

PUBLIC SERVICE ENTERPRISE GROUP INC
Form 10-Q
August 01, 2007

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

FORM 10-Q

(Mark One)

**S QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934
FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2007
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
000-49614	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
000-32503	PSEG ENERGY HOLDINGS L.L.C. (A New Jersey Limited Liability Company) 80 Park Plaza T20 Newark, New Jersey 07102-4194 973 430-7000 http://www.pseg.com	42-1544079

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Indicate by check mark whether the registrants (1) have filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrants were required to file such reports), and (2) have been subject to such filing requirements for the past 90 days. Yes S No £

Indicate by check mark whether each registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Public Service Enterprise Group Incorporated	Large accelerated filer S	Accelerated filer £	Non-accelerated filer £
Public Service Electric and Gas Company	Large accelerated filer £	Accelerated filer £	Non-accelerated filer S
PSEG Power LLC	Large accelerated filer £	Accelerated filer £	Non-accelerated filer S
PSEG Energy Holdings L.L.C.	Large accelerated filer £	Accelerated filer £	Non-accelerated filer S

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

As of July 27, 2007, Public Service Enterprise Group Incorporated had outstanding 254,283,335 shares of its sole class of Common Stock, without par value.

As of July 27, 2007, 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 PSEG Energy Holdings L.L.C. 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 and are filing their respective Quarterly Reports 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, hypothetical, potential, forecast, of such words and similar expressions are intended to identify forward-looking statements. Public Service Enterprise Group Incorporated (PSEG), Public Service Electric and Gas Company (PSE&G), PSEG Power LLC (Power) and PSEG Energy Holdings L.L.C. (Energy Holdings) undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. The following review should not be construed as a complete list of factors that could affect forward-looking statements. In addition to any assumptions and other factors referred to specifically in connection with such forward-looking statements discussed above, factors that could cause actual results to differ materially from those contemplated in any forward-looking statements include, among others, the following:

changes in energy
policies and
regulation,
including market
rules;

ability to attain
satisfactory
regulatory results;

ability to maintain
operating
performance and
cash flow from
investments at
projected levels;

inability to
effectively
manage portfolios
of electric
generation assets,
gas supply
contracts and
electric and gas
supply
obligations;

continued market
based rate
authority,
including any
necessary
mitigation
measures;

energy
transmission
constraints or lack
thereof and the
availability of
transmission
facilities;

adverse changes in
the market for
energy, capacity,
natural gas, coal,
nuclear fuel,
emissions credits,
congestion credits

and other
commodity prices,
especially during
significant price
movements for
natural gas and
power;

changes in the
electric industry,
including changes
to regional
transmission
organizations and
power pools;

changes in the
number of market
participants and
the risk profiles of
such participants;

adverse or
unanticipated
weather conditions
that significantly
impact costs
and/or operations;

environmental
regulations that
significantly
impact operations;

governmental and
industry responses
to global climate
change;

changes in
demand including
the effects of
conservation
efforts and energy
efficiency;

timing and success
of efforts to
develop
generation,
transmission and

distribution
projects;

credit, commodity,
interest rate,
counterparty and
other financial
market risks;

liquidity and the
ability to access
capital and
maintain adequate
credit ratings;

changes in rates of
return on overall
debt and equity
markets that could
adversely impact
the value of
pension and other
postretirement
benefits assets and
liabilities and the
Nuclear
Decommissioning
Trust Funds;

effectiveness of
risk management
and internal
control systems;

ability to realize
tax benefits and
favorably resolve
tax audit claims;

ability to attract
and retain
management and
other key
employees;

changes in
political
conditions;

changes in
technology that

make generation,
transmission
and/or distribution
assets less
competitive;

continued
availability of
insurance
coverage at
commercially
reasonable rates;

involvement in
lawsuits, including
liability claims
and commercial
disputes;

acquisitions,
divestitures,
mergers,
restructurings or
strategic initiatives
that change
PSEG's, PSE&G's,
Power's and
Energy Holdings
strategy or
structure;

general economic
conditions,
including inflation
or deflation;

changes in tax laws and regulations;

substantial competition in the domestic and worldwide energy markets;

margin posting requirements, especially during significant price movements for natural gas and power;

availability of fuel and timely transportation at reasonable prices;

delays, cost escalations or unsuccessful construction and development;

changes in regulation and safety and security measures at nuclear facilities;

changes in foreign currency exchange rates;

deterioration
in the credit of
lessees and
their ability to
adequately
service lease
rentals;

changes to
accounting
standards or
accounting
principles
generally
accepted in
the U.S.,
which may
require
adjustments to
financial
statements;

ability to
recover
investments or
service debt as
a result of any
of the risks or
uncertainties
mentioned
herein; and

acts of war or
terrorism.

Consequently, all of the forward-looking statements made in this report are qualified by these cautionary statements and PSEG, PSE&G, Power and Energy Holdings 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, PSEG, PSE&G, Power and Energy Holdings or their respective business prospects, financial condition or results of operations. Undue reliance should not be placed on these forward-looking statements in making any investment decision. Each of PSEG, PSE&G, Power and Energy Holdings expressly disclaims any obligation or undertaking to release publicly any updates or revisions to these forward-looking statements to reflect events or circumstances that occur or arise or are anticipated to occur or arise after the date hereof. In making any investment decision regarding PSEG s, PSE&G s, Power s and Energy Holdings securities, PSEG, PSE&G, Power and Energy Holdings are not making, and you should not infer, any representation about the likely existence of any particular future set of facts or circumstances. The forward-looking statements contained in this report are intended to qualify for the safe harbor provisions of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended.

PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	For the Quarters Ended June 30,		For the Six Months Ended June 30,	
	2007	2006	2007	2006
	(Millions) (Unaudited)			
OPERATING REVENUES	\$ 2,810	\$ 2,542	\$ 6,413	\$ 5,989
OPERATING EXPENSES				
Energy Costs	1,389	1,338	3,427	3,483
Operation and Maintenance	592	576	1,198	1,149
Write-down of Project Investments		263		263
Depreciation and Amortization	195	201	390	401
Taxes Other Than Income Taxes	30	27	73	68
Total Operating Expenses	2,206	2,405	5,088	5,364
Income from Equity Method Investments	27	30	53	63
OPERATING INCOME	631	167	1,378	688
Other Income	58	51	129	101
Other Deductions	(37)	(16)	(73)	(43)
Interest Expense	(184)	(197)	(369)	(388)
Preferred Stock Dividends	(1)	(1)	(2)	(2)
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	467	4	1,063	356
Income Tax Expense	(174)	(12)	(436)	(159)
INCOME (LOSS) FROM CONTINUING OPERATIONS	293	(8)	627	197
(Loss) Income from Discontinued Operations, including Gain on Disposal, net of tax benefit (expense) of \$22,	(18)	217	(23)	215

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(\$137), \$27, and (\$133) for the quarters and six months ended 2007 and 2006, respectively

NET INCOME	\$	275	\$	209	\$	604	\$	412
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WEIGHTED AVERAGE
COMMON SHARES
OUTSTANDING
(THOUSANDS):

BASIC		253,631		251,474		253,263		251,331
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DILUTED		254,034		252,084		253,697		252,075
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EARNINGS PER SHARE:

BASIC

INCOME FROM CONTINUING OPERATIONS	\$	1.16	\$	(0.03)	\$	2.48	\$	0.79
NET INCOME	\$	1.09	\$	0.83	\$	2.39	\$	1.64

DILUTED

INCOME FROM CONTINUING OPERATIONS	\$	1.15	\$	(0.03)	\$	2.47	\$	0.79
NET INCOME	\$	1.08	\$	0.83	\$	2.38	\$	1.64

DIVIDENDS PAID PER

SHARE OF COMMON STOCK	\$	0.585	\$	0.57	\$	1.17	\$	1.14
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See Notes to Condensed Consolidated Financial Statements.

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
CONDENSED CONSOLIDATED BALANCE SHEETS

	June 30, 2007	December 31, 2006
	(Millions) (Unaudited)	
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 170	\$ 125
Accounts Receivable, net of allowances of \$59 and \$52 in 2007 and 2006, respectively	1,588	1,359
Unbilled Revenues	260	328
Fuel	670	847
Materials and Supplies	312	290
Prepayments	404	72
Restricted Funds	52	79
Derivative Contracts	59	128
Assets of Discontinued Operations	299	622
Assets Held for Sale		40
Other	83	45
Total Current Assets	3,897	3,935
PROPERTY, PLANT AND EQUIPMENT	19,346	18,698
Less: Accumulated Depreciation and Amortization	(6,067)	(5,831)
Net Property, Plant and Equipment	13,279	12,867
NONCURRENT ASSETS		
Regulatory Assets	5,238	5,694
Long-Term Investments	3,836	3,868
Nuclear Decommissioning Trust (NDT) Funds	1,311	1,256
Other Special Funds	155	147
Goodwill	410	406
Intangibles	52	46
Derivative Contracts	20	55
Other	260	296
Total Noncurrent Assets	11,282	11,768

TOTAL ASSETS	\$ 28,458	\$ 28,570
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See Notes to Condensed Consolidated Financial Statements.

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
CONDENSED CONSOLIDATED BALANCE SHEETS

	June 30, 2007	December 31, 2006
	(Millions) (Unaudited)	
LIABILITIES AND CAPITALIZATION		
CURRENT LIABILITIES		
Long-Term Debt Due Within One Year	\$ 1,010	\$ 849
Commercial Paper and Loans	345	381
Accounts Payable	1,022	960
Derivative Contracts	399	335
Accrued Interest	127	123
Accrued Taxes	104	149
Clean Energy Program	128	120
Liabilities of Discontinued Operations	133	134
Other	431	480
Total Current Liabilities	3,699	3,531
NONCURRENT LIABILITIES		
Deferred Income Taxes and Investment Tax Credits (ITC)	4,223	4,447
Regulatory Liabilities	410	646
Asset Retirement Obligations	527	509
Other Postretirement Benefit (OPEB) Costs	1,093	1,089
Accrued Pension Costs	333	327
Clean Energy Program	73	133
Environmental Costs	403	421
Derivative Contracts	234	204
Long-Term Accrued Taxes	519	
Other	154	170
Total Noncurrent Liabilities	7,969	7,946
COMMITMENTS AND CONTINGENT LIABILITIES (See Note 5)		
CAPITALIZATION		
LONG-TERM DEBT		
Long-Term Debt	7,404	7,636
Securitization Debt	1,626	1,708
Project Level, Non-Recourse Debt	647	735

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Debt Supporting Trust Preferred Securities	186	186
Total Long-Term Debt	9,863	10,265
SUBSIDIARIES PREFERRED SECURITIES		
Preferred Stock Without Mandatory Redemption, \$100 par value, 7,500,000 authorized; issued and outstanding, 2007 and 2006 795,234 shares	80	80
COMMON STOCKHOLDERS EQUITY		
Common Stock, no par, authorized 1 billion shares; issued; 2007 266,759,842 shares; 2006 266,372,440 shares	4,710	4,661
Treasury Stock, at cost; 2007 12,692,586 shares; 2006 13,727,032 shares	(479)	(516)
Retained Earnings	2,829	2,711
Accumulated Other Comprehensive Loss	(213)	(108)
Total Common Stockholders Equity	6,847	6,748
Total Capitalization	16,790	17,093
TOTAL LIABILITIES AND CAPITALIZATION	\$ 28,458	\$ 28,570

See Notes to Condensed Consolidated Financial Statements.

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	For The Six Months Ended	
	June 30,	
	2007	2006
	(Millions)	
	(Unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	\$ 604	\$ 412
Adjustments to Reconcile Net Income to Net Cash Flows from Operating Activities:		
Gain on Disposal of Discontinued Operations, net of tax		(228)
Depreciation and Amortization	392	411
Amortization of Nuclear Fuel	48	48
Provision for Deferred Income Taxes (Other than Leases) and ITC	124	(11)
Non-Cash Employee Benefit Plan Costs	93	117
Leveraged Lease Income, Adjusted for Rents Received and Deferred Taxes	5	(3)
(Gain) Loss on Sale of Investments	(14)	255
Equity in Earnings of Affiliates Less than Dividends Received	14	(36)
Foreign Currency Transaction Loss	2	2
Unrealized Losses (Gains) on Energy Contracts and Other Derivatives	19	(22)
(Under) Over Recovery of Electric Energy Costs (BGS and NTC) and Gas Costs	(74)	45
Under Recovery of Societal Benefits Charge (SBC)	(17)	(69)
Cost of Removal	(18)	(17)
Net Realized Gains and Income from NDT Funds	(30)	(36)
Other Non-Cash Charges	3	3
Employee Benefit Plan Funding and Related Payments	(39)	(49)
Investment Income and Dividend Distributions from Partnerships	11	7
Net Change in Working Capital	(278)	7
Other	(49)	(38)
Net Cash Provided By Operating Activities	796	798
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to Property, Plant and Equipment	(659)	(473)
Proceeds from Sale of Discontinued Operations	325	494
Proceeds from Sale of Property, Plant and Equipment	40	
Proceeds from the Sale of Investments and Return of Capital from Partnerships	7	187
Proceeds from NDT Funds Sales	883	720
Investment in NDT Funds	(904)	(726)

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Restricted Funds	22	
NDT Funds Interest and Dividends	25	19
Other		8
Net Cash (Used In) Provided By Investing Activities	(261)	229
CASH FLOWS FROM FINANCING ACTIVITIES		
Net Change in Commercial Paper and Loans	(36)	470
Issuance of Long-Term Debt	350	
Issuance of Common Stock	68	34
Redemption of Long-Term Debt	(488)	(1,131)
Repayment of Non-Recourse Debt	(24)	(25)
Redemption of Securitization Debt	(78)	(74)
Redemption of Debt Underlying Trust Securities		(154)
Cash Dividends Paid on Common Stock	(296)	(286)
Other	14	(21)
Net Cash Used In Financing Activities	(490)	(1,187)
Effect of Exchange Rate Change		(2)
Net Increase (Decrease) in Cash and Cash Equivalents	45	(162)
Cash and Cash Equivalents at Beginning of Period	125	281
Cash and Cash Equivalents at End of Period	\$ 170	\$ 119
Supplemental Disclosure of Cash Flow Information:		
Income Taxes Paid	\$ 220	\$ 196
Interest Paid, Net of Amounts Capitalized	\$ 356	\$ 371

See Notes to Condensed Consolidated Financial Statements.

PUBLIC SERVICE ELECTRIC AND GAS COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	For The Quarters Ended June 30,		For The Six Months Ended June 30,	
	2007	2006	2007	2006
	(Millions) (Unaudited)			
OPERATING REVENUES	\$ 1,748	\$ 1,490	\$ 4,234	\$ 3,783
OPERATING EXPENSES				
Energy Costs	1,077	901	2,742	2,475
Operation and Maintenance	314	276	639	577
Depreciation and Amortization	143	150	288	302
Taxes Other Than Income Taxes	30	27	73	68
Total Operating Expenses	1,564	1,354	3,742	3,422
OPERATING INCOME	184	136	492	361
Other Income	5	8	10	12
Other Deductions	(1)	(1)	(2)	(2)
Interest Expense	(84)	(83)	(165)	(168)
INCOME BEFORE INCOME TAXES	104	60	335	203
Income Tax Expense	(41)	(26)	(140)	(91)
NET INCOME	63	34	195	112
Preferred Stock Dividends	(1)	(1)	(2)	(2)
EARNINGS AVAILABLE TO PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED	\$ 62	\$ 33	\$ 193	\$ 110

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

PUBLIC SERVICE ELECTRIC AND GAS COMPANY
CONDENSED CONSOLIDATED BALANCE SHEETS

	June 30, 2007	December 31, 2006
	(Millions)	
	(Unaudited)	
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 33	\$ 28
Accounts Receivable, net of allowances of \$54 in 2007 and \$46 in 2006	861	805
Unbilled Revenues	260	328
Materials and Supplies	62	50
Prepayments	339	14
Restricted Funds	7	12
Derivative Contracts	1	2
Other	41	36
Total Current Assets	1,604	1,275
PROPERTY, PLANT AND EQUIPMENT	11,364	11,061
Less: Accumulated Depreciation and Amortization	(3,913)	(3,794)
Net Property, Plant and Equipment	7,451	7,267
NONCURRENT ASSETS		
Regulatory Assets	5,238	5,694
Long-Term Investments	150	149
Other Special Funds	55	53
Other	116	115
Total Noncurrent Assets	5,559	6,011
TOTAL ASSETS	\$ 14,614	\$ 14,553

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

PUBLIC SERVICE ELECTRIC AND GAS COMPANY
CONDENSED CONSOLIDATED BALANCE SHEETS

	June 30, 2007	December 31, 2006
	(Millions) (Unaudited)	
LIABILITIES AND CAPITALIZATION		
CURRENT LIABILITIES		
Long-Term Debt Due Within One Year	\$ 175	\$ 284
Commercial Paper and Loans	295	31
Accounts Payable	353	254
Accounts Payable - Affiliated Companies, net	338	645
Accrued Interest	55	55
Clean Energy Program	128	120
Derivative Contracts	11	2
Other	288	322
Total Current Liabilities	1,643	1,713
NONCURRENT LIABILITIES		
Deferred Income Taxes and ITC	2,428	2,517
Other Postretirement Benefit (OPEB) Costs	897	898
Accrued Pension Costs	133	133
Regulatory Liabilities	410	646
Clean Energy Program	73	133
Environmental Costs	350	367
Asset Retirement Obligations	227	221
Derivative Contracts	26	18
Long-Term Accrued Taxes due to Affiliate	59	
Other	7	6
Total Noncurrent Liabilities	4,610	4,939
COMMITMENTS AND CONTINGENT LIABILITIES (See Note 5)		
CAPITALIZATION		
LONG-TERM DEBT		
Long-Term Debt	3,352	3,003
Securitization Debt	1,626	1,708
Total Long-Term Debt	4,978	4,711

PREFERRED SECURITIES

Preferred Stock Without Mandatory Redemption, \$100 par value, 7,500,000 authorized; issued and outstanding, 2007 and 2006 795,234 shares	80	80
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COMMON STOCKHOLDER S EQUITY

Common Stock; 150,000,000 shares authorized, 132,450,344 shares issued and outstanding	892	892
Contributed Capital	170	170
Basis Adjustment	986	986
Retained Earnings	1,254	1,061
Accumulated Other Comprehensive Income	1	1
 Total Common Stockholder s Equity	 3,303	 3,110
 Total Capitalization	 8,361	 7,901

TOTAL LIABILITIES AND CAPITALIZATION	\$ 14,614	\$ 14,553
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See disclosures regarding Public Service Electric and Gas Company included in the Notes to Condensed Consolidated Financial Statements.

PUBLIC SERVICE ELECTRIC AND GAS COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	For The Six Months Ended June 30,	
	2007	2006
	(Millions)	
	(Unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	\$ 195	\$ 112
Adjustments to Reconcile Net Income to Net Cash Flows from Operating Activities:		
Depreciation and Amortization	288	302
Provision for Deferred Income Taxes and ITC	(32)	(39)
Non-Cash Employee Benefit Plan Costs	70	83
Non-Cash Interest Expense	4	1
Employee Benefit Plan Funding and Related Payments	(30)	(27)
Over Recovery of Electric Energy Costs (BGS and NTC)	(23)	
(Under) Over Recovery of Gas Costs	(51)	45
Under Recovery of SBC	(17)	(69)
Cost of Removal	(18)	(17)
Other Non-Cash Charges	(1)	(2)
Net Change in Working Capital:		
Accounts Receivable and Unbilled Revenues	12	368
Materials and Supplies	(12)	(4)
Prepayments	(328)	(249)
Accrued Taxes		(25)
Accrued Interest		(5)
Accounts Payable	99	39
Accounts Receivable/Payable-Affiliated Companies, net	(172)	(315)
Other Current Assets and Liabilities	(35)	(77)
Other	(66)	11
 Net Cash (Used In) Provided By Operating Activities	 (117)	 132
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to Property, Plant and Equipment	(296)	(259)
 Net Cash Used In Investing Activities	 (296)	 (259)
CASH FLOWS FROM FINANCING ACTIVITIES		

Net Change in Short-Term Debt	264	391
Issuance of Long-Term Debt	350	
Redemption of Securitization Debt	(78)	(74)
Redemption of Long-Term Debt	(113)	(322)
Deferred Issuance Costs	(3)	
Preferred Stock Dividends	(2)	(2)
Net Cash Provided by (Used In) Financing Activities	418	(7)
Net Increase (Decrease) In Cash and Cash Equivalents	5	(134)
Cash and Cash Equivalents at Beginning of Period	28	159
Cash and Cash Equivalents at End of Period	\$ 33	\$ 25
Supplemental Disclosure of Cash Flow Information:		
Income Taxes Paid	\$ 203	\$ 112
Interest Paid, Net of Amounts Capitalized	\$ 157	\$ 160
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

	For The Quarters Ended		For The Six Months Ended	
	June 30,		June 30,	
	2007	2006	2007	2006
	(Millions)			
	(Unaudited)			
OPERATING REVENUES	\$ 1,305	\$ 1,129	\$ 3,454	\$ 3,096
OPERATING EXPENSES				
Energy Costs	694	669	2,182	2,156
Operation and Maintenance	241	262	479	494
Depreciation and Amortization	34	36	68	67
Total Operating Expenses	969	967	2,729	2,717
OPERATING INCOME	336	162	725	379
Other Income	55	34	106	75
Other Deductions	(34)	(14)	(63)	(33)
Interest Expense	(39)	(36)	(76)	(68)

INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	318	146	692	353
Income Tax Expense	(131)	(61)	(286)	(147)
INCOME FROM CONTINUING OPERATIONS	187	85	406	206
Loss from Discontinued Operations, net of tax benefit of \$1, \$6, \$6 and \$12 for the quarters and six months ended 2007 and 2006, respectively	(3)	(8)	(9)	(17)
EARNINGS AVAILABLE TO PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED	\$ 184	\$ 77	\$ 397	\$ 189

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

PSEG POWER LLC
CONDENSED CONSOLIDATED BALANCE SHEETS

	June 30, 2007	December 31, 2006
	(Millions) (Unaudited)	
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 6	\$ 13
Accounts Receivable	606	430
Accounts Receivable Affiliated Companies, net	238	495
Short-Term Loan to Affiliate	214	
Fuel	666	846
Materials and Supplies	213	202
Energy Trading Contracts	29	55
Derivative Contracts	2	56
Assets of Discontinued Operations		325
Assets Held for Sale		40
Other	21	26
Total Current Assets	1,995	2,488
PROPERTY, PLANT AND EQUIPMENT	6,158	5,868
Less: Accumulated Depreciation and Amortization	(1,728)	(1,638)
Net Property, Plant and Equipment	4,430	4,230
NONCURRENT ASSETS		
Nuclear Decommissioning Trust (NDT) Funds	1,311	1,256
Goodwill	16	16
Other Intangibles	38	35
Other Special Funds	43	42
Energy Trading Contracts	9	10
Derivative Contracts	1	19
Other	62	50
Total Noncurrent Assets	1,480	1,428
TOTAL ASSETS	\$ 7,905	\$ 8,146

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

PSEG POWER LLC
CONDENSED CONSOLIDATED BALANCE SHEETS

	June 30, 2007	December 31, 2006
	(Millions) (Unaudited)	
LIABILITIES AND MEMBER S EQUITY		
CURRENT LIABILITIES		
Accounts Payable	\$ 544	\$ 589
Short-Term Loan from Affiliate		54
Energy Trading Contracts	120	222
Derivative Contracts	246	90
Accrued Interest	34	34
Other	78	95
Total Current Liabilities	1,022	1,084
NONCURRENT LIABILITIES		
Deferred Income Taxes and Investment Tax Credits (ITC)	126	48
Asset Retirement Obligations	298	287
Other Postretirement Benefit (OPEB) Costs	141	138
Accrued Pension Costs	107	106
Energy Trading Contracts	6	19
Derivative Contracts	189	151
Environmental Costs	53	54
Long-Term Accrued Taxes due to Affiliate	26	
Other	13	18
Total Noncurrent Liabilities	959	821
COMMITMENTS AND CONTINGENT LIABILITIES (See Note 5)		
LONG-TERM DEBT		
Total Long-Term Debt	2,818	2,818
MEMBER S EQUITY		
Contributed Capital	2,000	2,000
Basis Adjustment	(986)	(986)
Retained Earnings	2,394	2,586
Accumulated Other Comprehensive Loss	(302)	(177)

Total Member s Equity	3,106	3,423
TOTAL LIABILITIES AND MEMBER S EQUITY	\$ 7,905	\$ 8,146

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

PSEG POWER LLC
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	For The Six Months Ended	
	June 30,	
	2007	2006
	(Millions)	
	(Unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	\$ 397	\$ 189
Adjustments to Reconcile Net Income to Net Cash Flows from Operating Activities:		
Depreciation and Amortization	68	75
Amortization of Nuclear Fuel	48	48
Interest Accretion on Asset Retirement Obligations	11	16
Provision for Deferred Income Taxes and ITC	174	38
Unrealized Losses (Gains) on Energy Contracts and Other Derivatives	16	(23)
Non-Cash Employee Benefit Plan Costs	14	22
Net Realized Gains and Income from NDT Funds	(30)	(36)
Net Change in Working Capital:		
Fuel, Materials and Supplies	169	164
Accounts Receivable	(176)	279
Accrued Interest		(7)
Accounts Payable	(40)	(301)
Accounts Receivable/Payable Affiliated Companies, net	147	290
Other Current Assets and Liabilities	(12)	47
Employee Benefit Plan Funding and Related Payments	(4)	(18)
Other	12	(62)
 Net Cash Provided By Operating Activities	 794	 721
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to Property, Plant and Equipment	(323)	(193)
Proceeds from Sale of Discontinued Operations	325	
Sales of Property, Plant and Equipment	40	
Proceeds from NDT Funds Sales	883	720
NDT Funds Interest and Dividends	25	19
Investment in NDT Funds	(904)	(726)
Short-Term Loan Affiliated Company, net	(214)	
Other	(4)	13

Net Cash Used In Investing Activities	(172)	(167)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash Dividend Paid	(575)	
Redemption of Long-term Debt		(500)
Short-Term Loan Affiliated Company, net	(54)	(57)
Net Cash Used In Financing Activities	(629)	(557)
Net Decrease in Cash and Cash Equivalents	(7)	(3)
Cash and Cash Equivalents at Beginning of Period	13	8
Cash and Cash Equivalents at End of Period	\$ 6	\$ 5

Supplemental Disclosure of Cash Flow Information:

Income Taxes Paid	\$ 74	\$ 79
Interest Paid, Net of Amounts Capitalized	\$ 84	\$ 83

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

PSEG ENERGY HOLDINGS L.L.C.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	For The Quarters Ended June 30,		For The Six Months Ended June 30,	
	2007	2006	2007	2006
	(Millions) (Unaudited)			
OPERATING REVENUES				
Electric Generation and Distribution Revenues	\$ 302	\$ 304	\$ 492	\$ 553
Income from Leveraged and Operating Leases	32	38	65	77
Other	5	11	25	21
Total Operating Revenues	339	353	582	651
OPERATING EXPENSES				
Energy Costs	200	193	358	386
Operation and Maintenance	44	47	93	91
Write-down of Project Investments		263		263

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Depreciation and Amortization	15	11	28	22
Total Operating Expenses	259	514	479	762
Income from Equity Method Investments	27	30	53	63
OPERATING INCOME (LOSS)	107	(131)	156	(48)
Other Income	3	10	18	17
Other Deductions	(3)		(4)	(7)
Interest Expense	(39)	(49)	(80)	(97)
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAXES AND MINORITY INTEREST	68	(170)	90	(135)
Income Tax (Expense) Benefit	(11)	64	(31)	54
Minority Interests in Earnings of Subsidiaries	2	(1)	2	(1)
INCOME (LOSS) FROM CONTINUING OPERATIONS	59	(107)	61	(82)
(Loss) Income from Discontinued Operations, net of tax benefit (expense) of \$21, (\$1), \$21 and (\$3) for the quarters and six months ended 2007 and 2006, respectively	(15)	(3)	(14)	4
Gain on Disposal of Discontinued Operations, net of tax expense of \$142 for the quarter and six months ended 2006				