

PSEG POWER LLC  
Form 10-Q  
August 04, 2008

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

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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, 2008

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	<b>PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED</b> (A New Jersey Corporation) 80 Park Plaza, P.O. Box 1171 Newark, New Jersey 07101-1171 973 430-7000 <a href="http://www.pseg.com">http://www.pseg.com</a>	22-2625848
000-49614	<b>PSEG POWER LLC</b> (A Delaware Limited Liability Company) 80 Park Plaza T25 Newark, New Jersey 07102-4194 973 430-7000 <a href="http://www.pseg.com">http://www.pseg.com</a>	22-3663480
001-00973	<b>PUBLIC SERVICE ELECTRIC AND GAS COMPANY</b> (A New Jersey Corporation) 80 Park Plaza, P.O. Box 570 Newark, New Jersey 07101-0570 973 430-7000 <a href="http://www.pseg.com">http://www.pseg.com</a>	22-1212800

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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

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

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

As of July 15, 2008, Public Service Enterprise Group Incorporated had outstanding 508,479,889 shares of its sole class of Common Stock, without par value.

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

As of July 15, 2008, 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.

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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, hypothetical, potential, forecast, 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 5. Commitments and Contingent Liabilities, Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations, and other factors discussed in filings we make with the United States Securities and Exchange Commission (SEC). These factors include, but are not limited to:

Adverse changes in energy industry policies and regulation, including market rules, that may adversely affect our operating results.

Any inability of our energy transmission and distribution businesses to obtain adequate and timely rate relief and/or regulatory approvals from federal and/or state regulators.

Changes in federal and/or state environmental regulations that could increase our costs or limit operations of our generating units.

Changes in nuclear regulation

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

Actions or activities at one of our nuclear units that might adversely affect our ability to continue to operate that unit or other units at the same site.

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

Any deterioration in our credit quality.

Any inability to realize anticipated tax benefits or retain tax credits.

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

Delays or cost escalations in our construction and development activities.

Adverse capital  
market  
performance of  
our  
decommissioning  
and defined  
benefit plan trust  
funds.

Changes in  
technology and/or  
increased  
customer  
conservation.

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 only apply as of the date of this report. Except as may be required by the federal securities laws, we expressly disclaim any obligation or undertaking to release publicly any updates or revisions to these forward-looking statements to reflect events or circumstances that occur or arise or are anticipated to occur or arise after the date hereof. 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**

	For The Quarters Ended June 30,		For The Six Months Ended June 30,	
	2008	2007	2008	2007
	(Millions) (Unaudited)			
OPERATING REVENUES	\$ 2,561	\$ 2,707	\$ 6,364	\$ 6,215
OPERATING EXPENSES				
Energy Costs	1,540	1,320	3,664	3,297
Operation and Maintenance	623	578	1,254	1,173
Depreciation and Amortization	193	191	387	383
Taxes Other Than Income Taxes	28	30	71	73
Total Operating Expenses	2,384	2,119	5,376	4,926
Income from Equity Method Investments	8	26	20	53
OPERATING INCOME	185	614	1,008	1,342
Other Income	98	58	191	130
Other Deductions	(87 )	(37 )	(181 )	(73 )
Interest Expense	(147 )	(182 )	(300 )	(364 )
Preferred Stock Dividends	(1 )	(1 )	(2 )	(2 )
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	48	452	716	1,033
Income Tax Expense	(214 )	(171 )	(448 )	(431 )
(LOSS) INCOME FROM CONTINUING OPERATIONS	(166 )	281	268	602
Income (Loss) from Discontinued Operations net of tax (expense) benefit of \$(5), \$(21), \$(11) and \$(19) for the quarters and six months ended 2008 and 2007, respectively	16	(6 )	30	2
NET (LOSS) INCOME	\$ (150 )	\$ 275	\$ 298	\$ 604



WEIGHTED AVERAGE  
COMMON SHARES  
OUTSTANDING  
(THOUSANDS):

BASIC	508,491	507,261	508,491	506,526
DILUTED	509,487	508,067	509,483	507,393

EARNINGS PER SHARE:

BASIC

(LOSS) INCOME FROM CONTINUING OPERATIONS	\$ (0.32 )	\$ 0.55	\$ 0.53	\$ 1.19
NET (LOSS) INCOME	\$ (0.29 )	\$ 0.54	\$ 0.59	\$ 1.19

DILUTED

(LOSS) INCOME FROM CONTINUING OPERATIONS	\$ (0.32 )	\$ 0.55	\$ 0.53	\$ 1.19
NET (LOSS) INCOME	\$ (0.29 )	\$ 0.54	\$ 0.59	\$ 1.19

DIVIDENDS PAID PER SHARE OF COMMON STOCK	\$ 0.3225	\$ 0.2925	\$ 0.6450	\$ 0.5850
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See Notes to Condensed Consolidated Financial Statements.

**PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**

	June 30, 2008	December 31, 2007
	(Millions) (Unaudited)	
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 86	\$ 381
Accounts Receivable, net of allowances of \$48 and \$46 in 2008 and 2007, respectively	1,633	1,552
Unbilled Revenues	317	353
Fuel	839	793
Materials and Supplies	303	296
Prepayments	440	91
Restricted Funds	110	114
Derivative Contracts	389	65
Assets of Discontinued Operations	1,115	1,162
Other	64	29
<b>Total Current Assets</b>	<b>5,296</b>	<b>4,836</b>
<b>PROPERTY, PLANT AND EQUIPMENT</b>		
PROPERTY, PLANT AND EQUIPMENT	19,982	19,310
Less: Accumulated Depreciation and Amortization	(6,209 )	(6,035 )
<b>Net Property, Plant and Equipment</b>	<b>13,773</b>	<b>13,275</b>
<b>NONCURRENT ASSETS</b>		
Regulatory Assets	4,870	5,165
Long-Term Investments	2,741	3,246
Nuclear Decommissioning Trust (NDT) Funds	1,178	1,276
Other Special Funds	144	164
Goodwill and Other Intangibles	62	64
Derivative Contracts	61	52
Other	209	221
<b>Total Noncurrent Assets</b>	<b>9,265</b>	<b>10,188</b>
<b>TOTAL ASSETS</b>	<b>\$ 28,334</b>	<b>\$ 28,299</b>



**PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**

	June 30, 2008	December 31, 2007
	(Millions) (Unaudited)	
<b>LIABILITIES AND CAPITALIZATION</b>		
<b>CURRENT LIABILITIES</b>		
Long-Term Debt Due Within One Year	\$ 835	\$ 1,123
Commercial Paper and Loans	919	65
Accounts Payable	1,342	1,093
Derivative Contracts	662	324
Accrued Interest	101	113
Accrued Taxes	13	204
Deferred Income Taxes	95	106
Clean Energy Program	75	135
Obligation to Return Cash Collateral	257	79
Liabilities of Discontinued Operations	484	520
Other	438	458
<b>Total Current Liabilities</b>	<b>5,221</b>	<b>4,220</b>
<b>NONCURRENT LIABILITIES</b>		
Deferred Income Taxes and Investment Tax Credits (ITC)	3,275	4,454
Regulatory Liabilities	545	419
Asset Retirement Obligations	560	542
Other Postretirement Benefit (OPEB) Costs	1,014	1,003
Accrued Pension Costs	216	203
Clean Energy Program		14
Environmental Costs	658	649
Derivative Contracts	530	198
Long-Term Accrued Taxes	1,228	423
Other	152	133
<b>Total Noncurrent Liabilities</b>	<b>8,178</b>	<b>8,038</b>
<b>COMMITMENTS AND CONTINGENT LIABILITIES (See Note 5)</b>		
<b>CAPITALIZATION</b>		
<b>LONG-TERM DEBT</b>		
Long-Term Debt	6,516	6,783

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Securitization Debt	1,443	1,530
Project Level, Non-Recourse Debt	322	349
<b>Total Long-Term Debt</b>	<b>8,281</b>	<b>8,662</b>
<b>SUBSIDIARY S PREFERRED SECURITIES</b>		
Preferred Stock Without Mandatory Redemption, \$100 par value, 7,500,000 authorized; issued and outstanding, 2008 and 2007 795,234 shares	80	80
<b>COMMON STOCKHOLDERS EQUITY</b>		
Common Stock, no par, authorized 1,000,000,000 shares; issued, 2008 and 2007 533,556,660 shares	4,748	4,732
Treasury Stock, at cost, 2008 25,075,762 shares; 2007 25,033,656 shares	(487 )	(478 )
Retained Earnings	3,209	3,261
Accumulated Other Comprehensive Loss	(896 )	(216 )
<b>Total Common Stockholders Equity</b>	<b>6,574</b>	<b>7,299</b>
<b>Total Capitalization</b>	<b>14,935</b>	<b>16,041</b>
<b>TOTAL LIABILITIES AND CAPITALIZATION</b>	<b>\$ 28,334</b>	<b>\$ 28,299</b>

See Notes to Condensed Consolidated Financial Statements.

**PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

	<b>For The Six Months Ended June 30,</b>	
	<b>2008</b>	<b>2007</b>
	<b>(Millions) (Unaudited)</b>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net Income	\$ 298	\$ 604
Adjustments to Reconcile Net Income to Net Cash Flows from Operating Activities:		
Depreciation and Amortization	387	392
Amortization of Nuclear Fuel	48	48
Provision for Deferred Income Taxes (Other than Leases) and ITC	90	124
Non-Cash Employee Benefit Plan Costs	84	93
Lease Transaction Reserves, Net of Taxes	490	
Leveraged Lease Income, Adjusted for Rents Received and Deferred Taxes	(23 )	5
Undistributed Earnings from Affiliates	(37 )	14
Unrealized (Gains) Losses on Energy Contracts and Other Derivatives	(68 )	39
Under Recovery of Electric Energy Costs (BGS and NTC) and Gas Costs	(66 )	(74 )
Under Recovery of Societal Benefits Charge (SBC)	(12 )	(17 )
Cost of Removal	(20 )	(18 )
Net Realized Gains (Losses) and Income (Expense) from NDT Funds	5	(30 )
Net Change in Certain Current Assets and Liabilities	(584 )	(282 )
Employee Benefit Plan Funding and Related Payments	(30 )	(39 )
Other	62	(75 )
<b>Net Cash Provided By Operating Activities</b>	<b>624</b>	<b>784</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Additions to Property, Plant and Equipment	(739 )	(659 )
Proceeds from Sale of Discontinued Operations		325
Proceeds from Sale of Property, Plant and Equipment	2	40
Proceeds from the Sale of Capital Leases and Investments	41	7
Proceeds from NDT Funds Sales	1,257	883
Investment in NDT Funds	(1,271 )	(904 )
Restricted Funds		22
NDT Funds Interest and Dividends	24	25
Other	(16 )	

Net Cash Used In Investing Activities	(702 )	(261 )
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**CASH FLOWS FROM FINANCING ACTIVITIES**

Net Change in Commercial Paper and Loans	854	(36 )
Issuance of Long-Term Debt	700	350
Issuance of Common Stock		68
Redemptions of Long-Term Debt	(1,263 )	(488 )
Repayment of Non-Recourse Debt	(22 )	(24 )
Redemption of Securitization Debt	(82 )	(78 )
Premium Paid on Early Extinguishment of Debt	(80 )	
Cash Dividends Paid on Common Stock	(328 )	(296 )
Other	3	14

Net Cash Used In Financing Activities	(218 )	(490 )
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Effect of Exchange Rate Change	1	
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Net (Decrease) Increase in Cash and Cash Equivalents	(295 )	33
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Cash and Cash Equivalents at Beginning of Period	381	106
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Cash and Cash Equivalents at End of Period	\$ 86	\$ 139
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**Supplemental Disclosure of Cash Flow Information:**

Income Taxes Paid	\$ 454	\$ 220
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Interest Paid, Net of Amounts Capitalized	\$ 284	\$ 361
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See Notes to Condensed Consolidated Financial Statements.

**PSEG POWER LLC**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

	For The Quarters Ended June 30,		For The Six Months Ended June 30,	
	2008	2007	2008	2007
	(Millions) (Unaudited)			
OPERATING REVENUES	\$ 1,623	\$ 1,305	\$ 3,998	\$ 3,454
OPERATING EXPENSES				
Energy Costs	867	694	2,456	2,182
Operation and Maintenance	275	241	514	479
Depreciation and Amortization	41	34	79	68
Total Operating Expenses	1,183	969	3,049	2,729
OPERATING INCOME	440	336	949	725
Other Income	93	55	179	106
Other Deductions	(87 )	(34 )	(178 )	(63 )
Interest Expense	(41 )	(39 )	(83 )	(76 )
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	405	318	867	692
Income Tax Expense	(165 )	(131 )	(352 )	(286 )
INCOME FROM CONTINUING OPERATIONS	240	187	515	406
Loss from Discontinued Operations, net of tax benefit of \$1 and \$6 for the quarter and six months ended 2007		(3 )		(9 )
EARNINGS AVAILABLE TO PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED	\$ 240	\$ 184	\$ 515	\$ 397

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



**PSEG POWER LLC**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**

**June 30,**            **December 31,**  
**2008**                    **2007**

(Millions)  
(Unaudited)

<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 17	\$ 11
Accounts Receivable	643	533
Accounts Receivable - Affiliated Companies, net		441
Fuel	836	791
Materials and Supplies	218	220
Derivative Contracts	368	46
Restricted Funds	37	50
Prepayments	27	26
Other	62	31
Total Current Assets	2,208	2,149
PROPERTY, PLANT AND EQUIPMENT	6,907	6,565
Less: Accumulated Depreciation and Amortization	(1,880 )	(1,814 )
Net Property, Plant and Equipment	5,027	4,751
<b>NONCURRENT ASSETS</b>		
Deferred Income Taxes and Investment Tax Credits (ITC)	224	
Nuclear Decommissioning Trust (NDT) Funds	1,178	1,276
Goodwill	16	16
Other Intangibles	40	35
Other Special Funds	28	45