30, 2013.

(B) Debt Securities (Government)—Unrealized losses on Power's NDT investments in United States Treasury obligations and Federal Agency asset-backed securities were caused by interest rate changes. Since these investments are

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

guaranteed by the United States government or an agency of the United States government, it is not expected that these securities will settle for less than their amortized cost basis, since Power does not intend to sell nor will it be more-likely-than-not required to sell. Power does not consider these securities to be other-than-temporarily impaired as of September 30, 2013.

(C) Debt Securities (Corporate)—Power’s investments in corporate bonds are limited to investment grade securities. It is not expected that these securities would settle for less than their amortized cost. Since Power does not intend to sell these securities nor will it be more-likely-than-not required to sell, Power does not consider these debt securities to be other-than-temporarily impaired as of September 30, 2013.

The proceeds from the sales of and the net realized gains on securities in the NDT Fund were:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
	Millions			
Proceeds from NDT Fund Sales	$220	$617	$837	$1,252
Net Realized Gains (Losses) on NDT Fund:				
Gross Realized Gains	35	94	95	136
Gross Realized Losses	(9)	(19)	(34)	(41)
Net Realized Gains (Losses) on NDT Fund	$26	$75	$61	$95

Gross realized gains and gross realized losses disclosed in the above table were recognized in Other Income and Other Deductions, respectively, in PSEG’s and Power’s Condensed Consolidated Statements of Operations. Net unrealized gains of $115 million (after-tax) were a component of Accumulated Other Comprehensive Loss on PSEG's and Power’s Condensed Consolidated Balance Sheets as of September 30, 2013.

The NDT available-for-sale debt securities held as of September 30, 2013 had the following maturities:

Time Frame	Fair Value
	Millions
Less than one year	$57
1 - 5 years	167
6 - 10 years	186
11 - 15 years	44
16 - 20 years	19
Over 20 years	257
Total NDT Available-for-Sale Debt Securities	$730

The cost of these securities was determined on the basis of specific identification.

Power periodically assesses individual securities whose fair value is less than amortized cost to determine whether the investments are considered to be other-than-temporarily impaired. For equity securities, management considers the ability and intent to hold for a reasonable time to permit recovery in addition to the severity and duration of the loss. For fixed income securities, management considers its intent to sell or requirement to sell a security prior to expected recovery. In those cases where a sale is expected, any impairment would be recorded through earnings. For fixed income securities where there is no intent to sell or likely requirement to sell, management evaluates whether credit loss is a component of the impairment. If so, that portion is recorded through earnings while the noncredit loss component is recorded through Accumulated Other Comprehensive Income (Loss). In 2013, other-than-temporary impairments of $7 million were recognized on securities in the NDT Fund. Any subsequent recoveries in the value of these securities would be recognized in Accumulated Other Comprehensive Income (Loss) unless the securities are sold, in which case, any gain would be recognized in income. The assessment of fair market value compared to cost is applied on a weighted average basis taking into account various purchase dates and initial cost of the securities.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Rabbi Trust
PSEG maintains certain unfunded nonqualified benefit plans to provide supplemental retirement and deferred compensation benefits to certain key employees. Certain assets related to these plans have been set aside in a grantor trust commonly known as a “Rabbi Trust.”
PSEG classifies investments in the Rabbi Trust as available-for-sale. The following tables show the fair values, gross unrealized gains and losses and amortized cost basis for the securities held in the Rabbi Trust.

	As of September 30, 2013			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	Millions			
Equity Securities	$14	$7	$—	$21
Debt Securities				
Government Obligations	110	—	(2)	108
Other Debt Securities	45	—	(1)	44
Total Debt Securities	155	—	(3)	152
Other Securities	2	—	—	2
Total Rabbi Trust Available-for-Sale Securities	$171	$7	$(3)	$175

Securities in the Rabbi Trust in a gross unrealized loss position have been in such position for less than twelve months.

	As of December 31, 2012			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	Millions			
Equity Securities	$13	$5	$—	$18
Debt Securities				
Government Obligations	114	3	—	117
Other Debt Securities	45	2	—	47
Total Debt Securities	159	5	—	164
Other Securities	3	—	—	3
Total Rabbi Trust Available-for-Sale Securities	$175	$10	$—	$185

These amounts in the preceding tables do not include receivables and payables for Rabbi Trust Fund transactions which have not settled at the end of each period. Such amounts are included in Accounts Receivable and Accounts Payable on the Condensed Consolidated Balance Sheets as shown in the following table.

	As of September 30, 2013	As of December 31, 2012
	Millions	
Accounts Receivable	$3	$4
Accounts Payable	$3	$5

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

The proceeds from the sales of and the net realized gains on securities in the Rabbi Trust Fund were:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
	Millions			
Proceeds from Rabbi Trust Sales	$13	$6	$77	$221
Net Realized Gains (Losses) on Rabbi Trust:				
Gross Realized Gains	$—	$—	$4	$6
Gross Realized Losses	—	—	(3)	—
Net Realized Gains (Losses) on Rabbi Trust	$—	$—	$1	$6

Gross realized gains and gross realized losses disclosed in the above table were recognized in Other Income and Other Deductions, respectively, in the Condensed Consolidated Statements of Operations. Net unrealized gains of $2 million (after-tax) were a component of Accumulated Other Comprehensive Loss on the Condensed Consolidated Balance Sheets as of September 30, 2013. The Rabbi Trust available-for-sale debt securities held as of September 30, 2013 had the following maturities:

Time Frame	Fair Value
	Millions
Less than one year	$—
1 - 5 years	59
6 - 10 years	29
11 - 15 years	7
16 - 20 years	4
Over 20 years	53
Total Rabbi Trust Available-for-Sale Debt Securities	$152

The cost of these securities was determined on the basis of specific identification.
PSEG periodically assesses individual securities whose fair value is less than amortized cost to determine whether the investments are considered to be other-than-temporarily impaired. For equity securities, the Rabbi Trust is invested in a commingled indexed mutual fund. Due to the commingled nature of this fund, PSEG does not have the ability to hold these securities until expected recovery. As a result, any declines in fair market value below cost are recorded as a charge to earnings. For fixed income securities, management considers its intent to sell or requirement to sell a security prior to expected recovery. In those cases where a sale is expected, any impairment would be recorded through earnings. For fixed income securities where there is no intent to sell or likely requirement to sell, management evaluates whether credit loss is a component of the impairment. If so, that portion is recorded through earnings while the noncredit loss component is recorded through Accumulated Other Comprehensive Income (Loss). The assessment of fair market value compared to cost is applied on a weighted average basis taking into account various purchase dates and initial cost of the securities.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

The fair value of assets in the Rabbi Trust related to PSEG, Power and PSE&G are detailed as follows:

	As of September 30, 2013	As of December 31, 2012
	Millions	
Power	$38	$36
PSE&G	41	61
Other	96	88
Total Rabbi Trust Available-for-Sale Securities	$175	$185

Note 8. Pension and Other Postretirement Benefits (OPEB)

PSEG sponsors several qualified and nonqualified pension plans and OPEB plans covering PSEG's and its participating affiliates' current and former employees who meet certain eligibility criteria. The following table provides the components of net periodic benefit costs relating to all qualified and nonqualified pension and OPEB plans on an aggregate basis.

Pension and OPEB costs for PSEG are detailed as follows: