

PUBLIC SERVICE ELECTRIC & GAS CO
Form 10-Q
October 30, 2009

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

FORM 10-Q

(Mark One)

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

FOR THE QUARTERLY PERIOD ENDED September 30, 2009
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

Edgar Filing: PUBLIC SERVICE ELECTRIC & GAS CO - Form 10-Q

were required to file such reports), and (2) have been subject to such filing requirements for the past 90 days. Yes S
No £

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

Public Service Enterprise Group Incorporated	Yes S	No £
PSEG Power LLC	Yes £	No £
Public Service Electric and Gas Company	Yes £	No £

(Cover continued on next page)

Edgar Filing: PUBLIC SERVICE ELECTRIC & GAS CO - Form 10-Q

(Cover continued from previous page)

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 <input type="checkbox"/>	Accelerated filer <input type="checkbox"/>	Non-accelerated filer <input type="checkbox"/>	Smaller reporting company <input type="checkbox"/>
PSEG Power LLC	Large accelerated filer <input type="checkbox"/>	Accelerated filer <input type="checkbox"/>	Non-accelerated filer <input type="checkbox"/>	Smaller reporting company <input type="checkbox"/>
Public Service Electric and Gas Company	Large accelerated filer <input type="checkbox"/>	Accelerated filer <input type="checkbox"/>	Non-accelerated filer <input type="checkbox"/>	Smaller reporting company <input type="checkbox"/>

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

As of October 15, 2009, Public Service Enterprise Group Incorporated had outstanding 505,980,424 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 October 15, 2009, 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.

<u>FORWARD-LOOKING STATEMENTS</u>	ii
<u>PART I. FINANCIAL INFORMATION</u>	
<u>Item 1.</u> Financial Statements	
<u>Public Service Enterprise Group Incorporated</u>	1
<u>PSEG Power LLC</u>	5
<u>Public Service Electric and Gas Company</u>	8
<u>Notes to Condensed Consolidated Financial Statements</u>	
<u>Note 1. Organization and Basis of Presentation</u>	12
<u>Note 2. Recent Accounting Standards</u>	13
<u>Note 3. Discontinued Operations and Dispositions</u>	16
<u>Note 4. Available-for-Sale Securities</u>	17
<u>Note 5. Pension and Other Postretirement Benefits (OPEB)</u>	22
<u>Note 6. Commitments and Contingent Liabilities</u>	23
<u>Note 7. Changes in Capitalization</u>	34
<u>Note 8. Financial Risk Management Activities</u>	35
<u>Note 9. Fair Value Measurements</u>	43
<u>Note 10. Other Income and Deductions</u>	50
<u>Note 11. Income Taxes</u>	51
<u>Note 12. Comprehensive Income (Loss), Net of Tax</u>	53
<u>Note 13. Earnings Per Share (EPS)</u>	54
<u>Note 14. Financial Information by Business Segments</u>	55
<u>Note 15. Related-Party Transactions</u>	56
<u>Note 16. Guarantees of Debt</u>	59
<u>Note 17. Subsequent Events</u>	61
<u>Item 2.</u> Management's Discussion and Analysis of Financial Condition and Results of Operations	
<u>Overview of 2009 and Future Outlook</u>	62
<u>Results of Operations</u>	67
<u>Liquidity and Capital Resources</u>	77
<u>Capital Requirements</u>	79
<u>Accounting Matters</u>	80
<u>Item 3.</u> Qualitative and Quantitative Disclosures About Market Risk	80
<u>Item 4.</u> Controls and Procedures	82
<u>PART II. OTHER INFORMATION</u>	
<u>Item 1.</u> Legal Proceedings	83
<u>Item 1A.</u> Risk Factors	83
<u>Item 2.</u> Unregistered Sales of Equity Securities and Use of Proceeds	84
<u>Item 5.</u> Other Information	84
<u>Item 6.</u> Exhibits	88

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

adverse changes
in energy industry
law, policies and
regulation,
including market
structures and
rules, and
reliability
standards,

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

changes in federal
and/or state
environmental
requirements 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,

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

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

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

delays or cost escalations in our construction and development activities,

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

changes in technology and/or increased customer conservation.

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

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

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

PART I. FINANCIAL INFORMATION**ITEM 1. FINANCIAL STATEMENTS****PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS****(Millions)
(Unaudited)**

	For The Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2009	2008	2009	2008
OPERATING REVENUES	\$ 3,041	\$ 3,718	\$ 9,523	\$ 10,060
OPERATING EXPENSES				
Energy Costs	1,241	1,899	4,376	5,552
Operation and Maintenance	622	609	1,925	1,856
Depreciation and Amortization	224	214	634	597
Taxes Other Than Income Taxes	30	31	100	101
Total Operating Expenses	2,117	2,753	7,035	8,106
OPERATING INCOME	924	965	2,488	1,954
Income from Equity Method Investments	10	8	29	27
Impairment on Equity Method Investments	(4)	(1)	(12)	(1)
Other Income	43	95	205	285
Other Deductions	(19)	(43)	(118)	(156)
Other-Than-Temporary Impairments		(65)	(61)	(135)
Interest Expense	(129)	(149)	(407)	(448)
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	825	810	2,124	1,526
Income Tax Expense	(337)	(334)	(881)	(780)
INCOME FROM CONTINUING OPERATIONS	488	476	1,243	746
Income from Discontinued Operations, net of tax expense of \$160 and \$174 for the three and nine months ended 2008		180		208

Edgar Filing: PUBLIC SERVICE ELECTRIC & GAS CO - Form 10-Q

NET INCOME	\$	488	\$	656	\$	1,243	\$	954
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING (THOUSANDS):								
BASIC		505,982		507,724		505,986		508,233
DILUTED		507,242		508,326		506,957		508,890
EARNINGS PER SHARE:								
BASIC								
INCOME FROM CONTINUING OPERATIONS	\$	0.96	\$	0.94	\$	2.45	\$	1.47
NET INCOME	\$	0.96	\$	1.29	\$	2.45	\$	1.88
DILUTED								
INCOME FROM CONTINUING OPERATIONS	\$	0.96	\$	0.94	\$	2.45	\$	1.47
NET INCOME	\$	0.96	\$	1.29	\$	2.45	\$	1.88
DIVIDENDS PAID PER SHARE OF COMMON STOCK								
	\$	0.3325	\$	0.3225	\$	0.9975	\$	0.9675

See Notes to Condensed Consolidated Financial Statements.

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
CONDENSED CONSOLIDATED BALANCE SHEETS

(Millions)
(Unaudited)

	September 30, 2009	December 31, 2008
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 130	\$ 321
Accounts Receivable, net of allowances of \$74 and \$66 in 2009 and 2008, respectively	1,242	1,398
Unbilled Revenues	272	454
Fuel	942	938
Materials and Supplies	360	317
Prepayments	318	150
Restricted Funds	10	118
Derivative Contracts	217	237
Other	50	66
 Total Current Assets	 3,541	 3,999
 PROPERTY, PLANT AND EQUIPMENT	 21,920	 20,818
Less: Accumulated Depreciation and Amortization	(6,777)	(6,385)
 Net Property, Plant and Equipment	 15,143	 14,433
 NONCURRENT ASSETS		