

PUBLIC SERVICE ELECTRIC & GAS CO
Form 10-Q
October 29, 2010
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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 September 30, 2010

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	Address, and Telephone Number	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)	22-1212800

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

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 "	No "
Public Service Electric and Gas Company	Yes "	No "

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

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 October 15, 2010, Public Service Enterprise Group Incorporated had outstanding 505,933,984 shares of its sole class of Common Stock, without par value.

As of October 15, 2010, 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. These include, but are not limited to, future performance, revenues, earnings, strategies, prospects, consequences and all other statements that are not purely historical. 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 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 7. 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, transmission planning and cost allocation rules, including rules regarding who is permitted to build transmission going forward, 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 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 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,

availability of capital and credit at commercially reasonable terms and conditions 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,

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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,

adverse changes in the demand for or price of the capacity and energy that we sell into wholesale electricity markets,

increase in competition in energy markets in which we compete,

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.

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

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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.

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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,	
	2010	2009	2010	2009
OPERATING REVENUES	\$ 3,254	\$ 3,040	\$ 9,389	\$ 9,520
OPERATING EXPENSES				
Energy Costs	1,355	1,241	4,270	4,376
Operation and Maintenance	601	621	1,915	1,922
Depreciation and Amortization	265	224	730	634
Taxes Other Than Income Taxes	31	30	101	100
Total Operating Expenses	2,252	2,116	7,016	7,032
OPERATING INCOME	1,002	924	2,373	2,488
Income from Equity Method Investments	4	6	12	17
Other Income	75	43	165	205
Other Deductions	(9)	(19)	(37)	(118)
Other-Than-Temporary Impairments	(3)	0	(9)	(61)
Interest Expense	(120)	(129)	(356)	(407)
INCOME FROM CONTINUING OPERATIONS BEFORE				
INCOME TAXES	949	825	2,148	2,124
Income Tax (Expense) Benefit	(382)	(337)	(866)	(881)
NET INCOME	\$ 567	\$ 488	\$ 1,282	\$ 1,243
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING (THOUSANDS):				
BASIC	505,945	505,982	506,001	505,986
DILUTED	506,968	507,242	507,068	506,957
EARNINGS PER SHARE:				
BASIC	1.12	\$ 0.96	\$ 2.53	\$ 2.45
DILUTED	1.12	\$ 0.96	\$ 2.53	\$ 2.45
DIVIDENDS PAID PER SHARE OF COMMON STOCK	\$ 0.3425	\$ 0.3325	\$ 1.0275	\$ 0.9975

See Notes to Condensed Consolidated Financial Statements.

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

Millions

(Unaudited)

	September 30, 2010	December 31, 2009
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 332	\$ 350
Accounts Receivable, net of allowances of \$57 and \$79 in 2010 and 2009, respectively	1,211	1,229
Unbilled Revenues	276	411
Fuel	812	806
Materials and Supplies, net	373	361
Prepayments	331	161
Derivative Contracts	275	243
Other	61	85
Total Current Assets	3,671	3,646
PROPERTY, PLANT AND EQUIPMENT	23,458	22,069
Less: Accumulated Depreciation and Amortization	(6,995)	(6,629)
Net Property, Plant and Equipment	16,463	15,440
NONCURRENT ASSETS		
Regulatory Assets	4,105	4,402
Regulatory Assets of Variable Interest Entities (VIEs)	1,181	1,367
Long-Term Investments	1,698	2,032
Nuclear Decommissioning Trust (NDT) Funds	1,270	1,199
Other Special Funds	158	149
Goodwill	16	16
Other Intangibles	129	123
Derivative Contracts	172	123
Restricted Cash of VIEs	21	17
Other	220	216
Total Noncurrent Assets	8,970	9,644
TOTAL ASSETS	\$ 29,104	\$ 28,730

See Notes to Condensed Consolidated Financial Statements.

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

Millions

(Unaudited)

	September 30, 2010	December 31, 2009
LIABILITIES AND CAPITALIZATION		
CURRENT LIABILITIES		
Long-Term Debt Due Within One Year	\$ 800	\$ 323
Securitization Debt of VIEs Due Within One Year	204	198
Commercial Paper and Loans	0	530
Accounts Payable	992	1,081
Derivative Contracts	123	201
Accrued Interest	159	102
Accrued Taxes	38	90
Deferred Income Taxes	76	0
Clean Energy Program	189	166
Obligation to Return Cash Collateral	101	95
Other	336	428
Total Current Liabilities	3,018	3,214
NONCURRENT LIABILITIES		
Deferred Income Taxes and Investment Tax Credits (ITC)	4,232	4,139
Regulatory Liabilities	498	397
Regulatory Liabilities of VIEs	8	7
Asset Retirement Obligations	454	439
Other Postretirement Benefit (OPEB) Costs	1,088	1,095
Accrued Pension Costs	711	1,094
Clean Energy Program	270	400
Environmental Costs	671	704
Derivative Contracts	39	40
Long-Term Accrued Taxes	247	538
Other	151	140
Total Noncurrent Liabilities	8,369	8,993
COMMITMENTS AND CONTINGENT LIABILITIES (See Note 7)		
CAPITALIZATION		
LONG-TERM DEBT		
Long-Term Debt	7,121	6,481
Securitization Debt of VIEs	998	1,145
Project Level, Non-Recourse Debt	33	19
Total Long-Term Debt	8,152	7,645
SUBSIDIARY'S PREFERRED STOCK WITHOUT MANDATORY REDEMPTION	0	80

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STOCKHOLDERS EQUITY

Common Stock, no par, authorized 1,000,000,000 shares; issued, 2010 and 2009 533,556,660 shares	4,796	4,788
Treasury Stock, at cost, 2010 27,622,433 shares; 2009 27,567,030 shares	(594)	(588)
Retained Earnings	5,466	4,704
Accumulated Other Comprehensive Loss	(111)	(116)
Total Common Stockholders Equity	9,557	8,788
Noncontrolling Interest	8	10
Total Stockholders Equity	9,565	8,798
Total Capitalization	17,717	16,523
TOTAL LIABILITIES AND CAPITALIZATION	\$ 29,104	\$ 28,730

See Notes to Condensed Consolidated Financial Statements.

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PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

Millions

(Unaudited)

	For the Nine Months Ended	
	September 30,	
	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	\$ 1,282	\$ 1,243
Adjustments to Reconcile Net Income to Net Cash Flows from Operating Activities:		
Depreciation and Amortization	730	634
Amortization of Nuclear Fuel	102	88
Provision for Deferred Income Taxes (Other than Leases) and ITC	205	209
Non-Cash Employee Benefit Plan Costs	236	260
Leveraged Lease Income, Adjusted for Rents Received and Deferred Taxes	(391)	(542)
Net (Gain) Loss on Lease Investments	(51)	(135)
Net Realized and Unrealized (Gains) Losses on Energy Contracts and Other Derivatives	(42)	(125)
Over (Under) Recovery of Electric Energy Costs (BGS and NTC) and Gas Costs	35	55
Over (Under) Recovery of Societal Benefits Charge (SBC)	(55)	40
Market Transition Charge Refund, net	98	0
Cost of Removal	(47)	(38)
Net Realized (Gains) Losses and (Income) Expense from NDT Funds	(73)	(25)
Realized Gains from Rabbi Trust	(31)	0
Net Change in Certain Current Assets and Liabilities	(237)	252
Employee Benefit Plan Funding and Related Payments	(483)	(426)
Other	61	(149)
Net Cash Provided By (Used In) Operating Activities	1,339	1,341
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to Property, Plant and Equipment	(1,517)	(1,232)
Proceeds from the Sale of Capital Leases and Investments	427	729
Proceeds from Sales of Available-for-Sale Securities	886	1,633
Investments in Available-for-Sale Securities	(905)	(1,655)
Restricted Funds	(2)	113
Other	15	(7)
Net Cash Provided By (Used In) Investing Activities	(1,096)	(419)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net Change in Commercial Paper and Loans	(530)	224
Issuance of Long-Term Debt	1,608	209
Redemption of Long-Term Debt	(548)	(584)
Repayment of Non-Recourse Debt	(3)	(284)
Redemption of Securitization Debt	(140)	(133)
Premium Paid on Debt Exchange	(13)	(36)

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Cash Dividends Paid on Common Stock	(520)	(505)
Redemption of Preferred Securities	(80)	0
Other	(35)	(4)
Net Cash Provided By (Used In) Financing Activities	(261)	(1,113)
Net Increase (Decrease) in Cash and Cash Equivalents	(18)	(191)
Cash and Cash Equivalents at Beginning of Period	350	321
Cash and Cash Equivalents at End of Period	\$ 332	\$ 130
Supplemental Disclosure of Cash Flow Information:		
Income Taxes Paid (Received)	\$ 1,080	\$ 1,060
Interest Paid, Net of Amounts Capitalized	\$ 299	\$ 344
See Notes to Condensed Consolidated Financial Statements.		

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

Millions

(Unaudited)

	For The Three Months		For The Nine Months	
	Ended September 30, 2010	2009	Ended September 30, 2010	2009
OPERATING REVENUES	\$ 1,663	\$ 1,564	\$ 5,324	\$ 5,391
OPERATING EXPENSES				
Energy Costs	714	599	2,732	2,757
Operation and Maintenance	263	265	817	820
Depreciation and Amortization	48	48	144	152
Total Operating Expenses	1,025	912	3,693	3,729
OPERATING INCOME	638	652	1,631	1,662
Other Income	44	40	126	196
Other Deductions	(9)	(17)	(36)	(111)
Other-Than-Temporary Impairments	(2)	0	(8)	(60)
Interest Expense	(37)	(37)	(119)	(125)
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	634	638	1,594	1,562
Income Tax (Expense) Benefit	(250)	(256)	(642)	(619)
EARNINGS AVAILABLE TO PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED	\$ 384	\$ 382	\$ 952	\$ 943

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)

	September 30,	December 31,
	2010	2009
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 26	\$ 64
Accounts Receivable	379	425
Accounts Receivable - Affiliated Companies, net	283	459
Short-Term Loan to Affiliate	309	0
Fuel	812	806
Materials and Supplies, net	286	290
Derivative Contracts	254	231
Prepayments	72	64
Other	0	3
Total Current Assets	2,421	2,342
PROPERTY, PLANT AND EQUIPMENT		
Less: Accumulated Depreciation and Amortization	(2,415)	(2,194)
Net Property, Plant and Equipment	6,689	6,385
NONCURRENT ASSETS		
Nuclear Decommissioning Trust (NDT) Funds	1,270	1,199
Goodwill	16	16
Other Intangibles	122	114
Other Special Funds	31	30
Derivative Contracts	89	118
Long-Term Accrued Taxes	11	39
Other	86	90
Total Noncurrent Assets	1,625	1,606
TOTAL ASSETS	\$ 10,735	\$ 10,333
LIABILITIES AND MEMBER S EQUITY		
CURRENT LIABILITIES		
Long-Term Debt Due Within One Year	\$ 650	0
Accounts Payable	470	622
Short-Term Loan from Affiliate	0	194
Derivative Contracts	123	201
Deferred Income Taxes	123	0
Accrued Interest	84	43
Other	116	163
Total Current Liabilities	1,566	1,223

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NONCURRENT LIABILITIES		
Deferred Income Taxes and Investment Tax Credits (ITC)	660	644
Asset Retirement Obligations	239	226
Other Postretirement Benefit (OPEB) Costs	166	158
Derivative Contracts	39	26
Accrued Pension Costs	227	344
Environmental Costs	51	52
Other	99	72
Total Noncurrent Liabilities	1,481	1,522
COMMITMENTS AND CONTINGENT LIABILITIES (See Note 7)		
LONG-TERM DEBT		
Total Long-Term Debt	2,805	3,121
MEMBER S EQUITY		
Contributed Capital	2,028	2,028
Basis Adjustment	(986)	(986)
Retained Earnings	3,889	3,486
Accumulated Other Comprehensive Loss	(48)	(61)
Total Member s Equity	4,883	4,467
TOTAL LIABILITIES AND MEMBER S EQUITY	\$ 10,735	\$ 10,333

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)

	For the Nine Months Ended September 30,	
	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	\$ 952	\$ 943
Adjustments to Reconcile Net Income to Net Cash Flows from Operating Activities:		
Depreciation and Amortization	144	152
Amortization of Nuclear Fuel	102	88
Provision for Deferred Income Taxes and ITC	145	105
Net Realized and Unrealized (Gains) Losses on Energy Contracts and Other Derivatives	(42)	(125)
Non-Cash Employee Benefit Plan Costs	53	58
Net Realized (Gains) Losses and (Income) Expense from NDT Funds	(73)	(25)
Realized Gains from Rabbi Trust	(7)	0
Impairment of Emissions Allowances	15	0
Net Change in Certain Current Assets and Liabilities:		
Fuel, Materials and Supplies	(2)	(39)
Margin Deposits	(26)	63
Accounts Receivable	16	312
Accounts Payable	(99)	(236)
Accounts Receivable/Payable-Affiliated Companies, net	186	260
Accrued Interest Payable	41	45
Other Current Assets and Liabilities	(42)	(50)
Employee Benefit Plan Funding and Related Payments	(131)	(112)
Other	24	(10)
Net Cash Provided By (Used In) Operating Activities	1,256	1,429
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to Property, Plant and Equipment	(579)	(636)
Proceeds from Sales of Available-for-Sale Securities	759	1,633
Investments in Available-for-Sale Securities	(778)	(1,653)
Short-Term Loan Affiliated Company, net	(309)	55
Restricted Funds	2	111
Other	26	20
Net Cash Provided By (Used In) Investing Activities	(879)	(470)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of Recourse Long-Term Debt	594	209
Contributed Capital	0	229
Cash Dividend Paid	(550)	(815)
Redemption of Long-Term Debt	(248)	(530)
Short-Term Loan Affiliated Company, net	(194)	65
Cash Payment for Debt Exchange	(13)	0

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Accounts Receivable due from Affiliate Related to Debt Exchange	0	(101)
Other	(4)	0
Net Cash Provided By (Used In) Financing Activities	(415)	(943)
Net Increase (Decrease) in Cash and Cash Equivalents	(38)	16
Cash and Cash Equivalents at Beginning of Period	64	40
Cash and Cash Equivalents at End of Period	\$ 26	\$ 56
Supplemental Disclosure of Cash Flow Information:		
Income Taxes Paid (Received)	\$ 558	\$ 464
Interest Paid, Net of Amounts Capitalized	\$ 85	\$ 94
See disclosures regarding PSEG Power LLC included in the Notes to Condensed Consolidated Financial Statements.		

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

Millions

(Unaudited)

	For the Three Months Ended September 30,		For The Nine Months Ended September 30,	
	2010	2009	2010	2009
OPERATING REVENUES	\$ 2,007	\$ 1,943	\$ 5,987	\$ 6,321
OPERATING EXPENSES				
Energy Costs	1,115	1,167	3,572	4,005
Operation and Maintenance	327	351	1,084	1,090
Depreciation and Amortization	209	169	563	462
Taxes Other Than Income Taxes	31	30	101	100
Total Operating Expenses	1,682	1,717	5,320	5,657
OPERATING INCOME	325	226	667	664
Other Income	14	2	22	7
Other Deductions	(1)	0	(2)	(2)
Interest Expense	(82)	(77)	(239)	(236)
INCOME (LOSS) BEFORE INCOME TAXES	256	151	448	433
Income Tax (Expense) Benefit	(101)	(63)	(172)	(177)
NET INCOME	155	88	276	256
Preferred Stock Dividends	0	(1)	(1)	(3)
EARNINGS AVAILABLE TO PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED	\$ 155	\$ 87	\$ 275	\$ 253

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

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PUBLIC SERVICE ELECTRIC AND GAS COMPANY

CONDENSED CONSOLIDATED BALANCE SHEETS

Millions

(Unaudited)

	September 30, 2010	December 31, 2009
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 115	\$ 240
Accounts Receivable, net of allowances of \$56 in 2010 and \$78 in 2009, respectively	818	800
Unbilled Revenues	276	411
Materials and Supplies	87	