PUBLIC SERVICE ELECTRIC & GAS CO
Form 10-Q
May 04, 2015

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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 March 31, 2015
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
001-00973	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
001-34232	PSEG POWER LLC (A Delaware Limited Liability Company) 80 Park Plaza Newark, New Jersey 07102-4194 973 430-7000 http://www.pseg.com	22-3663480

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.

Public Service Enterprise Group Incorporated	Large accelerated filer x	Accelerated filer o	Non-accelerated filer o	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
PSEG Power LLC	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 April 21, 2015, Public Service Enterprise Group Incorporated had outstanding 505,862,575 shares of its sole class of Common Stock, without par value.

As of April 21, 2015, 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.

Public Service Electric and Gas Company and PSEG Power LLC 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 about our 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 and similar expressions 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 regulations, including market structures and transmission planning,
- 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 and enforcement 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 manage our energy obligations, available supply and risks,
- adverse outcomes of any legal, regulatory or other proceeding, settlement, investigation or claim applicable to us and/or the energy industry,
- any deterioration in our credit quality or the credit quality of our counterparties,
- 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 insurance coverage or recover proceeds of insurance with respect to such events,
- acts of terrorism, cybersecurity attacks or intrusions that could adversely impact our businesses,
- increases in competition in energy supply markets as well as for 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,
- changes in technology, such as distributed generation and micro grids, and greater reliance on these technologies, and
- changes in customer behaviors, including increases in energy efficiency, net-metering 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.

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PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
Millions, except per share data
(Unaudited)

	Three Months Ended March 31,	
	2015	2014
OPERATING REVENUES	$3,135	$3,223
OPERATING EXPENSES		
Energy Costs	1,094	1,356
Operation and Maintenance	663	856
Depreciation and Amortization	330	306
Total Operating Expenses	2,087	2,518
OPERATING INCOME	1,048	705
Income from Equity Method Investments	3	4
Other Income	48	48
Other Deductions	(12)	(12)
Other-Than-Temporary Impairments	(5)	(2)
Interest Expense	(98)	(97)
INCOME BEFORE INCOME TAXES	984	646
Income Tax Expense	(398)	(260)
NET INCOME	$586	$386
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING:		
BASIC	506	506
DILUTED	508	508
NET INCOME PER SHARE:		
BASIC	$1.16	$0.76
DILUTED	$1.15	$0.76
DIVIDENDS PAID PER SHARE OF COMMON STOCK	$0.39	$0.37

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 March 31,	
	2015	2014
NET INCOME	$586	$386
Other Comprehensive Income (Loss), net of tax		
Unrealized Gains (Losses) on Available-for-Sale Securities, net of tax (expense) benefit of $(13) and $(3) for 2015 and 2014, respectively	14	2
Unrealized Gains (Losses) on Cash Flow Hedges, net of tax (expense) benefit of $7 and $(2) for 2015 and 2014, respectively	(9)	2
Pension/Other Postretirement Benefit Costs (OPEB) adjustment, net of tax (expense) benefit of $(6) and $(2) for 2015 and 2014, respectively	8	4
Other Comprehensive Income (Loss), net of tax	13	8
COMPREHENSIVE INCOME	$599	$394

See Notes to Condensed Consolidated Financial Statements.

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

	March 31, 2015	December 31, 2014
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$1,008	$402
Accounts Receivable, net of allowances of $58 and $52 in 2015 and 2014, respectively	1,437	1,254
Tax Receivable	31	211
Unbilled Revenues	252	284
Fuel	266	538
Materials and Supplies, net	483	484
Prepayments	80	108
Derivative Contracts	87	240
Deferred Income Taxes	—	11
Regulatory Assets	258	323
Regulatory Assets of Variable Interest Entities (VIEs)	187	249
Other	70	15
Total Current Assets	4,159	4,119
PROPERTY, PLANT AND EQUIPMENT	32,805	32,196
Less: Accumulated Depreciation and Amortization	(8,827)	(8,607)
Net Property, Plant and Equipment	23,978	23,589
NONCURRENT ASSETS		
Regulatory Assets	3,164	3,192
Long-Term Investments	1,287	1,307
Nuclear Decommissioning Trust (NDT) Fund	1,821	1,780
Long-Term Receivable of VIE	592	580
Other Special Funds	235	212
Goodwill	16	16
Other Intangibles	87	84
Derivative Contracts	108	77
Restricted Cash of VIEs	25	24
Other	355	353
Total Noncurrent Assets	7,690	7,625
TOTAL ASSETS	$35,827	$35,333

See Notes to Condensed Consolidated Financial Statements.

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

	March 31, 2015	December 31, 2014
LIABILITIES AND CAPITALIZATION		
CURRENT LIABILITIES		
Long-Term Debt Due Within One Year	$793	$624
Securitization Debt of VIEs Due Within One Year	201	259
Accounts Payable	1,006	1,178
Derivative Contracts	94	132
Accrued Interest	119	95
Accrued Taxes	343	21
Deferred Income Taxes	87	173
Clean Energy Program	86	142
Obligation to Return Cash Collateral	130	121
Regulatory Liabilities	162	186
Other	601	547
Total Current Liabilities	3,622	3,478
NONCURRENT LIABILITIES		
Deferred Income Taxes and Investment Tax Credits (ITC)	7,436	7,303
Regulatory Liabilities	272	258
Regulatory Liabilities of VIEs	46	39
Asset Retirement Obligations	754	743
Other Postretirement Benefit (OPEB) Costs	1,257	1,277
OPEB Costs of Servco	462	452
Accrued Pension Costs	408	440
Accrued Pension Costs of Servco	128	126
Environmental Costs	427	417
Derivative Contracts	25	33
Long-Term Accrued Taxes	215	208
Other	127	112
Total Noncurrent Liabilities	11,557	11,408
COMMITMENTS AND CONTINGENT LIABILITIES (See Note 8)		
CAPITALIZATION		
LONG-TERM DEBT		
Total Long-Term Debt	8,090	8,261
STOCKHOLDERS’ EQUITY		
Common Stock, no par, authorized 1,000,000,000 shares; issued, 2015 and 2014—533,556,660 shares	4,873	4,876
Treasury Stock, at cost, 2015— 27,743,445 shares; 2014— 27,720,068 shares	(662)	(635)
Retained Earnings	8,616	8,227
Accumulated Other Comprehensive Loss	(270)	(283)
Total Common Stockholders’ Equity	12,557	12,185
Noncontrolling Interest	1	1

Total Stockholders’ Equity	12,558	12,186
Total Capitalization	20,648	20,447
TOTAL LIABILITIES AND CAPITALIZATION	$35,827	$35,333

See Notes to Condensed Consolidated Financial Statements.

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

	Three Months Ended March 31,	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	$586	$386
Adjustments to Reconcile Net Income to Net Cash Flows from Operating Activities:		
Depreciation and Amortization	330	306
Amortization of Nuclear Fuel	55	54
Provision for Deferred Income Taxes (Other than Leases) and ITC	63	(39)
Non-Cash Employee Benefit Plan Costs	41	11
Leveraged Lease Income, Adjusted for Rents Received and Deferred Taxes	4	(22)
Net Realized and Unrealized (Gains) Losses on Energy Contracts and Other Derivatives	37	224
Change in Accrued Storm Costs	7	(1)
Net Change in Other Regulatory Assets and Liabilities	(29)	177
Cost of Removal	(26)	(25)
Net Realized (Gains) Losses and (Income) Expense from NDT Fund	(12)	(23)
Net Change in Certain Current Assets and Liabilities:		
Tax Receivable	180	(2)
Accrued Taxes	322	273
Margin Deposit	14	(261)
Other Current Assets and Liabilities	109	70
Employee Benefit Plan Funding and Related Payments	(47)	(32)
Other	45	20
Net Cash Provided By (Used In) Operating Activities	1,679	1,116
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to Property, Plant and Equipment	(747)	(609)
Proceeds from Sales of Available-for-Sale Securities	609	257
Investments in Available-for-Sale Securities	(638)	(269)
Other	(3)	(8)
Net Cash Provided By (Used In) Investing Activities	(779)	(629)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net Change in Commercial Paper and Loans	—	(60)
Redemption of Securitization Debt	(58)	(54)
Cash Dividends Paid on Common Stock	(197)	(187)
Other	(39)	(24)
Net Cash Provided By (Used In) Financing Activities	(294)	(325)
Net Increase (Decrease) in Cash and Cash Equivalents	606	162
Cash and Cash Equivalents at Beginning of Period	402	493
Cash and Cash Equivalents at End of Period	$1,008	$655
Supplemental Disclosure of Cash Flow Information:		
Income Taxes Paid (Received)	$(175)	$15

Interest Paid, Net of Amounts Capitalized	$74	$79
Accrued Property, Plant and Equipment Expenditures	$276	$247

See Notes to Condensed Consolidated Financial Statements.

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

	Three Months Ended March 31,	
	2015	2014
OPERATING REVENUES	$2,002	$2,145
OPERATING EXPENSES		
Energy Costs	892	1,045
Operation and Maintenance	412	462
Depreciation and Amortization	247	227
Total Operating Expenses	1,551	1,734
OPERATING INCOME	451	411
Other Income	18	14
Other Deductions	(1)	—
Interest Expense	(69)	(68)
INCOME BEFORE INCOME TAXES	399	357
Income Tax Expense	(157)	(143)
EARNINGS AVAILABLE TO PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED	$242	$214

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 STATEMENTS OF COMPREHENSIVE INCOME
Millions
(Unaudited)

	Three Months Ended March 31,	
	2015	2014
NET INCOME	$242	$214
Unrealized Gains (Losses) on Available-for-Sale Securities, net of tax (expense) benefit of $0 and $0 for 2015 and 2014, respectively	—	—
COMPREHENSIVE INCOME	$242	$214

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)

	March 31, 2015	December 31, 2014
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$336	$310
Accounts Receivable, net of allowances of $58 and $52 in 2015 and 2014, respectively	1,038	864
Accounts Receivable-Affiliated Companies	9	274
Unbilled Revenues	252	284
Materials and Supplies	142	133
Prepayments	5	42
Regulatory Assets	258	323
Regulatory Assets of VIEs	187	249
Derivative Contracts	—	18
Deferred Income Taxes	—	24
Other	15	7
Total Current Assets	2,242	2,528
PROPERTY, PLANT AND EQUIPMENT	21,610	21,103
Less: Accumulated Depreciation and Amortization	(5,263)	(5,183)
Net Property, Plant and Equipment	16,347	15,920
NONCURRENT ASSETS		
Regulatory Assets	3,164	3,192
Long-Term Investments	353	348
Other Special Funds	55	53
Derivative Contracts	7	8
Restricted Cash of VIEs	25	24
Other	152	150
Total Noncurrent Assets	3,756	3,775
TOTAL ASSETS	$22,345	$22,223

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)

	March 31, 2015	December 31, 2014
LIABILITIES AND CAPITALIZATION		
CURRENT LIABILITIES		
Long-Term Debt Due Within One Year	$471	$300
Securitization Debt of VIEs Due Within One Year	201	259
Accounts Payable	524	574
Accounts Payable—Affiliated Companies	338	379
Accrued Interest	75	68
Clean Energy Program	86	142
Deferred Income Taxes	96	165
Obligation to Return Cash Collateral	130	121
Regulatory Liabilities	162	186
Other	461	381
Total Current Liabilities	2,544	2,575
NONCURRENT LIABILITIES		
Deferred Income Taxes and ITC	4,652	4,575
Other Postretirement Benefit (OPEB) Costs	943	967
Accrued Pension Costs	155	173
Regulatory Liabilities	272	258
Regulatory Liabilities of VIEs	46	39
Environmental Costs	375	364
Asset Retirement Obligations	295	290
Long-Term Accrued Taxes	122	116
Other	71	67
Total Noncurrent Liabilities	6,931	6,849
COMMITMENTS AND CONTINGENT LIABILITIES (See Note 8)		
CAPITALIZATION		
LONG-TERM DEBT		
Total Long-Term Debt	5,841	6,012
STOCKHOLDER'S EQUITY		
Common Stock; 150,000,000 shares authorized; issued and outstanding, 2015 and 2014—132,450,344 shares	892	892
Contributed Capital	695	695
Basis Adjustment	986	986
Retained Earnings	4,454	4,212
Accumulated Other Comprehensive Income	2	2
Total Stockholder's Equity	7,029	6,787
Total Capitalization	12,870	12,799
TOTAL LIABILITIES AND CAPITALIZATION	$22,345	$22,223

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 STATEMENTS OF CASH FLOWS
Millions
(Unaudited)

	Three Months Ended March 31,	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	$242	$214
Adjustments to Reconcile Net Income to Net Cash Flows from Operating Activities:		
Depreciation and Amortization	247	227
Provision for Deferred Income Taxes and ITC	29	31
Non-Cash Employee Benefit Plan Costs	24	6
Cost of Removal	(26)	(25)
Change in Accrued Storm Costs	7	(1)
Net Change in Other Regulatory Assets and Liabilities	(29)	177
Net Change in Certain Current Assets and Liabilities:		
Accounts Receivable and Unbilled Revenues	(142)	(264)
Materials and Supplies	(9)	(11)
Prepayments	37	18
Accounts Payable	16	14
Accounts Receivable/Payable—Affiliated Companies, net	253	120
Other Current Assets and Liabilities	77	112
Employee Benefit Plan Funding and Related Payments	(37)	(29)
Other	(12)	(10)
Net Cash Provided By (Used In) Operating Activities	677	579
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to Property, Plant and Equipment	(599)	(481)
Proceeds from Sales of Available-for-Sale Securities	4	5
Investments in Available-for-Sale Securities	(5)	(3)
Solar Loan Investments	(2)	(2)
Other	9	—
Net Cash Provided By (Used In) Investing Activities	(593)	(481)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net Change in Short-Term Debt	—	(60)
Redemption of Securitization Debt	(58)	(54)
Contributed Capital	—	175
Net Cash Provided By (Used In) Financing Activities	(58)	61
Net Increase (Decrease) In Cash and Cash Equivalents	26	159
Cash and Cash Equivalents at Beginning of Period	310	18
Cash and Cash Equivalents at End of Period	$336	$177
Supplemental Disclosure of Cash Flow Information:		
Income Taxes Paid (Received)	$(180)	$(37)
Interest Paid, Net of Amounts Capitalized	$58	$62
Accrued Property, Plant and Equipment Expenditures	$226	$185

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

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

	Three Months Ended March 31, 2015	2014
OPERATING REVENUES	$1,725	$1,700
OPERATING EXPENSES		
Energy Costs	893	1,044
Operation and Maintenance	172	302
Depreciation and Amortization	76	72
Total Operating Expenses	1,141	1,418
OPERATING INCOME	584	282
Income from Equity Method Investments	3	4
Other Income	29	33
Other Deductions	(11)	(10)
Other-Than-Temporary Impairments	(5)	(2)
Interest Expense	(31)	(32)
INCOME BEFORE INCOME TAXES	569	275
Income Tax Expense	(234)	(111)
EARNINGS AVAILABLE TO PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED	$335	$164

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

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

	Three Months Ended March 31,	
	2015	2014
NET INCOME	$335	$164
Other Comprehensive Income (Loss), net of tax		
Unrealized Gains (Losses) on Available-for-Sale Securities, net of tax (expense) benefit of $(13) and $(2) for 2015 and 2014, respectively	14	2
Unrealized Gains (Losses) on Cash Flow Hedges, net of tax (expense) benefit of $7 and $(1) for 2015 and 2014, respectively	(9)	1
Pension/OPEB adjustment, net of tax (expense) benefit of $(5) and $(2) for 2015 and 2014, respectively	7	3
Other Comprehensive Income (Loss), net of tax	12	6
COMPREHENSIVE INCOME	$347	$170

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

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PSEG POWER LLC
CONDENSED CONSOLIDATED BALANCE SHEETS
Millions
(Unaudited)

	March 31, 2015	December 31, 2014
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$24	$9
Accounts Receivable	357	334
Accounts Receivable—Affiliated Companies	288	313
Tax Receivable	3	3
Short-Term Loan to Affiliate	1,055	584
Fuel	266	538
Materials and Supplies, net	338	350
Derivative Contracts	72	207
Prepayments	28	17
Other	51	4
Total Current Assets	2,482	2,359
PROPERTY, PLANT AND EQUIPMENT	10,825	10,732
Less: Accumulated Depreciation and Amortization	(3,348)	(3,217)
Net Property, Plant and Equipment	7,477	7,515
NONCURRENT ASSETS		
Nuclear Decommissioning Trust (NDT) Fund	1,821	1,780
Long-Term Investments	121	121
Goodwill	16	16
Other Intangibles	87	84
Other Special Funds	57	49
Derivative Contracts	98	62
Other	61	60
Total Noncurrent Assets	2,261	2,172
TOTAL ASSETS	$12,220	$12,046

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

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PSEG POWER LLC
CONDENSED CONSOLIDATED BALANCE SHEETS
Millions
(Unaudited)

	March 31, 2015	December 31, 2014
LIABILITIES AND MEMBER'S EQUITY		
CURRENT LIABILITIES		
Long-Term Debt Due Within One Year	$300	$300
Accounts Payable	343	424
Accounts Payable-Affiliated Companies	208	118
Derivative Contracts	94	132
Deferred Income Taxes	12	43
Accrued Interest	43	27
Other	131	140
Total Current Liabilities	1,131	1,184
NONCURRENT LIABILITIES		
Deferred Income Taxes and Investment Tax Credits (ITC)	2,144	2,065
Asset Retirement Obligations	456	450
Other Postretirement Benefit (OPEB) Costs	251	248
Derivative Contracts	25	33
Accrued Pension Costs	144	153
Long-Term Accrued Taxes	42	41
Other	78	71
Total Noncurrent Liabilities	3,140	3,061
COMMITMENTS AND CONTINGENT LIABILITIES (See Note 8)		
LONG-TERM DEBT		
Total Long-Term Debt	2,244	2,243
MEMBER'S EQUITY		
Contributed Capital	2,214	2,214
Basis Adjustment	(986)	(986)
Retained Earnings	4,693	4,558
Accumulated Other Comprehensive Loss	(216)	(228)
Total Member's Equity	5,705	5,558
TOTAL LIABILITIES AND MEMBER'S EQUITY	$12,220	$12,046

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

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

	Three Months Ended March 31,	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	$335	$164
Adjustments to Reconcile Net Income to Net Cash Flows from Operating Activities:		
Depreciation and Amortization	76	72
Amortization of Nuclear Fuel	55	54
Provision for Deferred Income Taxes and ITC	37	(71)
Net Realized and Unrealized (Gains) Losses on Energy Contracts and Other Derivatives	37	224
Non-Cash Employee Benefit Plan Costs	13	3
Net Realized (Gains) Losses and (Income) Expense from NDT Fund	(12)	(23)
Net Change in Certain Current Assets and Liabilities:		
Fuel, Materials and Supplies	284	289
Margin Deposit	14	(261)
Accounts Receivable	(16)	(19)
Accounts Payable	(55)	(70)
Accounts Receivable/Payable—Affiliated Companies, net	86	279
Accrued Interest Payable	16	15
Other Current Assets and Liabilities	(56)	(4)
Employee Benefit Plan Funding and Related Payments	(6)	(2)
Other	42	24
Net Cash Provided By (Used In) Operating Activities	850	674
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to Property, Plant and Equipment	(139)	(126)
Proceeds from Sales of Available-for-Sale Securities	594	247
Investments in Available-for-Sale Securities	(608)	(259)
Short-Term Loan—Affiliated Company, net	(471)	(152)
Other	(11)	(5)
Net Cash Provided By (Used In) Investing Activities	(635)	(295)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash Dividend Paid	(200)	(375)
Net Cash Provided By (Used In) Financing Activities	(200)	(375)
Net Increase (Decrease) in Cash and Cash Equivalents	15	4
Cash and Cash Equivalents at Beginning of Period	9	6
Cash and Cash Equivalents at End of Period	$24	$10
Supplemental Disclosure of Cash Flow Information:		
Income Taxes Paid (Received)	$5	$(93)
Interest Paid, Net of Amounts Capitalized	$16	$16
Accrued Property, Plant and Equipment Expenditures	$50	$62

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

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This combined Form 10-Q is separately filed by Public Service Enterprise Group Incorporated (PSEG), Public Service Electric and Gas Company (PSE&G) and PSEG Power LLC (Power). Information relating to any individual company is filed by such company on its own behalf. PSE&G and Power 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 principal direct wholly owned subsidiaries are:

- PSE&G—which is an operating 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 Federal Energy Regulatory Commission (FERC). PSE&G also invests in solar generation projects and has implemented energy efficiency and demand response programs in New Jersey, which are regulated by the BPU.
- 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 its principal direct wholly owned subsidiaries. Power’s subsidiaries are subject to regulation by the FERC, the Nuclear Regulatory Commission (NRC) and the states in which they operate.

PSEG's other direct wholly owned subsidiaries include PSEG Energy Holdings L.L.C. (Energy Holdings), which primarily has investments in leveraged leases; PSEG Long Island LLC (PSEG LI), which operates the Long Island Power Authority's (LIPA) transmission and distribution (T&D) system under an Operations Services Agreement (OSA); and PSEG Services Corporation (Services), which provides certain 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, 2014.
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 intercompany accounts and transactions are eliminated in consolidation. 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, 2014.

Note 2. Recent Accounting Standards
New Standards Issued But Not Yet Adopted
Revenue from Contracts with Customers
This accounting standard was issued to clarify the principles for recognizing revenue and to develop a common standard that would remove inconsistencies in revenue requirements; improve comparability of revenue recognition practices across entities, industries, jurisdictions and capital markets; and provide improved disclosures.
The guidance provides a five-step model to be used for recognizing revenue for the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in

exchange for those goods and services.

The update is effective for annual and interim reporting periods beginning after December 15, 2016 although the Financial Accounting Standards Board is expected to issue an exposure draft deferring the effective date to periods beginning after December 31, 2017. Early application is not permitted. We are currently analyzing the impact of this standard on our financial statements.

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Amendments to the Consolidation Analysis
This standard was issued to respond to concerns regarding the current accounting for consolidation of certain legal entities. Under the new standard, all legal entities are subject to reevaluation under a revised consolidation model which will determine whether limited partnerships and similar legal entities are variable interest entities (VIEs) or voting interest entities; eliminate the presumption that a general partner should consolidate a limited partnership; affect the consolidation analysis of reporting entities that are involved with VIEs and provide a scope exception from consolidation guidance for reporting entities with interests in certain legal entities who must comply with other requirements.
The update is effective for annual and interim reporting periods beginning after December 15, 2015. We are currently analyzing the impact of this standard on our financial statements.
Simplifying the Presentation of Debt Issuance Costs
This standard was issued to simplify presentation of debt issuance costs. The standard will require that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs are not affected by this standard.
The update is effective for annual and interim reporting periods beginning after December 15, 2015.

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 Transition Funding and Transition Funding II are presented separately on the face of the Condensed Consolidated Balance Sheets of PSEG and PSE&G because the assets of these VIEs 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.
PSE&G’s maximum exposure to loss is equal to its equity investment in these VIEs which was $16 million as of March 31, 2015 and December 31, 2014. 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 three months of 2015 or in 2014. PSE&G does not have any contractual commitments or obligations to provide financial support to Transition Funding or Transition Funding II.
Variable Interest Entity for which PSEG LI is the Primary Beneficiary
PSEG LI consolidates Long Island Electric Utility Servco, LLC (Servco), a marginally capitalized VIE, which was created for the purpose of operating LIPA's T&D system in Long Island, New York as well as providing administrative support functions to LIPA. PSEG LI is the primary beneficiary of Servco because it directs the operations of Servco, the activity that most significantly impacts Servco's economic performance and it has the obligation to absorb losses of Servco that could potentially be significant to Servco. Such losses would be immaterial to PSEG.
Pursuant to the OSA, Servco's operating costs are reimbursable entirely by LIPA, and therefore, PSEG LI's risk is limited related to the activities of Servco. PSEG LI has no current obligation to provide direct financial support to Servco. In addition to reimbursement of Servco’s operating costs as provided for in the OSA, PSEG LI receives an annual contract management fee. PSEG LI’s annual contractual management fee, in certain situations, could be

partially offset by Servco's annual storm costs not approved by the Federal Emergency Management Agency, limited contingent liabilities and penalties for failing to meet certain performance metrics.
PSEG recognized a long-term receivable primarily related to future funding by LIPA of Servco's recognized pension and other postretirement benefit (OPEB) liabilities. This receivable is presented separately on the Condensed Consolidated Balance Sheet of PSEG as a noncurrent asset because it is restricted. See Note 7. Pension and Other Postretirement Benefits for additional information.

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For transactions in which Servco acts as principal, such as transactions with its employees for labor and labor-related activities, including pension and OPEB-related transactions, Servco records revenues and the related pass-through expenditures separately in Operating Revenues and Operation and Maintenance (O&M) Expense, respectively. Servco recorded $82 million and $89 million for the three months ended March 31, 2015 and 2014, respectively, of O&M costs, the full reimbursement of which was reflected in Operating Revenues. For transactions in which Servco acts as an agent for LIPA, it records revenues and the related expenses on a net basis, resulting in no impact on PSEG's Condensed Consolidated Statement of Operations.

Note 4. Rate Filings
The following information discusses significant updates regarding orders and pending rate filings. This Note should be read in conjunction with Note 5. Regulatory Assets and Liabilities to the Consolidated Financial Statements in the Annual Report on Form 10-K for the year ended December 31, 2014.
In addition to items previously reported in the Annual Report on Form 10-K, significant 2015 regulatory orders received and currently pending rate filings with the FERC and the BPU by PSE&G are as follows:

- Energy Strong Recovery Filing—In March 2015, PSE&G filed an Energy Strong cost recovery petition seeking BPU approval to recover in base rates estimated annual increases in electric revenues of $6 million and gas revenues of $17 million. These increases represent estimated Energy Strong investment costs expected to be in service as of May 31, 2015. The petition requests rates to be effective September 1, 2015, consistent with the BPU Order of approval of the Energy Strong program.
- Basic Gas Supply Service (BGSS)—On April 15, 2015, the BPU issued an Order approving PSE&G’s provisional BGSS rate of 45 cents per therm which had been implemented on October 1, 2014. In March 2015, PSE&G filed a letter with the BPU to extend the 28 cents per therm bill credit for one additional month through April 30, 2015, which is estimated to provide an additional approximate $20 million to customers.
- Weather Normalization Clause—On April 15, 2015, the BPU approved PSE&G's final filing with respect to excess revenues collected during the colder than normal 2013-2014 Winter Period (October 1, 2013 through May 31, 2014). Effective October 1, 2014, PSEG had commenced returning $45 million in revenues to its customers during the 2014-2015 Winter Period.

Note 5. 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 generated from the installed solar electric system. A substantial portion of these amounts are noncurrent and reported in Long-Term Investments on PSEG's and PSE&G's Condensed Consolidated Balance Sheets. 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 March 31, 2015	As of December 31, 2014
	Millions	
Commercial/Industrial	$191	$188
Residential	13	13
Total	$204	$201

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Energy Holdings
Energy Holdings, through several 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 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 following table shows Energy Holdings’ gross and net lease investment as of March 31, 2015 and December 31, 2014, respectively.

	As of March 31, 2015		As of December 31, 2014	
	Millions			
Lease Receivables (net of Non-Recourse Debt)	$663		$691	
Estimated Residual Value of Leased Assets	525		525	
Unearned and Deferred Income	(377	)	(380	)
Gross Investment in Leases	811		836	
Deferred Tax Liabilities	(717	)	(738	)
Net Investment in Leases	$94		$98	

The corresponding receivables associated with the lease portfolio are reflected in the following table, 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 commercial real estate properties.

Counterparties’ Credit Rating (Standard & Poor's (S&P)) As of March 31, 2015	Lease Receivables, Net of Non-Recourse Debt As of March 31, 2015
	Millions
AA	$18
AA-	29
BBB+ — BBB-	316
BB-	134
B-	164
Not Rated	2
Total	$663

The “BB-” and the "B-" ratings in the preceding table represent lease receivables related to coal-fired assets in Illinois and Pennsylvania, respectively. As of March 31, 2015, the gross investment in the leases of such assets, net of non-recourse debt, was $573 million ($(9) million, net of deferred taxes). A more detailed description of such assets under lease is presented in the following table.

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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	BB-	NRG Energy, Inc.
Joliet Station Units 7 and 8	IL	$84	64 %	1,044	Coal	BB-	NRG Energy, Inc.
Keystone Station Units 1 and 2	PA	$121	17 %	1,711	Coal	B-	NRG REMA LLC
Conemaugh Station Units 1 and 2	PA	$121	17 %	1,711	Coal	B-	NRG REMA LLC
Shawville Station Units 1, 2, 3 and 4	PA	$113	100 %	603	Coal	B-	NRG 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.

Although all lease payments 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.

In early 2014, NRG REMA LLC, an indirect subsidiary of NRG Energy, Inc. (NRG) had disclosed its plan to place the Shawville generating facility in a "long-term protective layup" by April 2015 as it evaluated its alternatives under the lease. However, NRG has since notified PJM that it intends to deactivate the coal-fired units at the Shawville generating facility by May 2015 and has disclosed that it expects to return the Shawville units to service no later than the summer of 2016 with the ability to use natural gas.

Note 6. 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.

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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 March 31, 2015			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	Millions			
Equity Securities	$692	$239	$(8)	$923
Debt Securities				
Government Obligations	486	12	—	498
Other Debt Securities	360	12	(3)	369
Total Debt Securities	846	24	(3)	867
Other Securities	31	—	—	31
Total NDT Available-for-Sale Securities	$1,569	$263	$(11)	$1,821

	As of December 31, 2014			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	Millions			
Equity Securities	$685	$220	$(8)	$897
Debt Securities				
Government Obligations	430	9	(1)	438
Other Debt Securities	333	9	(3)	339
Total Debt Securities	763	18	(4)	777
Other Securities	106	—	—	106
Total NDT Available-for-Sale Securities	$1,554	$238	$(12)	$1,780

The 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 March 31, 2015	As of December 31, 2014
	Millions	
Accounts Receivable	$11	$10
Accounts Payable	$7	$2

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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 March 31, 2015				As of December 31, 2014			
	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)	$122	$(8)	$—	$—	$162	$(8)	$1	$—
Debt Securities								
Government Obligations (B)	31	—	16	—	95	—	28	(1)
Other Debt Securities (C)	52	(1)	24	(2)	99	(1)	30	(2)
Total Debt Securities	83	(1)	40	(2)	194	(1)	58	(3)
NDT Available-for-Sale Securities	$205	$(9)	$40	$(2)	$356	$(9)	$59	$(3)

(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 March 31, 2015.

(B) Debt Securities (Government)—Unrealized losses on Power's NDT investments in United States Treasury obligations and Federal Agency mortgage-backed securities were caused by interest rate changes. Since these investments are 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 March 31, 2015.

(C) Debt Securities (Other)—Power's investments in corporate bonds, collateralized mortgage obligations, asset-backed securities and municipal government obligations 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 March 31, 2015.

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

	Three Months Ended March 31,	
	2015	2014
	Millions	
Proceeds from NDT Fund Sales (A)	$590	$245
Net Realized Gains (Losses) on NDT Fund:		
Gross Realized Gains	19	23
Gross Realized Losses	(9)	(4)
Net Realized Gains (Losses) on NDT Fund	$10	$19

(A) Includes activity in accounts related to the liquidation of funds being transitioned to new managers

Gross realized gains and gross realized losses disclosed in the preceding 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 $123 million (after-tax) were a component of Accumulated Other Comprehensive Loss on PSEG's and Power’s Condensed Consolidated Balance Sheets as of March 31, 2015.

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The NDT available-for-sale debt securities held as of March 31, 2015 had the following maturities:

Time Frame	Fair Value
	Millions
Less than one year	$5
1 - 5 years	242
6 - 10 years	193
11 - 15 years	61
16 - 20 years	45
Over 20 years	321
Total NDT Available-for-Sale Debt Securities	$867

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). For the three months ended March 31, 2015, other-than-temporary impairments of $5 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.
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 March 31, 2015			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	Millions			
Equity Securities	$11	$11	$—	$22
Debt Securities				
Government Obligations	107	2	—	109
Other Debt Securities	79	1	—	80
Total Debt Securities	186	3	—	189
Other Securities	3	—	—	3
Total Rabbi Trust Available-for-Sale Securities	$200	$14	$—	$214

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	As of December 31, 2014			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	Millions			
Equity Securities	$12	$11	$—	$23
Debt Securities				
Government Obligations	89	2	—	91
Other Debt Securities	74	1	—	75
Total Debt Securities	163	3	—	166
Other Securities	2	—	—	2
Total Rabbi Trust Available-for-Sale Securities	$177	$14	$—	$191

The 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 March 31, 2015	As of December 31, 2014
	Millions	
Accounts Receivable	$1	$1
Accounts Payable	$(1)	$—

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

	As of March 31, 2015				As of December 31, 2014			
	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)	$—	$—	$—	$—	$—	$—	$—	$—
Debt Securities								
Government Obligations (B)	6	—	—	—	2	—	—	—
Other Debt Securities (C)	25	—	—	—	24	—	—	—
Total Debt Securities	31	—	—	—	26	—	—	—
Rabbi Trust Available-for-Sale Securities	$31	$—	$—	$—	$26	$—	$—	$—

(A) Equity Securities—Investments in marketable equity securities within the Rabbi Trust Fund are through a mutual fund which invests primarily in common stocks within a broad range of industries and sectors.
(B)

Debt Securities (Government)—Unrealized losses on PSEG's Rabbi Trust investments in United States Treasury obligations and Federal Agency mortgage-backed securities were caused by interest rate changes. Since these investments are 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 PSEG does not intend to sell nor will it be more-likely-than-not required to sell. PSEG does not consider these securities to be other-than-temporarily impaired as of March 31, 2015.

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(C) Debt Securities (Other)—PSEG's investments in corporate bonds, collateralized mortgage obligations, asset-backed securities and municipal government obligations are limited to investment grade securities. It is not expected that these securities would settle for less than their amortized cost. Since PSEG does not intend to sell these securities nor will it be more-likely-than-not required to sell, PSEG does not consider these debt securities to be other-than-temporarily impaired as of March 31, 2015.

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

	Three Months Ended March 31,	
	2015	2014
	Millions	
Proceeds from Rabbi Trust Sales (A)	$19	$12
Net Realized Gains (Losses) on Rabbi Trust:		
Gross Realized Gains	$—	$2
Gross Realized Losses	—	—
Net Realized Gains (Losses) on Rabbi Trust	$—	$2

(A) Includes activity in accounts related to the liquidation of funds being transitioned to new managers

Gross realized gains disclosed in the preceding table were recognized in Other Income in the Condensed Consolidated Statements of Operations. Net unrealized gains of $9 million (after-tax) were a component of Accumulated Other Comprehensive Loss on the Condensed Consolidated Balance Sheets as of March 31, 2015. The Rabbi Trust available-for-sale debt securities held as of March 31, 2015 had the following maturities:

Time Frame	Fair Value
	Millions
Less than one year	$—
1 - 5 years	62
6 - 10 years	35
11 - 15 years	9
16 - 20 years	7
Over 20 years	76
Total Rabbi Trust Available-for-Sale Debt Securities	$189

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.

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

	As of March 31, 2015	As of December 31, 2014
	Millions	
PSE&G	$42	$41
Power	53	45
Other	119	105
Total Rabbi Trust Available-for-Sale Securities	$214	$191

Note 7. 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, except for Servco, are detailed as follows:

	Pension Benefits Three Months Ended March 31,		OPEB Three Months Ended March 31,	
	2015	2014	2015	2014
	Millions			
Components of Net Periodic Benefit Costs (Credit)				
Service Cost	$31	$26	$5	$5
Interest Cost	59	59	17	17
Expected Return on Plan Assets	(103)	(100)	(7)	(7)
Amortization of Net				
Prior Service Cost (Credit)	(5)	(5)	(3)	(4)
Actuarial Loss	37	14	10	6
Total Benefit Costs (Credit)	$19	$(6)	$22	$17

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Pension and OPEB costs for PSE&G, Power and PSEG’s other subsidiaries, except for Servco, are detailed as follows:

	Pension Benefits Three Months Ended March 31,		OPEB Three Months Ended March 31,	
	2015	2014	2015	2014
	Millions			
PSE&G	$10	$(5)	$14	$11
Power	6	(2)	7	5
Other	3	1	1	1
Total Benefit Costs (Credit)	$19	$(6)	$22	$17

During the three months ended March 31, 2015, PSEG contributed its entire planned contribution for the year 2015 of $15 million into its pension plans and its entire planned $14 million annual contribution to its OPEB plan for 2015.

Servco Pension and OPEB

At the direction of LIPA, effective January 1, 2014, Servco established benefit plans that provide substantially the same benefits to its employees as those previously provided by National Grid Electric Services LLC (NGES), the predecessor T&D system manager for LIPA. Since the vast majority of Servco's employees had worked under NGES' T&D operations services arrangement with LIPA, Servco's plans provide certain of those employees with pension and OPEB vested credit for prior years' services earned while working for NGES. The benefit plans cover all employees of Servco for current service. Under the OSA, all of these and any future employee benefit costs are to be funded by LIPA. See Note 3. Variable Interest Entities. These obligations, as well as the offsetting long-term receivable, are separately presented on the Condensed Consolidated Balance Sheet of PSEG.

Servco amounts are not included in any of the preceding pension and OPEB benefit cost disclosures. Pension and OPEB costs of Servco are accounted for according to the OSA. Servco recognizes expenses for contributions to its pension plan trusts and for OPEB payments made to retirees. Operating Revenues are recognized for the reimbursement of these costs. Servco may contribute up to $30 million into its pension plan trusts during 2015. The pension-related revenues and costs for the three months ended March 31, 2015 and 2014 were $6 million and $23 million, respectively. The OPEB-related revenues earned or costs incurred for each of the three months ended March 31, 2015 and 2014 were immaterial.

Note 8. Commitments and Contingent Liabilities

Guaranteed Obligations

Power’s activities primarily involve the purchase and sale of energy and related products under transportation, physical, financial and forward contracts at fixed and variable prices. These transactions are with numerous counterparties and brokers that may require cash, cash-related instruments or guarantees.

Power has unconditionally guaranteed payments to counterparties by its subsidiaries in commodity-related transactions in order to

- support current exposure, interest and other costs on sums due and payable in the ordinary course of business, and
- obtain credit.

Under these agreements, guarantees cover lines of credit between entities and are often reciprocal in nature. The exposure between counterparties can move in either direction.

In order for Power to incur a liability for the face value of the outstanding guarantees, its subsidiaries would have to

- fully utilize the credit granted to them by every counterparty to whom Power has provided a guarantee, and
-

all of the related contracts would have to be “out-of-the-money” (if the contracts are terminated, Power would owe money to the counterparties).

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Power believes the probability of this result is unlikely. For this reason, Power believes that the current exposure at any point in time is a more meaningful representation of the potential liability under these guarantees. This current exposure consists of the net of accounts receivable and accounts payable and the forward value on open positions, less any collateral posted.

Power is subject to

- counterparty collateral calls related to commodity contracts, and
- certain creditworthiness standards as guarantor under performance guarantees of its subsidiaries.

Changes in commodity prices can have a material impact on collateral requirements under such contracts, which are posted and received primarily in the form of cash and letters of credit. Power also routinely enters into futures and options transactions for electricity and natural gas as part of its operations. These futures contracts usually require a cash margin deposit with brokers, which can change based on market movement and in accordance with exchange rules.

In addition to the guarantees discussed above, Power has also provided payment guarantees to third parties on behalf of its affiliated companies. These guarantees support various other non-commodity related contractual obligations.

The face value of Power's outstanding guarantees, current exposure and margin positions as of March 31, 2015 and December 31, 2014 are shown as follows:

	As of March 31, 2015	As of December 31, 2014
	Millions	
Face Value of Outstanding Guarantees	$1,811	$1,814
Exposure under Current Guarantees	$244	$273
Letters of Credit Margin Posted	$140	$159
Letters of Credit Margin Received	$91	$40
Cash Deposited and Received:		
Counterparty Cash Margin Deposited	$—	$—
Counterparty Cash Margin Received	$(9)	$(13)
Net Broker Balance Deposited (Received)	$97	$115
In the Event Power were to Lose its Investment Grade Rating:		
Additional Collateral that could be Required	$881	$945
Liquidity Available under PSEG’s and Power’s Credit Facilities to Post Collateral	$3,514	$3,495
Additional Amounts Posted:		
Other Letters of Credit	$45	$45

As part of determining credit exposure, Power nets receivables and payables with the corresponding net energy contract balances. See Note 10. Financial Risk Management Activities for further discussion. In accordance with PSEG's accounting policy, where it is applicable, cash (rece