

PUBLIC SERVICE ELECTRIC & GAS CO
Form 10-Q
August 02, 2012
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934
FOR THE QUARTERLY PERIOD ENDED June 30, 2012

OR

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

Commission	Registrants, State of Incorporation,	I.R.S. Employer
File Number 001-09120	Address, and Telephone Number 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	Identification No. 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

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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 x 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 x	No "
PSEG Power LLC	Yes x	No "
Public Service Electric and Gas Company	Yes x	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.

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

As of July 17, 2012, Public Service Enterprise Group Incorporated had outstanding 505,935,372 shares of its sole class of Common Stock, without par value.

As of July 17, 2012, 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, 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 8. 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 trading 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,

increase 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 discount rates and 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.

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PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

Millions

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
OPERATING REVENUES	\$ 2,098	\$ 2,469	\$ 4,973	\$ 5,823
OPERATING EXPENSES				
Energy Costs	761	1,010	1,940	2,573
Operation and Maintenance	629	575	1,257	1,226
Depreciation and Amortization	255	235	511	476
Taxes Other Than Income Taxes	20	28	49	71
Total Operating Expenses	1,665	1,848	3,757	4,346
OPERATING INCOME	433	621	1,216	1,477
Income from Equity Method Investments	2	4	2	7
Other Income	51	55	95	131
Other Deductions	(19)	(15)	(35)	(28)
Other-Than-Temporary Impairments	(7)	(1)	(12)	(5)
Interest Expense	(103)	(117)	(204)	(244)
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	357	547	1,062	1,338
Income Tax (Expense) Benefit	(146)	(227)	(358)	(556)
INCOME FROM CONTINUING OPERATIONS	211	320	704	782
Income (Loss) from Discontinued Operations, including Gain on Disposal, net of tax (expense) benefit of \$0 and \$(36) for the three and six months ended 2011	0	3	0	67
NET INCOME	\$ 211	\$ 323	\$ 704	\$ 849
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING (THOUSANDS):				
BASIC	505,903	505,988	505,956	505,984
DILUTED	506,969	506,761	506,999	506,945
EARNINGS PER SHARE:				
BASIC				
INCOME FROM CONTINUING OPERATIONS	\$ 0.42	\$ 0.63	\$ 1.39	\$ 1.55
NET INCOME	\$ 0.42	\$ 0.63	\$ 1.39	\$ 1.68
DILUTED				
INCOME FROM CONTINUING OPERATIONS	\$ 0.42	\$ 0.63	\$ 1.39	\$ 1.54

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NET INCOME	\$ 0.42	\$ 0.63	\$ 1.39	\$ 1.67
DIVIDENDS PAID PER SHARE OF COMMON STOCK	\$ 0.3550	\$ 0.3425	\$ 0.7100	\$ 0.6850

See Notes to Condensed Consolidated Financial Statements.

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PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Millions

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
NET INCOME	\$ 211	\$ 323	\$ 704	\$ 849
Other Comprehensive Income (Loss), net of tax				
Available-for-Sale Securities, net of tax of \$(17), \$(9), \$21 and \$(17) for the three and six months ended 2012 and 2011, respectively	(15)	(10)	22	(15)
Change in Fair Value of Derivative Instruments, net of tax of \$(3), \$(7), \$11 and \$(1) for the three and six months ended 2012 and 2011, respectively	(5)	(10)	15	(1)
Reclassification Adjustments for Net Amounts included in Net Income, net of tax of \$(2), \$(9), \$(17) and \$(37) for the three and six months ended 2012 and 2011, respectively	(5)	(15)	(25)	(56)
Pension/OPEB adjustment, net of tax of \$6, \$26, \$11 and \$30 for the three and six months ended 2012 and 2011, respectively	8	43	15	49
Other Comprehensive Income (Loss), net of tax	(17)	8	27	(23)
COMPREHENSIVE INCOME	\$ 194	\$ 331	\$ 731	\$ 826

See Notes to Condensed Consolidated Financial Statements.

Table of Contents**PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED****CONDENSED CONSOLIDATED BALANCE SHEETS**

Millions

(Unaudited)

	June 30, 2012	December 31, 2011
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 765	\$ 834
Accounts Receivable, net of allowances of \$56 in 2012 and 2011	896	967
Tax Receivable	16	16
Unbilled Revenues	255	289
Fuel	562	685
Materials and Supplies, net	403	367
Prepayments	397	308
Derivative Contracts	165	156
Deferred Income Taxes	90	0
Regulatory Assets	359	167
Other	32	122
Total Current Assets	3,940	3,911
PROPERTY, PLANT AND EQUIPMENT		
Less: Accumulated Depreciation and Amortization	(7,455)	(7,231)
Net Property, Plant and Equipment	18,590	17,849
NONCURRENT ASSETS		
Regulatory Assets	3,417	3,805
Regulatory Assets of Variable Interest Entities (VIEs)	827	925
Long-Term Investments	1,294	1,303
Nuclear Decommissioning Trust (NDT) Fund	1,417	1,349
Other Special Funds	187	172
Goodwill	16	16
Other Intangibles	52	131
Derivative Contracts	133	106
Restricted Cash of VIEs	19	22
Other	250	232
Total Noncurrent Assets	7,612	8,061
TOTAL ASSETS	\$ 30,142	\$ 29,821

See Notes to Condensed Consolidated Financial Statements.

Table of Contents**PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED****CONDENSED CONSOLIDATED BALANCE SHEETS**

Millions

(Unaudited)

	June 30, 2012	December 31, 2011
LIABILITIES AND CAPITALIZATION		
CURRENT LIABILITIES		
Long-Term Debt Due Within One Year (includes \$50 at fair value in 2011)	\$ 751	\$ 417
Securitization Debt of VIEs Due Within One Year	221	216
Commercial Paper and Loans	16	0
Accounts Payable	898	1,184
Derivative Contracts	88	131
Accrued Interest	98	97
Accrued Taxes	88	30
Deferred Income Taxes	0	170
Clean Energy Program	138	214
Obligation to Return Cash Collateral	123	107
Regulatory Liabilities	72	100
Other	323	291
Total Current Liabilities	2,816	2,957
NONCURRENT LIABILITIES		
Deferred Income Taxes and Investment Tax Credits (ITC)	5,939	5,458
Regulatory Liabilities	206	228
Regulatory Liabilities of VIEs	10	9
Asset Retirement Obligations	505	489
Other Postretirement Benefit (OPEB) Costs	1,115	1,127
Accrued Pension Costs	624	734
Clean Energy Program	0	39
Environmental Costs	588	643
Derivative Contracts	112	26
Long-Term Accrued Taxes	152	292
Other	93	86
Total Noncurrent Liabilities	9,344	9,131
COMMITMENTS AND CONTINGENT LIABILITIES (See Note 8)		
CAPITALIZATION		
LONG-TERM DEBT		
Long-Term Debt	6,676	6,694
Securitization Debt of VIEs	616	723
Project Level, Non-Recourse Debt	44	44
Total Long-Term Debt	7,336	7,461
STOCKHOLDERS EQUITY		
Common Stock, no par, authorized 1,000,000,000 shares; issued, 2012 and 2011 533,556,660 shares	4,829	4,823

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Treasury Stock, at cost, 2012 27,646,288 shares; 2011 27,611,374 shares	(605)	(601)
Retained Earnings	6,730	6,385
Accumulated Other Comprehensive Loss	(310)	(337)
Total Common Stockholders Equity	10,644	10,270
Noncontrolling Interest	2	2
Total Stockholders Equity	10,646	10,272
Total Capitalization	17,982	17,733
TOTAL LIABILITIES AND CAPITALIZATION	\$ 30,142	\$ 29,821

See Notes to Condensed Consolidated Financial Statements.

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

Millions

(Unaudited)

	Six Months Ended June 30,	
	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	\$ 704	\$ 849
Adjustments to Reconcile Net Income to Net Cash Flows from Operating Activities:		
Gain on Disposal of Discontinued Operations	0	(82)
Depreciation and Amortization	511	483
Amortization of Nuclear Fuel	84	75
Provision for Deferred Income Taxes (Other than Leases) and ITC	165	(28)
Non-Cash Employee Benefit Plan Costs	134	101
Leveraged Lease Income, Adjusted for Rents Received and Deferred Taxes	(98)	(21)
Net Realized and Unrealized (Gains) Losses on Energy Contracts and Other Derivatives	(86)	35
Over (Under) Recovery of Electric Energy Costs (BGS and NTC) and Gas Costs	8	23
Over (Under) Recovery of Societal Benefits Charge (SBC)	(30)	(19)
Market Transition Charge Refund	(23)	(29)
Cost of Removal	(44)	(25)
Net Realized (Gains) Losses and (Income) Expense from NDT Fund	(26)	(93)
Net Change in Tax Receivable	0	593
Net Change in Certain Current Assets and Liabilities	278	(2)
Employee Benefit Plan Funding and Related Payments	(175)	(465)
Other	(24)	0
Net Cash Provided By (Used In) Operating Activities	1,378	1,395
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to Property, Plant and Equipment	(1,280)	(1,002)
Proceeds from Sale of Discontinued Operations	0	352
Proceeds from Sales of Available-for-Sale Securities	850	657
Investments in Available-for-Sale Securities	(867)	(676)
Other	(42)	(4)
Net Cash Provided By (Used In) Investing Activities	(1,339)	(673)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net Change in Commercial Paper and Loans	16	234
Issuance of Long-Term Debt	500	0
Redemption of Long-Term Debt	(139)	(606)
Repayment of Non-Recourse Debt	0	(1)
Redemption of Securitization Debt	(101)	(96)
Cash Dividends Paid on Common Stock	(359)	(347)
Other	(25)	(27)
Net Cash Provided By (Used In) Financing Activities	(108)	(843)
Net Increase (Decrease) in Cash and Cash Equivalents	(69)	(121)

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Cash and Cash Equivalents at Beginning of Period	834	280
Cash and Cash Equivalents at End of Period	\$ 765	\$ 159
Supplemental Disclosure of Cash Flow Information:		
Income Taxes Paid (Received)	\$ 114	\$ 57
Interest Paid, Net of Amounts Capitalized	\$ 197	\$ 259
Increase (Decrease) in Accrued Property, Plant and Equipment Expenditures	\$ (129)	\$ (118)

See Notes to Condensed Consolidated Financial Statements.

Table of Contents**PSEG POWER LLC****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

Millions

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
OPERATING REVENUES	\$ 985	\$ 1,285	\$ 2,546	\$ 3,252
OPERATING EXPENSES				
Energy Costs	447	603	1,269	1,738
Operation and Maintenance	284	271	525	548
Depreciation and Amortization	58	56	115	110
Total Operating Expenses	789	930	1,909	2,396
OPERATING INCOME	196	355	637	856
Other Income	37	49	67	119
Other Deductions	(17)	(14)	(32)	(26)
Other-Than-Temporary Impairments	(7)	(1)	(12)	(3)
Interest Expense	(32)	(41)	(62)	(92)
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	177	348	598	854
Income Tax (Expense) Benefit	(73)	(143)	(241)	(352)
INCOME FROM CONTINUING OPERATIONS	104	205	357	502
Income (Loss) from Discontinued Operations, including Gain on Disposal, net of tax (expense) benefit of \$0 and \$(36) for the three and six months ended 2011	0	3	0	67
EARNINGS AVAILABLE TO PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED	\$ 104	\$ 208	\$ 357	\$ 569

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

Table of Contents**PSEG POWER LLC****CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

Millions

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
NET INCOME	\$ 104	\$ 208	\$ 357	\$ 569
Other Comprehensive Income (Loss), net of tax				
Available-for-Sale Securities, net of tax of \$(17), \$(10), \$22 and \$(19) for the three and six months ended 2012 and 2011, respectively	(15)	(10)	22	(17)
Change in Fair Value of Derivative Instruments, net of tax of \$(3), \$(7), \$11 and \$(1) for the three and six months ended 2012 and 2011, respectively	(5)	(10)	15	(1)
Reclassification Adjustments for Net Amounts included in Net Income, net of tax of \$(2), \$(9), \$(17) and \$(37) for the three and six months ended 2012 and 2011, respectively	(5)	(15)	(25)	(56)
Pension/OPEB adjustment, net of tax of \$5, \$24, \$10 and \$28 for the three and six months ended 2012 and 2011, respectively	7	36	14	42
Other Comprehensive Income (Loss), net of tax	(18)	1	26	(32)
COMPREHENSIVE INCOME	\$ 86	\$ 209	\$ 383	\$ 537

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

Table of Contents**PSEG POWER LLC****CONDENSED CONSOLIDATED BALANCE SHEETS**

Millions

(Unaudited)

	June 30, 2012	December 31, 2011
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 2	\$ 12
Accounts Receivable	258	267
Accounts Receivable Affiliated Companies, net	265	381
Short-Term Loan to Affiliate	737	907
Fuel	562	685
Materials and Supplies, net	301	272
Derivative Contracts	146	139
Prepayments	21	24
Other	2	0
Total Current Assets	2,294	2,687
PROPERTY, PLANT AND EQUIPMENT		
PROPERTY, PLANT AND EQUIPMENT	9,379	9,191
Less: Accumulated Depreciation and Amortization	(2,586)	(2,460)
Net Property, Plant and Equipment	6,793	6,731
NONCURRENT ASSETS		
Nuclear Decommissioning Trust (NDT) Fund	1,417	1,349
Goodwill	16	16
Other Intangibles	52	131
Other Special Funds	35	33
Derivative Contracts	40	55
Other	102	85
Total Noncurrent Assets	1,662	1,669
TOTAL ASSETS	\$ 10,749	\$ 11,087

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

Table of Contents**PSEG POWER LLC****CONDENSED CONSOLIDATED BALANCE SHEETS**

Millions

(Unaudited)

	June 30, 2012	December 31, 2011
LIABILITIES AND MEMBER S EQUITY		
CURRENT LIABILITIES		
Long-Term Debt Due Within One Year	\$ 300	\$ 66
Accounts Payable	343	541
Derivative Contracts	88	124
Deferred Income Taxes	41	53
Accrued Interest	32	32
Other	86	86
Total Current Liabilities	890	902
NONCURRENT LIABILITIES		
Deferred Income Taxes and Investment Tax Credits (ITC)	1,442	1,266
Asset Retirement Obligations	270	259
Other Postretirement Benefit (OPEB) Costs	186	180
Derivative Contracts	8	24
Accrued Pension Costs	202	236
Long-Term Accrued Taxes	53	8
Other	85	83
Total Noncurrent Liabilities	2,246	2,056
COMMITMENTS AND CONTINGENT LIABILITIES (See Note 8)		
LONG-TERM DEBT		
Total Long-Term Debt	2,386	2,685
MEMBER S EQUITY		
Contributed Capital	2,028	2,028
Basis Adjustment	(986)	(986)
Retained Earnings	4,435	4,678
Accumulated Other Comprehensive Loss	(250)	(276)
Total Member s Equity	5,227	5,444
TOTAL LIABILITIES AND MEMBER S EQUITY	\$ 10,749	\$ 11,087

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

Table of Contents**PSEG POWER LLC****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

Millions

(Unaudited)

	Six Months Ended June 30,	
	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	\$ 357	\$ 569
Adjustments to Reconcile Net Income to Net Cash Flows from Operating Activities:		
Gain on Disposal of Discontinued Operations	0	(82)
Depreciation and Amortization	115	116
Amortization of Nuclear Fuel	84	75
Provision for Deferred Income Taxes and ITC	184	(92)
Net Realized and Unrealized (Gains) Losses on Energy Contracts and Other Derivatives	(86)	35
Non-Cash Employee Benefit Plan Costs	34	24
Net Realized (Gains) Losses and (Income) Expense from NDT Fund	(26)	(93)
Net Change in Certain Current Assets and Liabilities:		
Fuel, Materials and Supplies	94	99
Margin Deposit	36	(54)
Accounts Receivable	40	162
Accounts Payable	(14)	(141)
Accounts Receivable/Payable-Affiliated Companies, net	73	649
Other Current Assets and Liabilities	(6)	10
Employee Benefit Plan Funding and Related Payments	(39)	(125)
Other	6	(6)
Net Cash Provided By (Used In) Operating Activities	852	1,146
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to Property, Plant and Equipment	(344)	(323)
Proceeds from Sale of Discontinued Operations	0	352
Proceeds from Sales of Available-for-Sale Securities	677	657
Investments in Available-for-Sale Securities	(692)	(672)
Short-Term Loan Affiliated Company, net	170	(211)
Other	0	16
Net Cash Provided By (Used In) Investing Activities	(189)	(181)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash Dividend Paid	(600)	(350)
Redemption of Long-Term Debt	(66)	(606)
Other	(7)	(6)
Net Cash Provided By (Used In) Financing Activities	(673)	(962)
Net Increase (Decrease) in Cash and Cash Equivalents	(10)	3
Cash and Cash Equivalents at Beginning of Period	12	11

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Cash and Cash Equivalents at End of Period	\$ 2	\$ 14
Supplemental Disclosure of Cash Flow Information:		
Income Taxes Paid (Received)	\$ 118	\$ 69
Interest Paid, Net of Amounts Capitalized	\$ 57	\$ 101
Increase (Decrease) in Accrued Property, Plant and Equipment Expenditures	\$ (83)	\$ (69)

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

Table of Contents**PUBLIC SERVICE ELECTRIC AND GAS COMPANY****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

Millions

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
OPERATING REVENUES	\$ 1,407	\$ 1,571	\$ 3,346	\$ 3,877
OPERATING EXPENSES				
Energy Costs	622	815	1,624	2,181
Operation and Maintenance	350	304	726	672
Depreciation and Amortization	188	172	378	351
Taxes Other Than Income Taxes	20	28	49	71
Total Operating Expenses	1,180	1,319	2,777	3,275
OPERATING INCOME	227	252	569	602
Other Income	12	4	23	9
Other Deductions	(1)	0	(2)	(1)
Other-Than-Temporary Impairments	0	0	0	(1)
Interest Expense	(74)	(78)	(147)	(157)
INCOME BEFORE INCOME TAXES	164	178	443	452
Income Tax (Expense) Benefit	(63)	(73)	(145)	(184)
EARNINGS AVAILABLE TO PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED	\$ 101	\$ 105	\$ 298	\$ 268

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

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

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2012	2011	2012	2011
NET INCOME	\$ 101	\$ 105	\$ 298	\$ 268
Available-for-Sale Securities, net of tax of \$0, \$0, \$(1) and \$1 for the three and six months ended 2012 and 2011, respectively	0	0	(1)	1
COMPREHENSIVE INCOME	\$ 101	\$ 105	\$ 297	\$ 269

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

Table of Contents**PUBLIC SERVICE ELECTRIC AND GAS COMPANY****CONDENSED CONSOLIDATED BALANCE SHEETS**

Millions

(Unaudited)

	June 30, 2012	December 31, 2011
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 22	\$ 143
Accounts Receivable, net of allowances of \$56 in 2012 and 2011	630	691
Tax Receivable	16	16
Unbilled Revenues	255	289
Materials and Supplies	102	94
Prepayments	243	117
Regulatory Assets	359	167
Other	20	21
Total Current Assets	1,647	1,538
PROPERTY, PLANT AND EQUIPMENT	16,050	15,306
Less: Accumulated Depreciation and Amortization	(4,618)	(4,539)
Net Property, Plant and Equipment	11,432	10,767
NONCURRENT ASSETS		
Regulatory Assets	3,417	3,805
Regulatory Assets of VIEs	827	925
Long-Term Investments	313	280
Other Special Funds	61	57
Derivative Contracts	45	4
Restricted Cash of VIEs	19	22
Other	102	89
Total Noncurrent Assets	4,784	5,182
TOTAL ASSETS	\$ 17,863	\$ 17,487

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

Table of Contents**PUBLIC SERVICE ELECTRIC AND GAS COMPANY****CONDENSED CONSOLIDATED BALANCE SHEETS**

Millions

(Unaudited)

	June 30, 2012	December 31, 2011
LIABILITIES AND CAPITALIZATION		
CURRENT LIABILITIES		
Long-Term Debt Due Within One Year	\$ 450	\$ 300
Securitization Debt of VIEs Due Within One Year	221	216
Commercial Paper and Loans	16	0
Accounts Payable	428	498
Accounts Payable - Affiliated Companies, net	146	280
Accrued Interest	66	65
Clean Energy Program	138	214
Derivative Contracts	0	7
Deferred Income Taxes	37	32
Obligation to Return Cash Collateral	123	107
Regulatory Liabilities	72	100
Other	210	186
Total Current Liabilities	1,907	2,005
NONCURRENT LIABILITIES		
Deferred Income Taxes and ITC	3,837	3,675
Other Postretirement Benefit (OPEB) Costs	881	900
Accrued Pension Costs	283	355
Regulatory Liabilities	206	228
Regulatory Liabilities of VIEs	10	9
Clean Energy Program	0	39
Environmental Costs	537	592
Asset Retirement Obligations	231	226
Derivative Contracts	104	0
Long-Term Accrued Taxes	18	83
Other	43	35
Total Noncurrent Liabilities	6,150	6,142
COMMITMENTS AND CONTINGENT LIABILITIES (See Note 8)		
CAPITALIZATION		
LONG-TERM DEBT		
Long-Term Debt	4,246	3,970
Securitization Debt of VIEs	616	723
Total Long-Term Debt	4,862	4,693
STOCKHOLDER'S EQUITY		
Common Stock; 150,000,000 shares authorized; issued and outstanding, 2012 and 2011 - 132,450,344 shares	892	892
Contributed Capital	420	420

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Basis Adjustment	986	986
Retained Earnings	2,645	2,347
Accumulated Other Comprehensive Income	1	2
Total Stockholder s Equity	4,944	4,647
Total Capitalization	9,806	9,340
TOTAL LIABILITIES AND CAPITALIZATION	\$ 17,863	\$ 17,487

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

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

	Six Months Ended June 30,	
	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	\$ 298	\$ 268
Adjustments to Reconcile Net Income to Net Cash Flows from Operating Activities:		
Depreciation and Amortization	378	351
Provision for Deferred Income Taxes and ITC	75	65
Non-Cash Employee Benefit Plan Costs	89	67
Cost of Removal	(44)	(25)
Market Transition Charge (MTC) Refund	(23)	(29)
Over (Under) Recovery of Electric Energy Costs (BGS and NTC) and Gas Costs	8	23
Over (Under) Recovery of SBC	(30)	(19)
Net Changes in Certain Current Assets and Liabilities:		
Accounts Receivable and Unbilled Revenues	108	204
Materials and Supplies	(8)	