PUBLIC SERVICE ENTERPRISE GROUP INC
Form 10-Q
July 31, 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 June 30, 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 July 21, 2015, Public Service Enterprise Group Incorporated had outstanding 505,874,772 shares of its sole class of Common Stock, without par value.

As of July 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 June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
OPERATING REVENUES	$2,314	$2,249	$5,449	$5,472
OPERATING EXPENSES				
Energy Costs	668	789	1,762	2,145
Operation and Maintenance	761	800	1,424	1,656
Depreciation and Amortization	317	295	647	601
Total Operating Expenses	1,746	1,884	3,833	4,402
OPERATING INCOME	568	365	1,616	1,070
Income from Equity Method Investments	4	3	7	7
Other Income	76	62	124	110
Other Deductions	(10)	(10)	(22)	(22)
Other-Than-Temporary Impairments	(10)	(2)	(15)	(4)
Interest Expense	(97)	(94)	(195)	(191)
INCOME BEFORE INCOME TAXES	531	324	1,515	970
Income Tax Expense	(186)	(112)	(584)	(372)
NET INCOME	$345	$212	$931	$598
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING:				
BASIC	506	506	506	506
DILUTED	508	508	508	508
NET INCOME PER SHARE:				
BASIC	$0.68	$0.42	$1.84	$1.18
DILUTED	$0.68	$0.42	$1.83	$1.18
DIVIDENDS PAID PER SHARE OF COMMON STOCK	$0.39	$0.37	$0.78	$0.74

See Notes to Condensed Consolidated Financial Statements.

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PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
Millions
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
NET INCOME	$345	$212	$931	$598
Other Comprehensive Income (Loss), net of tax				
Unrealized Gains (Losses) on Available-for-Sale Securities, net of tax (expense) benefit of $15, $(9), $2 and $(12) for the three and six months ended 2015 and 2014, respectively	(15)	11	(1)	13
Unrealized Gains (Losses) on Cash Flow Hedges, net of tax (expense) benefit of $0, $0, $7, and $(2) for the three and six months ended 2015 and 2014, respectively	—	1	(9)	3
Pension/Other Postretirement Benefit Costs (OPEB) adjustment, net of tax (expense) benefit of $(6), $(1), $(12) and $(3) for three and six months ended 2015 and 2014, respectively	8	2	16	6
Other Comprehensive Income (Loss), net of tax	(7)	14	6	22
COMPREHENSIVE INCOME	$338	$226	$937	$620

See Notes to Condensed Consolidated Financial Statements.

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

	June 30, 2015	December 31, 2014
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$597	$402
Accounts Receivable, net of allowances of $60 and $52 in 2015 and 2014, respectively	1,126	1,254
Tax Receivable	23	211
Unbilled Revenues	247	284
Fuel	358	538
Materials and Supplies, net	466	484
Prepayments	272	108
Derivative Contracts	155	240
Deferred Income Taxes	—	11
Regulatory Assets	235	323
Regulatory Assets of Variable Interest Entities (VIEs)	123	249
Other	25	15
Total Current Assets	3,627	4,119
PROPERTY, PLANT AND EQUIPMENT	33,603	32,196
Less: Accumulated Depreciation and Amortization	(8,796)	(8,607)
Net Property, Plant and Equipment	24,807	23,589
NONCURRENT ASSETS		
Regulatory Assets	3,170	3,192
Long-Term Investments	1,273	1,307
Nuclear Decommissioning Trust (NDT) Fund	1,792	1,780
Long-Term Tax Receivable	165	64
Long-Term Receivable of VIE	602	580
Other Special Funds	234	212
Goodwill	16	16
Other Intangibles	101	84
Derivative Contracts	107	77
Restricted Cash of VIEs	25	24
Other	293	289
Total Noncurrent Assets	7,778	7,625
TOTAL ASSETS	$36,212	$35,333

See Notes to Condensed Consolidated Financial Statements.

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

	June 30, 2015	December 31, 2014
LIABILITIES AND CAPITALIZATION		
CURRENT LIABILITIES		
Long-Term Debt Due Within One Year	$491	$624
Securitization Debt of VIEs Due Within One Year	134	259
Accounts Payable	1,156	1,178
Derivative Contracts	72	132
Accrued Interest	96	95
Accrued Taxes	148	21
Deferred Income Taxes	14	173
Clean Energy Program	200	142
Obligation to Return Cash Collateral	128	121
Regulatory Liabilities	143	186
Other	525	547
Total Current Liabilities	3,107	3,478
NONCURRENT LIABILITIES		
Deferred Income Taxes and Investment Tax Credits (ITC)	7,578	7,303
Regulatory Liabilities	176	258
Regulatory Liabilities of VIEs	47	39
Asset Retirement Obligations	765	743
Other Postretirement Benefit (OPEB) Costs	1,254	1,277
OPEB Costs of Servco	471	452
Accrued Pension Costs	392	440
Accrued Pension Costs of Servco	128	126
Clean Energy Program	27	—
Environmental Costs	421	417
Derivative Contracts	24	33
Long-Term Accrued Taxes	282	208
Other	143	112
Total Noncurrent Liabilities	11,708	11,408
COMMITMENTS AND CONTINGENT LIABILITIES (See Note 8)		
CAPITALIZATION		
LONG-TERM DEBT		
Total Long-Term Debt	8,689	8,261
STOCKHOLDERS’ EQUITY		
Common Stock, no par, authorized 1,000,000,000 shares; issued, 2015 and 2014—533,556,660 shares	4,883	4,876
Treasury Stock, at cost, 2015— 27,743,506 shares; 2014— 27,720,068 shares	(663)	(635)
Retained Earnings	8,764	8,227
Accumulated Other Comprehensive Loss	(277)	(283)

Total Common Stockholders' Equity	12,707	12,185
Noncontrolling Interest	1	1
Total Stockholders' Equity	12,708	12,186
Total Capitalization	21,397	20,447
TOTAL LIABILITIES AND CAPITALIZATION	$36,212	$35,333

See Notes to Condensed Consolidated Financial Statements.

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

	Six Months Ended June 30,			
	2015		2014	
CASH FLOWS FROM OPERATING ACTIVITIES				
Net Income	$931		$598	
Adjustments to Reconcile Net Income to Net Cash Flows from Operating Activities:				
Depreciation and Amortization	647		601	
Amortization of Nuclear Fuel	106		98	
Provision for Deferred Income Taxes (Other than Leases) and ITC	170		70	
Non-Cash Employee Benefit Plan Costs	81		24	
Leveraged Lease Income, Adjusted for Rents Received and Deferred Taxes	(22	)	(44	)
Net Realized and Unrealized (Gains) Losses on Energy Contracts and Other Derivatives	(9	)	297	
Change in Accrued Storm Costs	15		(3	)
Net Change in Other Regulatory Assets and Liabilities	(53	)	192	
Cost of Removal	(58	)	(50	)
Net Realized (Gains) Losses and (Income) Expense from NDT Fund	(21	)	(59	)
Net Change in Certain Current Assets and Liabilities:				
Tax Receivable	188		9	
Accrued Taxes	71		54	
Margin Deposit	69		(234	)
Other Current Assets and Liabilities	98		(116	)
Employee Benefit Plan Funding and Related Payments	(67	)	(50	)
Other	88		61	
Net Cash Provided By (Used In) Operating Activities	2,234		1,448	
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to Property, Plant and Equipment	(1,743	)	(1,229	)
Proceeds from Sales of Capital Leases and Investments	5		11	
Proceeds from Sales of Available-for-Sale Securities	885		584	
Investments in Available-for-Sale Securities	(918	)	(599	)
Other	(2	)	(49	)
Net Cash Provided By (Used In) Investing Activities	(1,773	)	(1,282	)
CASH FLOWS FROM FINANCING ACTIVITIES				
Net Change in Commercial Paper and Loans	—		(60	)
Issuance of Long-Term Debt	600		500	
Redemption of Long-Term Debt	(300	)	—	
Redemption of Securitization Debt	(125	)	(111	)
Cash Dividends Paid on Common Stock	(394	)	(374	)
Other	(47	)	(44	)
Net Cash Provided By (Used In) Financing Activities	(266	)	(89	)
Net Increase (Decrease) in Cash and Cash Equivalents	195		77	

Cash and Cash Equivalents at Beginning of Period	402	493
Cash and Cash Equivalents at End of Period	$597	$570
Supplemental Disclosure of Cash Flow Information:		
Income Taxes Paid (Received)	$184	$296
Interest Paid, Net of Amounts Capitalized	$195	$192
Accrued Property, Plant and Equipment Expenditures	$324	$240

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 June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
OPERATING REVENUES	$1,466	$1,435	$3,468	$3,580
OPERATING EXPENSES				
Energy Costs	544	565	1,436	1,610
Operation and Maintenance	368	362	780	824
Depreciation and Amortization	234	217	481	444
Total Operating Expenses	1,146	1,144	2,697	2,878
OPERATING INCOME	320	291	771	702
Other Income	19	14	37	28
Other Deductions	(1)	(1)	(2)	(1)
Interest Expense	(67)	(67)	(136)	(135)
INCOME BEFORE INCOME TAXES	271	237	670	594
Income Tax Expense	(104)	(86)	(261)	(229)
EARNINGS AVAILABLE TO PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED	$167	$151	$409	$365

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 June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
NET INCOME	$167	$151	$409	$365
Unrealized Gains (Losses) on Available-for-Sale Securities, net of tax (expense) benefit of $0 for the three and six months ended 2015 and 2014, respectively	(1)	—	(1)	—
COMPREHENSIVE INCOME	$166	$151	$408	$365

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)

	June 30, 2015	December 31, 2014
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$166	$310
Accounts Receivable, net of allowances of $60 and $52 in 2015 and 2014, respectively	848	864
Accounts Receivable-Affiliated Companies	52	274
Unbilled Revenues	247	284
Materials and Supplies	143	133
Prepayments	204	42
Regulatory Assets	235	323
Regulatory Assets of VIEs	123	249
Derivative Contracts	5	18
Deferred Income Taxes	—	24
Other	7	7
Total Current Assets	2,030	2,528
PROPERTY, PLANT AND EQUIPMENT	22,274	21,103
Less: Accumulated Depreciation and Amortization	(5,336)	(5,183)
Net Property, Plant and Equipment	16,938	15,920
NONCURRENT ASSETS		
Regulatory Assets	3,170	3,192
Long-Term Investments	346	348
Other Special Funds	54	53
Derivative Contracts	—	8
Restricted Cash of VIEs	25	24
Other	158	150
Total Noncurrent Assets	3,753	3,775
TOTAL ASSETS	$22,721	$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)

	June 30, 2015	December 31, 2014
LIABILITIES AND CAPITALIZATION		
CURRENT LIABILITIES		
Long-Term Debt Due Within One Year	$171	$300
Securitization Debt of VIEs Due Within One Year	134	259
Accounts Payable	612	574
Accounts Payable—Affiliated Companies	215	379
Accrued Interest	68	68
Clean Energy Program	200	142
Deferred Income Taxes	13	165
Obligation to Return Cash Collateral	128	121
Regulatory Liabilities	143	186
Other	358	381
Total Current Liabilities	2,042	2,575
NONCURRENT LIABILITIES		
Deferred Income Taxes and ITC	4,810	4,575
Other Postretirement Benefit (OPEB) Costs	936	967
Accrued Pension Costs	144	173
Regulatory Liabilities	176	258
Regulatory Liabilities of VIEs	47	39
Clean Energy Program	27	—
Environmental Costs	370	364
Asset Retirement Obligations	299	290
Long-Term Accrued Taxes	161	116
Other	74	67
Total Noncurrent Liabilities	7,044	6,849
COMMITMENTS AND CONTINGENT LIABILITIES (See Note 8)		
CAPITALIZATION		
LONG-TERM DEBT		
Total Long-Term Debt	6,440	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	4,621	4,212
Accumulated Other Comprehensive Income	1	2
Total Stockholder’s Equity	7,195	6,787
Total Capitalization	13,635	12,799
TOTAL LIABILITIES AND CAPITALIZATION	$22,721	$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)

	Six Months Ended June 30,	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	$409	$365
Adjustments to Reconcile Net Income to Net Cash Flows from Operating Activities:		
Depreciation and Amortization	481	444
Provision for Deferred Income Taxes and ITC	79	73
Non-Cash Employee Benefit Plan Costs	48	13
Cost of Removal	(58)	(50)
Change in Accrued Storm Costs	15	(3)
Net Change in Other Regulatory Assets and Liabilities	(53)	192
Net Change in Certain Current Assets and Liabilities:		
Accounts Receivable and Unbilled Revenues	53	44
Materials and Supplies	(10)	(11)
Prepayments	(162)	(162)
Accounts Payable	48	16
Accounts Receivable/Payable—Affiliated Companies, net	154	(98)
Other Current Assets and Liabilities	(27)	(31)
Employee Benefit Plan Funding and Related Payments	(55)	(44)
Other	(13)	(11)
Net Cash Provided By (Used In) Operating Activities	909	737
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to Property, Plant and Equipment	(1,230)	(996)
Proceeds from Sales of Available-for-Sale Securities	12	8
Investments in Available-for-Sale Securities	(14)	(6)
Other	12	(1)
Net Cash Provided By (Used In) Investing Activities	(1,220)	(995)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net Change in Short-Term Debt	—	(60)
Issuance of Long-Term Debt	600	500
Redemption of Long-Term Debt	(300)	—
Redemption of Securitization Debt	(125)	(111)
Contributed Capital	—	175
Other	(8)	(7)
Net Cash Provided By (Used In) Financing Activities	167	497
Net Increase (Decrease) In Cash and Cash Equivalents	(144)	239
Cash and Cash Equivalents at Beginning of Period	310	18
Cash and Cash Equivalents at End of Period	$166	$257
Supplemental Disclosure of Cash Flow Information:		

Income Taxes Paid (Received)	$(74)	$102
Interest Paid, Net of Amounts Capitalized	$131	$127
Accrued Property, Plant and Equipment Expenditures	$282	$192

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 June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
OPERATING REVENUES	$1,025	$986	$2,750	$2,686
OPERATING EXPENSES				
Energy Costs	409	520	1,302	1,564
Operation and Maintenance	313	327	485	629
Depreciation and Amortization	75	72	151	144
Total Operating Expenses	797	919	1,938	2,337
OPERATING INCOME	228	67	812	349
Income from Equity Method Investments	5	3	8	7
Other Income	55	46	84	79
Other Deductions	(7)	(9)	(18)	(19)
Other-Than-Temporary Impairments	(10)	(2)	(15)	(4)
Interest Expense	(33)	(29)	(64)	(61)
INCOME BEFORE INCOME TAXES	238	76	807	351
Income Tax Expense	(72)	(22)	(306)	(133)
EARNINGS AVAILABLE TO PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED	$166	$54	$501	$218

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 June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
NET INCOME	$166	$54	$501	$218
Other Comprehensive Income (Loss), net of tax				
Unrealized Gains (Losses) on Available-for-Sale Securities, net of tax (expense) benefit of $14, $(9), $1 and $(11) for the three and six months ended 2015 and 2014, respectively	(14)	9	—	11
Unrealized Gains (Losses) on Cash Flow Hedges, net of tax (expense) benefit of $0, $(1), $7 and $(2) for the three and six months ended 2015 and 2014, respectively	—	2	(9)	3
Pension/OPEB adjustment, net of tax (expense) benefit of $(5), $(1), $(10) and $(3) for the three and six months ended 2015 and 2014, respectively	7	2	14	5
Other Comprehensive Income (Loss), net of tax	(7)	13	5	19
COMPREHENSIVE INCOME	$159	$67	$506	$237

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)

	June 30, 2015	December 31, 2014
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$12	$9
Accounts Receivable	235	334
Accounts Receivable—Affiliated Companies	158	313
Tax Receivable	3	3
Short-Term Loan to Affiliate	950	584
Fuel	358	538
Materials and Supplies, net	321	350
Derivative Contracts	139	207
Prepayments	22	17
Other	13	4
Total Current Assets	2,211	2,359
PROPERTY, PLANT AND EQUIPMENT	10,942	10,732
Less: Accumulated Depreciation and Amortization	(3,235)	(3,217)
Net Property, Plant and Equipment	7,707	7,515
NONCURRENT ASSETS		
Nuclear Decommissioning Trust (NDT) Fund	1,792	1,780
Long-Term Investments	116	121
Goodwill	16	16
Other Intangibles	101	84
Other Special Funds	57	49
Derivative Contracts	103	62
Other	63	60
Total Noncurrent Assets	2,248	2,172
TOTAL ASSETS	$12,166	$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)

	June 30, 2015	December 31, 2014
LIABILITIES AND MEMBER’S EQUITY		
CURRENT LIABILITIES		
Long-Term Debt Due Within One Year	$300	$300
Accounts Payable	387	424
Accounts Payable-Affiliated Companies	128	118
Derivative Contracts	72	132
Deferred Income Taxes	22	43
Accrued Interest	27	27
Other	141	140
Total Current Liabilities	1,077	1,184
NONCURRENT LIABILITIES		
Deferred Income Taxes and Investment Tax Credits (ITC)	2,152	2,065
Asset Retirement Obligations	462	450
Other Postretirement Benefit (OPEB) Costs	254	248
Derivative Contracts	24	33
Accrued Pension Costs	139	153
Long-Term Accrued Taxes	56	41
Other	94	71
Total Noncurrent Liabilities	3,181	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	4,659	4,558
Accumulated Other Comprehensive Loss	(223)	(228)
Total Member’s Equity	5,664	5,558
TOTAL LIABILITIES AND MEMBER’S EQUITY	$12,166	$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)

	Six Months Ended June 30,	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	$501	$218
Adjustments to Reconcile Net Income to Net Cash Flows from Operating Activities:		
Depreciation and Amortization	151	144
Amortization of Nuclear Fuel	106	98
Provision for Deferred Income Taxes and ITC	64	(22)
Net Realized and Unrealized (Gains) Losses on Energy Contracts and Other Derivatives	(9)	297
Non-Cash Employee Benefit Plan Costs	24	7
Net Realized (Gains) Losses and (Income) Expense from NDT Fund	(21)	(59)
Net Change in Certain Current Assets and Liabilities:		
Fuel, Materials and Supplies	209	132
Margin Deposit	69	(234)
Accounts Receivable	76	16
Accounts Payable	(62)	(72)
Accounts Receivable/Payable—Affiliated Companies, net	123	229
Other Current Assets and Liabilities	(21)	13
Employee Benefit Plan Funding and Related Payments	(7)	(3)
Other	89	50
Net Cash Provided By (Used In) Operating Activities	1,292	814
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to Property, Plant and Equipment	(487)	(226)
Proceeds from Sales of Available-for-Sale Securities	837	563
Investments in Available-for-Sale Securities	(854)	(577)
Short-Term Loan—Affiliated Company, net	(366)	50
Other	(17)	(46)
Net Cash Provided By (Used In) Investing Activities	(887)	(236)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash Dividend Paid	(400)	(575)
Other	(2)	(3)
Net Cash Provided By (Used In) Financing Activities	(402)	(578)
Net Increase (Decrease) in Cash and Cash Equivalents	3	—
Cash and Cash Equivalents at Beginning of Period	9	6
Cash and Cash Equivalents at End of Period	$12	$6
Supplemental Disclosure of Cash Flow Information:		
Income Taxes Paid (Received)	$218	$47
Interest Paid, Net of Amounts Capitalized	$62	$62

Accrued Property, Plant and Equipment Expenditures	$42	$48

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

NOTES TO 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 was originally effective for annual and interim reporting periods beginning after December 15, 2016; however, the Financial Accounting Standards Board has voted to proceed with a one-year deferral with an effective date beginning after December 31, 2017. Early application will be permitted as of the original effective date of December 31, 2016. We are currently analyzing the impact of this standard on our financial statements.

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. We do not expect the impact of adoption of this standard to be material to our Condensed Consolidated Balance Sheets.

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 June 30, 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 six 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

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of PSEG as a noncurrent asset because it is restricted. See Note 7. Pension and Other Postretirement Benefits for additional information.
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 $84 million and $111 million for the three months and $166 million and $200 million for the six months ended June 30, 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 June 2015, PSE&G updated its 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 recovery of Energy Strong investment costs 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. This matter is pending.
- 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 residential rate reduction via a bill credit for one additional month through April 30, 2015, which provided an additional approximate $31 million credit to customers.

On June 1, 2015, PSE&G made its Annual BGSS Filing with the BPU requesting a reduction of $70 million in annual BGSS revenues. If approved, the BGSS rate would be reduced from approximately 45 cents to 40 cents per therm effective October 1, 2015.

- 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 commenced returning $45 million in revenues to its customers during the 2014-2015 Winter Period (October 1, 2014 through May 31, 2015).

In June 2015, PSE&G filed a petition requesting approval to refund excess revenues collected during the colder than normal 2014-2015 Winter Period. This refund would be made to customers over the 2015-2016 Winter Period (October 1, 2015 through May 31, 2016). Colder weather in the 2014-2015 Winter Period resulted in an excess collection of $40 million of revenues to be refunded to customers.

- Solar and Energy Efficiency - Green Program Recovery Charges (GPRC)—In April 2015, the BPU approved PSE&G's petition for an Energy Efficiency Economic Stimulus Extension II Program (EEE Ext II) to extend three EEE subprograms (multi-family, direct install and hospital efficiency). The Order allows PSE&G to extend the subprogram offerings under the same clause recovery process as its existing EEE Program and allows for $95 million of additional capital expenditures over the next three years and $12 million of additional administrative expenses over the next 15 years. The EEE Ext II program was added as a ninth component of the GPRC rate effective May 1, 2015.

In July of each year, PSE&G files for annual recovery for its Green Program investments which include a return on its investment and recovery of expenses. In May 2015, the BPU approved PSE&G's July 2014 filing requesting recovery of costs and investments in the first eight combined components of the electric and gas GPRC for the period October 1, 2014 through September 30, 2015. In July 2015, PSE&G filed its annual GPRC cost recovery petition with the BPU once again requesting recovery of costs and investments for the first eight combined components of the electric and gas GPRC. The filing proposes rates for the period October 1, 2015 through September 30, 2016 designed to recover

approximately $64 million and $10 million in electric and gas revenues, respectively, on an annual basis associated with PSE&G's implementation of these BPU approved programs. The matter is pending.

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- Transmission Formula Rate Filings—In June 2015, PSE&G filed its 2014 true-up adjustment pertaining to its formula rates in effect for 2014, which resulted in an adjustment of $19 million less than the 2014 filed revenues. The adjustment was primarily due to the impact of bonus depreciation and lower interest rates which PSE&G had recognized in its Consolidated Statement of Operations for the year ended December 31, 2014.

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 June 30, 2015	As of December 31, 2014
	Millions	
Commercial/Industrial	$186	$188
Residential	13	13
Total	$199	$201

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 June 30, 2015 and December 31, 2014, respectively.

	As of June 30, 2015	As of December 31, 2014
	Millions	
Lease Receivables (net of Non-Recourse Debt)	$661	$691
Estimated Residual Value of Leased Assets	519	525
Unearned and Deferred Income	(372)	(380)
Gross Investment in Leases	808	836
Deferred Tax Liabilities	(695)	(738)
Net Investment in Leases	$113	$98

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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.

Counterparties' Credit Rating (Standard & Poor's (S&P)) As of June 30, 2015	Lease Receivables, Net of Non-Recourse Debt As of June 30, 2015
	Millions
AA	$17
AA-	29
BBB+ — BBB-	316
BB-	134
B-	165
Total	$661

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 June 30, 2015, the gross investment in the leases of such assets, net of non-recourse debt, was $573 million ($4 million, net of deferred taxes). A more detailed description of such assets under lease is presented in the following table.

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 (IRS).

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.

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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 deactivated the coal-fired units at the Shawville generating facility in June 2015 and has disclosed that it expects to return the Shawville units to service in 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.

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 June 30, 2015			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	Millions			
Equity Securities	$697	$234	$(10)	$921
Debt Securities				
Government Obligations	451	7	(3)	455
Other Debt Securities	388	4	(6)	386
Total Debt Securities	839	11	(9)	841
Other Securities	30	—	—	30
Total NDT Available-for-Sale Securities	$1,566	$245	$(19)	$1,792

	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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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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 June 30, 2015	As of December 31, 2014
	Millions	
Accounts Receivable	$42	$10
Accounts Payable	$32	$2

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 June 30, 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)	$114	$(10)	$3	$—	$162	$(8)	$1	$—
Debt Securities								
Government Obligations (B)	156	(3)	22	—	95	—	28	(1)
Other Debt Securities (C)	199	(4)	22	(2)	99	(1)	30	(2)
Total Debt Securities	355	(7)	44	(2)	194	(1)	58	(3)
NDT Available-for-Sale Securities	$469	$(17)	$47	$(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 June 30, 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 June 30, 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 June 30, 2015.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
	Millions			
Proceeds from NDT Fund Sales (A)	$232	$313	$822	$558
Net Realized Gains (Losses) on NDT Fund:				
Gross Realized Gains	14	33	33	56
Gross Realized Losses	(4)	(5)	(13)	(9)
Net Realized Gains (Losses) on NDT Fund	$10	$28	$20	$47

(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 $111 million (after-tax) were a component of Accumulated Other Comprehensive Loss on PSEG's and Power’s Condensed Consolidated Balance Sheets as of June 30, 2015.

The NDT available-for-sale debt securities held as of June 30, 2015 had the following maturities:

Time Frame	Fair Value
	Millions
Less than one year	$9
1 - 5 years	229
6 - 10 years	197
11 - 15 years	53
16 - 20 years	47
Over 20 years	306
Total NDT Available-for-Sale Debt Securities	$841

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 six months ended June 30, 2015, other-than-temporary impairments of $15 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.”

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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 June 30, 2015			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	Millions			
Equity Securities	$12	$10	$—	$22
Debt Securities				
Government Obligations	99	1	—	100
Other Debt Securities	90	1	(1)	90
Total Debt Securities	189	2	(1)	190
Other Securities	—	—	—	—
Total Rabbi Trust Available-for-Sale Securities	$201	$12	$(1)	$212

	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 June 30, 2015	As of December 31, 2014
	Millions	
Accounts Receivable	$3	$1
Accounts Payable	$2	$—

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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 June 30, 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)	19	—	1	—	2	—	—	—
Other Debt Securities (C)	39	(1)	7	—	24	—	—	—
Total Debt Securities	58	(1)	8	—	26	—	—	—
Rabbi Trust Available-for-Sale Securities	$58	$(1)	$8	$—	$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 June 30, 2015.

(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 June 30, 2015.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
	Millions			
Proceeds from Rabbi Trust Sales (A)	$44	$14	$63	$26
Net Realized Gains (Losses) on Rabbi Trust:				
Gross Realized Gains	$2	$—	$2	$2
Gross Realized Losses	—	(1)	—	(1)
Net Realized Gains (Losses) on Rabbi Trust	$2	$(1)	$2	$1

(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 $6 million (after-tax) were a component of Accumulated Other Comprehensive Loss on the Condensed Consolidated Balance Sheets as of June 30, 2015.

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The Rabbi Trust available-for-sale debt securities held as of June 30, 2015 had the following maturities:

Time Frame	Fair Value
	Millions
Less than one year	$1
1 - 5 years	56
6 - 10 years	37
11 - 15 years	9
16 - 20 years	8
Over 20 years	79
Total Rabbi Trust Available-for-Sale Debt Securities	$190

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

	As of June 30, 2015	As of December 31, 2014
	Millions	
PSE&G	$42	$41
Power	52	45
Other	118	105
Total Rabbi Trust Available-for-Sale Securities	$212	$191

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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 June 30,		OPEB Three Months Ended June 30,		Pension Benefits Six Months Ended June 30,		OPEB Six Months Ended June 30,	
	2015	2014	2015	2014	2015	2014	2015	2014
	Millions							
Components of Net Periodic Benefit Costs (Credit)								
Service Cost	$31	$26	$6	$4	$62	$52	$11	$9
Interest Cost	58	59	17	17	117	118	34	34
Expected Return on Plan Assets	(104)	(100)	(8)	(6)	(207)	(200)	(15)	(13)
Amortization of Net								
Prior Service Cost (Credit)	(4)	(4)	(4)	(3)	(9)	(9)	(7)	(7)
Actuarial Loss	37	14	11	6	74	28	21	12
Total Benefit Costs (Credit)	$18	$(5)	$22	$18	$37	$(11)	$44	$35

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 June 30,		OPEB Three Months Ended June 30,		Pension Benefits Six Months Ended June 30,		OPEB Six Months Ended June 30,	
	2015	2014	2015	2014	2015	2014	2015	2014
	Millions							
PSE&G	$10	$(5)	$14	$12	$20	$(10)	$28	$23
Power	5	(1)	6	5	11	(3)	13	10
Other	3	1	2	1	6	2	3	2
Total Benefit Costs (Credit)	$18	$(5)	$22	$18	$37	$(11)	$44	$35

During the three months ended March 31, 2015, PSEG contributed its entire planned contributions for the year 2015 of $15 million into its pension plans and $14 million into 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

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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 were $7 million and $23 million for the three months ended June 30, 2015 and 2014, respectively, and were $13 million and $46 million for the six months ended June 30, 2015 and 2014, respectively. The OPEB-related revenues earned or costs incurred for each of the three months and six months ended June 30, 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).

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.

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The face value of Power's outstanding guarantees, current exposure and margin positions as of June 30, 2015 and December 31, 2014 are shown as follows:

	As of June 30, 2015	As of December 31, 2014
	Millions	
Face Value of Outstanding Guarantees	$1,775	$1,814
Exposure under Current Guarantees	$196	$273
Letters of Credit Margin Posted	$161	$159
Letters of Credit Margin Received	$74	$40
Cash Deposited and Received:		
Counterparty Cash Margin Deposited	$—	$—
Counterparty Cash Margin Received	$(9)	$(13)
Net Broker Balance Deposited (Received)	$42	$115
In the Event Power were to Lose its Investment Grade Rating:		
Additional Collateral that could be Required	$907	$945
Liquidity Available under PSEG's and Power's Credit Facilities to Post Collateral	$3,494	$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 (received)/deposited is allocated against derivative asset and liability positions with the same counterparty on the face of the Balance Sheet. The remaining balances of net cash (received)/deposited after allocation are generally included in Accounts Payable and Receivable, respectively.

In the event of a deterioration of Power's credit rating to below investment grade, which would represent a three level downgrade from its current S&P, Moody's and Fitch ratings, many of these agreements allow the counterparty to demand further performance assurance. See table above.

In addition to amounts for outstanding guarantees, current exposure and margin positions, PSEG and Power had posted letters of credit to support Power's various other non-energy contractual and environmental obligations. See preceding table. PSEG had also issued a $106 million guarantee to support Power's payment obligations related to its equity interest in the PennEast natural gas pipeline and a $23 million guarantee to support Power's payment obligations related to construction of a 755 MW gas-fired combined cycle generating station in Maryland. In the event that PSEG were to be downgraded to below investment grade and failed to meet minimum net worth requirements, these guarantees would each have to be replaced by a letter of credit.

Environmental Matters

Passaic River

Historic operations of PSEG companies and the operations of hundreds of other companies along the Passaic and Hackensack Rivers are alleged by Federal and State agencies to have discharged substantial contamination into the Passaic River/Newark Bay Complex in violation of various statutes as discussed as follows.

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Federal Comprehensive Environmental Response, Compensation and Liability Act of 1980 (CERCLA)

In 2002, the U.S. Environmental Protection Agency (EPA) determined that a 17-mile stretch of the lower Passaic River from Newark to Clifton, New Jersey is a “Superfund” site under CERCLA. This designation allows the EPA to clean up such sites and to compel responsible parties to perform cleanups or reimburse the government for cleanups led by the EPA.

The EPA further determined that there was a need to perform a comprehensive study of the entire 17-miles of the lower Passaic River. PSE&G and certain of its predecessors conducted operations at properties in this area of the Passaic River. The properties included one operating electric generating station (Essex Site), which was transferred to Power, one former generating station and four former manufactured gas plant (MGP) sites.

In early 2007, 73 Potentially Responsible Parties (PRPs), including PSE&G and Power, formed a Cooperating Parties Group (CPG) and agreed to assume responsibility for conducting a Remedial Investigation and Feasibility Study (RI/FS) of the 17 miles of the lower Passaic River. At such time, the CPG also agreed to allocate, on an interim basis, the associated costs of the RI/FS among its members on the basis of a mutually agreed upon formula. For the purpose of this interim allocation, which has been revised as parties have exited the CPG, approximately seven percent of the RI/FS costs are currently deemed attributable to PSE&G’s former MGP sites and approximately one percent is attributable to Power’s generating stations. These interim allocations are not binding on PSE&G or Power in terms of their respective shares of the costs that will be ultimately required to remediate the 17 miles of the lower Passaic River. PSEG has provided notice to insurers concerning this potential claim.

In June 2008, the EPA and Tierra Solutions, Inc. (Tierra) and Maxus Energy Corporation (Maxus) entered into an early action agreement whereby Tierra/Maxus agreed to remove a portion of the heavily dioxin-contaminated sediment located in the lower Passaic River. The portion of the Passaic River identified in this agreement was located immediately adjacent to Tierra/Maxus’ predecessor company’s (Diamond Shamrock) facility. Pursuant to the agreement between the EPA and Tierra/Maxus, the estimated cost for the work to remove the sediment in this location was $80 million. Phase I of the removal work has been completed. Pursuant to this agreement, Tierra/Maxus have reserved their rights to seek contribution for these removal costs from the other PRPs, including Power and PSE&G. This agreement and the work undertaken pursuant to the action agreement will not affect the ultimate remedy that the EPA will select for the remediation of the 17-mile stretch of the lower Passaic River.

In 2012, Tierra/Maxus withdrew from the CPG and refused to participate as members going forward, other than in respect of their obligation to fund the EPA’s portion of its RI/FS oversight costs. At such time, the remaining members of the CPG, in agreement with the EPA, commenced the removal of certain contaminated sediments at Passaic River Mile 10.9 at an estimated cost of $25 million to $30 million. PSEG’s share of the cost of that effort is approximately three percent. The remaining CPG members have reserved their rights to seek reimbursement from Tierra/Maxus for the costs of the River Mile 10.9 removal.

On April 11, 2014, the EPA released its revised draft “Focused Feasibility Study” (FFS) which contemplates the removal of 4.3 million cubic yards of sediment from the bottom of the lower eight miles of the 17-mile stretch of the Passaic River. The revised draft FFS sets forth various alternatives for remediating this portion of the Passaic River. The EPA’s estimated costs to remediate the lower eight miles of the Passaic River range from $365 million for a targeted remedy to $3.25 billion for a deep dredge of this portion of the Passaic River. The EPA also identified in the revised draft FFS its preferred alternative, which would involve dredging the river bank to bank and installing an engineered cap. The estimated cost in the revised draft FFS for its preferred alternative is $1.7 billion. No provisional cost allocation has been made by the CPG for the work contemplated by the revised draft FFS, and the work contemplated by the revised draft FFS is not subject to the CPG’s cost sharing allocation agreed to in connection with the removal work for River Mile 10.9 or in connection with the conduct of the RI/FS.

The revised draft FFS was subject to a public comment period, and remains subject to the EPA’s response to comments submitted, a design phase and at least an estimated five years for completion of the work. The public comment period on the revised draft FFS closed on August 21, 2014. Over 300 comments were submitted by a variety of entities potentially impacted by the revised draft FFS, including the CPG, individual companies, municipalities, public officials, citizens groups, Amtrak, NJ Transit and others.

The CPG, which consisted of 61 members as of June 30, 2015, provided a draft RI and draft FS, both relating to the entire 17 miles of the lower Passaic River, to the EPA on February 18, 2015 and April 30, 2015, respectively. The estimated total cost of the RI/FS is approximately $150 million, which the CPG continues to incur. Of the estimated $150 million, as of June 30, 2015, the CPG had spent approximately $132 million, of which PSEG's total share was approximately $9 million.

The draft FS sets forth various alternatives for remediating that portion of the Passaic River. The draft FS sets forth the CPG’s estimated costs to remediate the lower 17 miles of the Passaic River which range from approximately $518 million to $3.2 billion. The CPG identified a targeted remedy in the draft FS which would involve removal, treatment and disposal of contaminated sediments taken from targeted locations within the entire 17 miles of the lower Passaic River. The estimated cost in the draft FS for the targeted remedy ranges from approximately $518 million to $772 million. No provisional cost allocation has been made by the CPG for the work contemplated by the draft FS. However, based on (i) the low end of the range of the

current estimates of costs to remediate, (ii) PSE&G's and Power's estimates of their share of those costs, and (iii) the continued ability of PSE&G to recover such costs in its rates, PSE&G accrued a $10 million Environmental Costs Liability and a corresponding Regulatory Asset and Power accrued a $3 million Other Noncurrent Liability and a corresponding O&M Expense in the first quarter of 2015.

The EPA will consider the comments received on its revised draft FFS and will consider the CPG's RI/FS prior to issuing a Record of Decision (ROD) of a selected remedy for the Passaic River. The EPA has broad authority to implement its selected remedy through the ROD and PSEG cannot at this time predict how the implementation of the ROD might impact PSE&G's and Power's ultimate liability. Until (i) the RI/FS is finalized, (ii) a final remedy is determined by the EPA or through litigation, (iii) PSE&G's and Power's respective shares of the costs, both in the aggregate as well as individually, are determined, and (iv) PSE&G's continued ability to recover the costs in its rates is determined, it is not possible to predict this matter's ultimate impact on our financial statements. It is possible that PSE&G and Power will record additional costs beyond what they have accrued, and that such costs could be material, but PSEG cannot at the current time estimate the amount or range of any additional costs.

Natural Resource Damage Claims

In 2003, the New Jersey Department of Environmental Protection (NJDEP) directed PSEG, PSE&G and 56 other PRPs to arrange for a natural resource damage assessment and interim compensatory restoration of natural resource injuries along the lower Passaic River and its tributaries pursuant to the New Jersey Spill Compensation and Control Act. The NJDEP alleged that hazardous substances had been discharged from the Essex Site and the Harrison Site. The NJDEP estimated the cost of interim natural resource injury restoration activities along the lower Passaic River at approximately $950 million. In 2007, agencies of the United States Department of Commerce and the United States Department of the Interior (the Passaic River federal trustees) sent letters to PSE&G and other PRPs inviting participation in an assessment of injuries to natural resources that the agencies intended to perform. In 2008, PSEG and a number of other PRPs agreed to share certain immaterial costs the trustees have incurred and will incur going forward, and to work with the trustees to explore whether some or all of the trustees' claims can be resolved in a cooperative fashion. That effort is continuing. PSE&G and Power are unable to estimate their respective portions of the possible loss or range of loss related to this matter.

Newark Bay Study Area

The EPA has established the Newark Bay Study Area, which it defines as Newark Bay and portions of the Hackensack River, the Arthur Kill and the Kill Van Kull. In August 2006, the EPA sent PSEG and 11 other entities notices that it considered each of the entities to be a PRP with respect to contamination in the Study Area. The notice letter requested that the PRPs fund an EPA-approved study in the Newark Bay Study Area. The notice stated the EPA's belief that hazardous substances were released from sites owned by PSEG companies and located on the Hackensack River, including two operating electric generating stations (Hudson and Kearny sites) and one former MGP site. PSEG has participated in and partially funded the second phase of this study. Notices to fund the next phase of the study have been received but PSEG has not consented to fund the third phase. PSE&G and Power are unable to estimate their respective portions of the possible loss or range of loss related to this matter.

MGP Remediation Program

PSE&G is working with the NJDEP to assess, investigate and remediate environmental conditions at its former MGP sites. To date, 38 sites requiring some level of remedial action have been identified. Based on its current studies, PSE&G has determined that the estimated cost to remediate all MGP sites to completion could range between $445 million and $517 million through 2021, including its $10 million share for the Passaic River as discussed above. Since no amount within the range is considered to be most likely, PSE&G has recorded a liability of $445 million as of June 30, 2015. Of this amount, $84 million was recorded in Other Current Liabilities and $361 million was reflected as Environmental Costs in Noncurrent Liabilities. PSE&G has recorded a $445 million Regulatory Asset with respect to these costs. PSE&G periodically updates its studies taking into account any new regulations or new information which could impact future remediation costs and adjusts its recorded liability accordingly.

Prevention of Significant Deterioration (PSD)/New Source Review (NSR)

The PSD/NSR regulations, promulgated under the Clean Air Act (CAA), require major sources of certain air pollutants to obtain permits, install pollution control technology and obtain offsets, in some circumstances, when those sources undergo a "major modification," as defined in the regulations. The federal government may order companies that are not in compliance with the PSD/NSR regulations to install the best available control technology at the affected plants and to pay monetary penalties ranging from $25,000 to $37,500 per day for each violation, depending upon when the alleged violation occurred.

In 2009, the EPA issued a notice of violation to Power and the other owners of the Keystone coal-fired plant in Pennsylvania, alleging, among other things, that various capital improvement projects were completed at the plant which are considered modifications (or major modifications) causing significant net emission increases of PSD/NSR air pollutants, beginning in 1985 for Keystone Unit 1 and in 1984 for Keystone Unit 2. The notice of violation states that none of these modifications underwent the PSD/NSR permitting process prior to being put into service, which the EPA alleges was required under the CAA. The notice of violation states that the EPA may issue an order requiring compliance with the relevant CAA provisions and may seek injunctive relief and/or civil penalties. Power owns approximately 23% of the plant. Power cannot predict the outcome of this matter.

Clean Water Act Permit Renewals

Pursuant to the Federal Water Pollution Control Act (FWPCA), National Pollutant Discharge Elimination System permits expire within five years of their effective date. In order to renew these permits, but allow a plant to continue to operate, an owner or operator must file a permit application no later than six months prior to expiration of the permit. States with delegated federal authority for this program manage these permits. The New Jersey Department of Environmental Protection (NJDEP) manages the permits under the New Jersey Pollutant Discharge Elimination System (NJPDES) program. Connecticut and New York also have permits to manage their respective pollutant discharge elimination system programs.

In 2001, the NJDEP issued a renewed NJPDES permit for Salem, expiring in July 2006, allowing for the continued operation of Salem with its existing cooling water intake system. In February 2006, Power filed with the NJDEP a renewal application allowing Salem to continue operating under its existing NJPDES permit until a new permit is issued. On June 30, 2015, the NJDEP issued a draft Salem permit. The draft permit does not require installation of cooling towers and allows Salem to continue to operate utilizing the existing once-through cooling water system. The draft permit is subject to a public notice and comment period after which the NJDEP may make revisions before issuing the final permit expected during the first half of 2016.

On May 19, 2014, the EPA issued a final rule that establishes new requirements for the regulation of cooling water intake structures at existing power plants and industrial facilities with a design flow of more than two million gallons of water per day. On August 15, 2014, the EPA established October 14, 2014 as the effective date for each state to implement the provisions of the rule going forward when considering the renewal of permits for existing facilities on a case by case basis. On September 5, 2014, several environmental non-governmental groups and certain energy industry groups filed motions to litigate the provisions of the rule. This case is pending at the U.S. Second Circuit Court of Appeals. In two related actions on October 17, 2014 and November 20, 2014, several environmental non-governmental groups initiated challenges to the endangered species act provisions of the 316 (b) rule. Power is unable to determine the ultimate impact of these actions on the implementation of the rule.

State permitting decisions could have a material impact on Power's ability to renew permits at its larger once-through cooled plants, including Salem, Hudson, Mercer, Bridgeport and possibly Sewaren and New Haven, without making significant upgrades to existing intake structures and cooling systems. The costs of those upgrades to one or more of Power's once-through cooled plants would be material, and would require economic review to determine whether to continue operations at these facilities. For example, in Power's application to renew its Salem permit, filed with the NJDEP in February 2006, the estimated costs for adding cooling towers for Salem were approximately $1 billion, of which Power's share would have been approximately $575 million. The filing has not been updated. Currently, potential costs associated with any closed cycle cooling requirements are not included in Power's forecasted capital expenditures.

Power is unable to predict the outcome of these permitting decisions and the effect, if any, that they may have on Power's future capital requirements, financial condition or results of operations.

Bridgeport Harbor National Pollutant Discharge Elimination System (NPDES) Permit Compliance

In April 2015, Power determined that monitoring and reporting practices related to certain permitted wastewater discharges at its Bridgeport Harbor station may have violated conditions of the station's NPDES permit and applicable regulations and could subject it to fines and penalties. Power has notified the Connecticut Department of Energy and Environmental Protection of the

issues and has taken actions to investigate and resolve the potential non-compliance. At this early stage Power cannot predict the impact of this matter.

Coal Combustion Residuals (CCRs)

On December 19, 2014, the EPA issued a final rule which regulates CCRs as non-hazardous and requires that facility owners implement a series of actions to close or upgrade existing CCR surface impoundments and/or landfills. It also establishes new provisions for the construction of new surface impoundments and landfills. Power's Hudson and Mercer generating stations, along with its co-owned Keystone and Conemaugh stations, are subject to the provisions of this rule. On April 17, 2015, the final rule was published with an effective date of October 14, 2015. Accordingly in June 2015, Power recorded an additional asset retirement obligation to comply with the final CCR rule which was not material to Power’s results of operations, financial condition or cash flows.

Basic Generation Service (BGS) and Basic Gas Supply Service (BGSS)

PSE&G obtains its electric supply requirements through the annual New Jersey BGS auctions for two categories of customers who choose not to purchase electric supply from third party suppliers. The first category, which represents about 80% of PSE&G's load requirement, are residential and smaller commercial and industrial customers (BGS-Residential Small Commercial Pricing (RSCP)). The second category are larger customers that exceed a BPU-established load (kW) threshold (BGS-Commercial and Industrial Pricing (CIEP)). Pursuant to applicable BPU rules, PSE&G enters into the Supplier Master Agreement with the winners of these BGS auctions following the BPU’s approval of the auction results. PSE&G has entered into contracts with winning BGS suppliers, including Power, to purchase BGS for PSE&G’s load requirements. The winners of the auction (including Power) are responsible for fulfilling all the requirements of a PJM Load Serving Entity including the provision of capacity, energy, ancillary services, transmission and any other services required by PJM. BGS suppliers assume all volume risk and customer migration risk and must satisfy New Jersey’s renewable portfolio standards.

The BGS-CIEP auction is for a one-year supply period from June 1 to May 31 with the BGS-CIEP auction price measured in dollars per MW-day for capacity. The final price for the BGS-CIEP auction year commencing June 1, 2015 is $272.78 per MW-day, replacing the BGS-CIEP auction year price ending May 31, 2015 of $282.04 per MW-day. Energy for BGS-CIEP is priced at hourly PJM locational marginal prices for the contract period.

PSE&G contracts for its anticipated BGS-RSCP load on a three-year rolling basis, whereby each year one-third of the load is procured for a three-year period. The contract prices in dollars per MWh for the BGS-RSCP supply, as well as the approximate load, are as follows:

	Auction Year				
	2012	2013	2014	2015	
36-Month Terms Ending	May 2015	May 2016	May 2017	May 2018	(A)
Load (MW)	2,900	2,800	2,800	2,900	
$ per MWh	$83.88	$92.18	$97.39	$99.54	

(A) Prices set for the 2015 BGS auction year became effective on June 1, 2015 when the 2012 BGS auction agreements expired.

Power seeks to mitigate volatility in its results by contracting in advance for the sale of most of its anticipated electric output as well as its anticipated fuel needs. As part of its objective, Power has entered into contracts to directly supply PSE&G and other New Jersey electric distribution companies (EDCs) with a portion of their respective BGS requirements through the New Jersey BGS auction process, described above.

PSE&G has a full-requirements contract with Power to meet the gas supply requirements of PSE&G’s gas customers. Power has entered into hedges for a portion of these anticipated BGSS obligations, as permitted by the BPU. The BPU permits PSE&G to recover the cost of gas hedging up to 115 billion cubic feet or 80% of its residential gas supply annual requirements through the BGSS tariff. Current plans call for Power to hedge on behalf of PSE&G approximately 70 billion cubic feet or 50% of its residential gas supply annual requirements. For additional information, see Note 17. Related-Party Transactions.

Minimum Fuel Purchase Requirements

Power’s nuclear fuel strategy is to maintain certain levels of uranium and to make periodic purchases to support such levels. As such, the commitments referred to in the following table may include estimated quantities to be purchased that deviate from contractual nominal quantities. Power’s nuclear fuel commitments cover approximately 100% of its estimated uranium,

enrichment and fabrication requirements through 2017 and a significant portion through 2020 at Salem, Hope Creek and Peach Bottom.
Power has various long-term fuel purchase commitments for coal through 2018 to support its fossil generation stations.
Power also has various multi-year contracts for natural gas and firm transportation and storage capacity for natural gas that are primarily used to meet its obligations to PSE&G. When there is excess delivery capacity available, Power can use the gas to supply its fossil generating stations.
As of June 30, 2015, the total minimum purchase requirements included in these commitments were as follows:

Fuel Type	Power's Share of Commitments through 2019
	Millions
Nuclear Fuel	
Uranium	$443
Enrichment	$342
Fabrication	$185
Natural Gas	$1,072
Coal	$360

Regulatory Proceedings
FERC Compliance
In the first quarter of 2014, Power discovered that it incorrectly calculated certain components of its cost-based bids for its New Jersey fossil generating units in the PJM energy market. Upon discovery of the errors, PSEG retained outside counsel to assist in the conduct of an investigation into the matter. As the investigation proceeded, additional pricing errors in the bids were identified. It was further determined that the quantity of energy that Power offered into the energy market for its fossil peaking units differed from the amount for which Power was compensated in the capacity market for those units. PSEG informed the FERC, PJM and the PJM Independent Market Monitor (IMM) of these additional issues, corrected the identified errors and modified the bid quantities for its peaking units. Power continues to implement procedures to help mitigate the risk of similar issues occurring in the future. On September 2, 2014, the FERC Staff initiated a preliminary, non-public staff investigation into the matter. This investigation, which is ongoing, could result in the FERC seeking disgorgement of any over-collected amounts, civil penalties and non-financial remedies.
During the three months ended March 31, 2014, based upon its best estimate available at the time, Power recorded a charge to income in the amount of $25 million related to this matter. It is not possible at this time to reasonably estimate the potential range of loss or full impact or predict any resulting penalties or other costs associated with this matter, or the applicability of mitigating factors. As new information becomes available or future developments occur in this investigation, it is possible that Power will record additional estimated losses and such additional losses may be material.
New Jersey Clean Energy Program
In June 2015, the BPU established the funding level for fiscal year 2016 applicable to its Renewable Energy and Energy Efficiency programs. The fiscal year 2016 aggregate funding for all EDCs is $345 million with PSE&G's share of the funding at $200 million. PSE&G has a current liability of $200 million and a noncurrent liability of $27 million as of June 30, 2015 for its outstanding share of the fiscal year 2016 and remaining fiscal year 2015 funding, respectively. The liability is reduced as normal payments are made. The liability has been recorded with an offsetting Regulatory Asset, since the costs associated with this program are recovered from PSE&G ratepayers through the Societal Benefits Charge (SBC).
Superstorm Sandy

In late October 2012, Superstorm Sandy caused severe damage to PSE&G's T&D system throughout its service territory as well as to some of Power's generation infrastructure in the northern part of New Jersey. Strong winds and the resulting storm surge caused damage to switching stations, substations and generating infrastructure.
PSEG maintains insurance coverage against loss or damage to plants and certain properties, subject to certain exceptions and limitations, to the extent such property is usually insured and insurance is available at a reasonable cost. In June 2013, PSEG,

PSE&G and Power filed suit in New Jersey state court (NJ Court) against its insurance carriers seeking an interpretation that the insurance policies cover their losses resulting from damage caused by Superstorm Sandy's storm surge.
As of December 31, 2012, PSE&G had incurred approximately $295 million of costs to restore service to PSE&G's distribution and transmission systems and $5 million to repair its infrastructure and return it to pre-storm conditions. Of the costs incurred, approximately $40 million was recognized in O&M Expense, $75 million was recorded as Property, Plant and Equipment and $180 million was recorded as a Regulatory Asset because such costs were deferred as approved by the BPU under an Order received in December 2012. Of the $295 million, $36 million related to insured property. In 2012, PSE&G recognized $6 million of insurance recoveries, which were deferred. There were no significant additional costs incurred since 2012.
PSE&G made a filing with the BPU to review the prudency of unreimbursed incremental storm restoration costs, including O&M and capital expenditures associated with Superstorm Sandy and certain other extreme weather events, for recovery in its next base rate case or sooner through a BPU-approved cost recovery mechanism. In September 2014, the BPU approved its filing.
Power had incurred a total of $193 million of storm-related costs from 2012 through 2014, primarily for repairs at certain generating stations in Power's fossil fleet. These costs were recognized primarily in O&M Expense, offset by $44 million of insurance recoveries in 2013 and 2012. Power incurred an additional $2 million of storm-related costs in 2015 which were recognized primarily in O&M Expense.
In the first half of 2015, PSEG reached settlements with its insurers with respect to claims for coverage of its Superstorm Sandy-related losses. PSEG received an additional $214 million under these settlements (consisting of $159 million and $55 million recognized in the three months ended March 31, 2015 and June 30, 2015, respectively), bringing cumulative insurance proceeds to $264 million. Of the $214 million recognized in 2015, PSE&G and Power recorded $35 million and $179 million, respectively. In addition to the $35 million recognized in 2015, PSE&G recognized the aforementioned $6 million of previously deferred insurance recoveries, resulting in reductions in Regulatory Assets of $20 million, O&M Expense of $10 million and Property, Plant and Equipment of $11 million. Power recorded reductions in both O&M Expense of $145 million and Property, Plant and Equipment of $6 million and an increase in Other Income of $28 million.
The claim filed by PSEG, PSE&G and Power related to Superstorm Sandy insurance coverage is now fully resolved.

Note 9. Changes in Capitalization
The following capital transactions occurred in the six months ended June 30, 2015:
PSE&G
- issued $350 million of 3.00% Secured Medium-Term Notes, Series K due May 2025,
- issued $250 million of 4.05% Secured Medium-Term Notes, Series K due May 2045,
- paid $300 million of 2.70% Secured Medium-Term Notes at maturity,
- paid $117 million of Transition Funding's securitization debt, and
- paid the final $8 million of Transition Funding II's securitization debt.

Power
- paid cash dividends of $400 million to PSEG.

Note 10. Financial Risk Management Activities
The operations of PSEG, Power and PSE&G are exposed to market risks from changes in commodity prices, interest rates and equity prices that could affect their results of operations and financial condition. Exposure to these risks is managed through normal operating and financing activities and, when appropriate, through hedging transactions. Hedging transactions use derivative instruments to create a relationship in which changes to the value of the assets, liabilities or anticipated transactions exposed to market risks are expected to be offset by changes in the value of these derivative instruments.

Derivative accounting guidance requires that a derivative instrument be recognized as either an asset or a liability at fair value, with changes in fair value of the derivative recognized in earnings each period. Other accounting treatments are available

through special election and designation provided that the derivative instrument meets specific, restrictive criteria, both at the time of designation and on an ongoing basis. These alternative permissible treatments include normal purchase normal sale (NPNS), cash flow hedge and fair value hedge accounting. PSEG, Power and PSE&G have applied the NPNS scope exception to certain derivative contracts for the forward sale of generation, power procurement agreements and fuel agreements. Transactions receiving NPNS treatment are accounted for upon settlement. For a derivative instrument that qualifies and is designated as a cash flow hedge, the changes in the fair value of such a derivative that are highly effective are recorded in Accumulated Other Comprehensive Income (Loss) until earnings are affected by the variability of cash flows of the hedged transaction. For a derivative instrument that qualifies and is designated as a fair value hedge, the gains or losses on the derivative as well as the offsetting losses or gains on the hedged item attributable to the hedged risk are recognized in earnings each period. Power and PSE&G enter into additional contracts that are derivatives, but do not qualify for or are not designated as either cash flow hedges or fair value hedges. These transactions are economic hedges and changes in the fair value of these contracts are recorded in earnings each period.

Commodity Prices

Within PSEG and its affiliate companies, Power has the most exposure to commodity price risk. Power is exposed to commodity price risk primarily relating to changes in the market price of electricity, fossil fuels and other commodities. Fluctuations in market prices result from changes in supply and demand, fuel costs, market conditions, weather, state and federal regulatory policies, environmental policies, transmission availability and other factors. Power uses a variety of derivative and non-derivative instruments to manage the commodity price risk of its electric generation facilities, including physical and financial transactions in the wholesale energy markets to mitigate the effects of adverse movements in fuel and electricity prices. The fair value for the majority of these contracts is obtained from quoted market sources. Modeling techniques using assumptions reflective of current market rates, yield curves and forward prices are used to interpolate certain prices when no quoted market exists.

Cash Flow Hedges

PSEG and Power use forward sale and purchase contracts, swaps and futures contracts to hedge certain forecasted natural gas sales and purchases made to support the BGSS contract with PSE&G. These derivative transactions qualify and are designated as cash flow hedges.

As of June 30, 2015 and December 31, 2014, the fair value and the impact on Accumulated Other Comprehensive Income (Loss) associated with accounting hedge activity were as follows:

	As of June 30, 2015	As of December 31, 2014
	Millions	
Fair Value of Cash Flow Hedges	$1	$18
Impact on Accumulated Other Comprehensive Income (Loss) (after tax)	$1	$10

The expiration date of the longest-dated cash flow hedge at Power is in December 2015. Power’s remaining $1 million of after-tax unrealized gains on these derivatives is expected to be reclassified to earnings during the next 12 months. There was no ineffectiveness associated with qualifying hedges as of June 30, 2015.

Economic Hedges

Power enters into derivative contracts that do not qualify or are not designated as either cash flow or fair value hedges. Power enters into financial options, futures, swaps, fuel purchases and forward purchases and sales of electricity. These transactions are economic hedges, intended to mitigate exposure to fluctuations in commodity prices and optimize the value of Power's expected generation. Changes in the fair market value of these contracts are recorded in earnings. PSE&G is a party to certain long-term natural gas sales derivative contracts to optimize its pipeline capacity utilization. Changes in the fair market value of these contracts are recorded in Regulatory Assets and Regulatory Liabilities.

Interest Rates

PSEG, Power and PSE&G are subject to the risk of fluctuating interest rates in the normal course of business. Exposure to this risk is managed by targeting a balanced debt maturity profile which limits refinancing in any given period or interest rate environment. In addition, they have used a mix of fixed and floating rate debt and interest rate swaps.

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Fair Value Hedges
PSEG enters into fair value hedges to convert fixed-rate debt into variable-rate debt. As of June 30, 2015, PSEG had interest rate swaps outstanding totaling $850 million. These swaps convert Power’s $300 million of 5.5% Senior Notes due December 2015, $300 million of Power’s $303 million of 5.32% Senior Notes due September 2016 and Power’s $250 million of 2.75% Senior Notes due September 2016 into variable-rate debt. These interest rate swaps are designated and effective as fair value hedges. The fair value changes of the interest rate swaps are fully offset by the changes in the fair value of the underlying forecasted interest payments of the debt. As of June 30, 2015 and December 31, 2014, the fair value of all the underlying hedges was $15 million and $22 million, respectively.
Cash Flow Hedges
PSEG uses interest rate swaps and other derivatives, which are designated and effective as cash flow hedges, to manage its exposure to the variability of cash flows, primarily related to variable-rate debt instruments. The Accumulated Other Comprehensive Income (Loss) (after tax) related to interest rate derivatives designated as cash flow hedges was immaterial as of June 30, 2015 and December 31, 2014, respectively.
Fair Values of Derivative Instruments
The following are the fair values of derivative instruments on the Condensed Consolidated Balance Sheets. The following tables also include disclosures for offsetting derivative assets and liabilities which are subject to a master netting or similar agreement. In general, the terms of the agreements provide that in the event of an early termination the counterparties have the right to offset amounts owed or owing under that and any other agreement with the same counterparty. Accordingly, and in accordance with our accounting policy, these positions have been offset on the Condensed Consolidated Balance Sheets of Power, PSE&G and PSEG.
The following tabular disclosure does not include the offsetting of trade receivables and payables.

	As of June 30, 2015						
	Power (A)				PSE&G (A)	PSEG (A)	Consolidated
Balance Sheet Location	Cash Flow Hedges Energy-Related Contracts Millions	Not Designated Energy-Related Contracts	Netting (B)	Total Power	Not Designated Energy-Related Contracts	Fair Value Hedges Interest Rate Swaps	Total Derivatives
Derivative Contracts							
Current Assets	$1	$483	$(345)	$139	$5	$11	$155
Noncurrent Assets	—	220	(117)	103	—	4	107
Total Mark-to-Market Derivative Assets	$1	$703	$(462)	$242	$5	$15	$262
Derivative Contracts							
Current Liabilities	$—	$(421)	$349	$(72)	$—	$—	$(72)
Noncurrent Liabilities	—	(145)	121	(24)	—	—	(24)
Total Mark-to-Market Derivative (Liabilities)	$—	$(566)	$470	$(96)	$—	$—	$(96)
Total Net Mark-to-Market Derivative Assets (Liabilities)	$1	$137	$8	$146	$5	$15	$166

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	As of December 31, 2014						
	Power (A)				PSE&G (A)	PSEG (A)	Consolidated
Balance Sheet Location	Cash Flow Hedges Energy-Related Contracts	Not Designated Energy-Related Contracts	Netting (B)	Total Power	Not Designated Energy-Related Contracts	Fair Value Hedges Interest Rate Swaps	Total Derivatives
	Millions						
Derivative Contracts							
Current Assets	$18	$597	$(408)	$207	$18	$15	$240
Noncurrent Assets	—	171	(109)	62	8	7	77
Total Mark-to-Market Derivative Assets	$18	$768	$(517)	$269	$26	$22	$317
Derivative Contracts							
Current Liabilities	$—	$(568)	$436	$(132)	$—	$—	$(132)
Noncurrent Liabilities	—	(138)	105	(33)	—	—	(33)
Total Mark-to-Market Derivative (Liabilities)	$—	$(706)	$541	$(165)	$—	$—	$(165)
Total Net Mark-to-Market Derivative Assets (Liabilities)	$18	$62	$24	$104	$26	$22	$152

(A) Substantially all of Power's and PSEG's derivative instruments are contracts subject to master netting agreements. Contracts not subject to master netting or similar agreements are immaterial and did not have any collateral posted or received as of June 30, 2015 and December 31, 2014. PSE&G does not have any derivative contracts subject to master netting or similar agreements.

(B) Represents the netting of fair value balances with the same counterparty (where the right of offset exists) and the application of collateral. All cash collateral received or posted that has been allocated to derivative positions, where the right of offset exists, has been offset on the Condensed Consolidated Balance Sheets. As of June 30, 2015 and December 31, 2014, net cash collateral (received) paid of $8 million and $24 million, respectively, were netted against the corresponding net derivative contract positions. Of the $8 million as of June 30, 2015, $(4) million and $(4) million of cash collateral were netted against current assets and noncurrent assets, respectively, and $7 million and $9 million were netted against current liabilities and noncurrent liabilities, respectively. Of the $24 million as of December 31, 2014, $(4) million and $(8) million were netted against current assets and noncurrent assets, respectively, and $32 million and $4 million were netted against current liabilities and noncurrent liabilities, respectively.

Certain of Power’s derivative instruments contain provisions that require Power to post collateral. This collateral may be posted in the form of cash or credit support with thresholds contingent upon Power’s credit rating from each of the major credit rating agencies. The collateral and credit support requirements vary by contract and by counterparty. These credit risk-related contingent features stipulate that if Power were to be downgraded to a below investment grade rating, it would be required to provide additional collateral. This incremental collateral requirement can offset collateral requirements related to other derivative instruments that are assets with the same counterparty, where the contractual right of offset exists under applicable master agreements. Power also enters into commodity transactions on the New York Mercantile Exchange (NYMEX) and Intercontinental Exchange (ICE). The NYMEX and ICE clearing houses act as counterparties to each trade. Transactions on the NYMEX and ICE must adhere to comprehensive collateral and margin requirements.

The aggregate fair value of all derivative instruments with credit risk-related contingent features in a liability position that are not fully collateralized (excluding transactions on the NYMEX and ICE that are fully collateralized) was $82 million and $127 million as of June 30, 2015 and December 31, 2014, respectively. As of June 30, 2015 and December 31, 2014, Power had the contractual right of offset of $18 million related to derivative instruments that are assets with the same counterparty under agreements and net of margin posted. If Power had been downgraded to a below investment grade rating, it would have had additional collateral obligations of $64 million and $109 million as of June 30, 2015 and December 31, 2014, respectively, related to its derivatives, net of the contractual right of offset under master agreements and the application of collateral. This

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potential additional collateral is included in the $907 million and $945 million as of June 30, 2015 and December 31, 2014, respectively, discussed in Note 8. Commitments and Contingent Liabilities.
The following shows the effect on the Condensed Consolidated Statements of Operations and on Accumulated Other Comprehensive Income (AOCI) of derivative instruments designated as cash flow hedges for the three months ended June 30, 2015 and 2014.

Derivatives in Cash Flow Hedging Relationships	Amount of Pre-Tax Gain (Loss) Recognized in AOCI on Derivatives (Effective Portion) Three Months Ended June 30,		Location of Pre-Tax Gain (Loss) Reclassified from AOCI into Income	Amount of Pre-Tax Gain (Loss) Reclassified from AOCI into Income (Effective Portion) Three Months Ended June 30,		Location of Pre-Tax Gain (Loss) Recognized in Income on Derivatives (Ineffective Portion)	Amount of Pre-Tax Gain (Loss) Recognized in Income on Derivatives (Ineffective Portion) Three Months Ended June 30,	
	2015	2014		2015	2014		2015	2014
	Millions							
PSEG								
Energy-Related Contracts	$—	$1	Operating Revenues	$—	$—	Operating Revenues	$—	$—
Total PSEG	$—	$1		$—	$—		$—	$—
Power								
Energy-Related Contracts	$—	$1	Operating Revenues	$—	$—	Operating Revenues	$—	$—
Total Power	$—	$1		$—	$—		$—	$—

The following shows the effect on the Condensed Consolidated Statements of Operations and on Accumulated Other Comprehensive Income (AOCI) of derivative instruments designated as cash flow hedges for the six months ended June 30, 2015 and 2014.

Derivatives in Cash Flow Hedging Relationships	Amount of Pre-Tax Gain (Loss) Recognized in AOCI on Derivatives (Effective Portion) Six Months Ended June 30,		Location of Pre-Tax Gain (Loss) Reclassified from AOCI into Income	Amount of Pre-Tax Gain (Loss) Reclassified from AOCI into Income (Effective Portion) Six Months Ended June 30,		Location of Pre-Tax Gain (Loss) Recognized in Income on Derivatives (Ineffective Portion)	Amount of Pre-Tax Gain (Loss) Recognized in Income on Derivatives (Ineffective Portion) Six Months Ended June 30,	
	2015	2014		2015	2014		2015	2014
	Millions							
PSEG								
Energy-Related Contracts	$1	$(7)	Operating Revenues	$17	$(12)	Operating Revenues	$—	$—

Total PSEG Power	$1	$(7)		$17	$(12)		$—	$—
Energy-Related Contracts	$1	$(7)	Operating Revenues	$17	$(12)	Operating Revenues	$—	$—
Total Power	$1	$(7)		$17	$(12)		$—	$—

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The following reconciles the Accumulated Other Comprehensive Income for derivative activity included in the Accumulated Other Comprehensive Loss of PSEG on a pre-tax and after-tax basis.

Accumulated Other Comprehensive Income	Pre-Tax	After-Tax
	Millions	
Balance as of December 31, 2014	$17	$10
Gain Recognized in AOCI	1	1
Less: Gain Reclassified into Income	(17)	(10)
Balance as of March 31, 2015	$1	$1
Gain Recognized in AOCI	—	—
Less: Gain Reclassified into Income	—	—
Balance as of June 30, 2015	$1	$1

The following shows the effect on the Condensed Consolidated Statements of Operations of derivative instruments not designated as hedging instruments or as normal purchases and sales for the three months and six months ended June 30, 2015 and 2014.

Derivatives Not Designated as Hedges	Location of Pre-Tax Gain (Loss) Recognized in Income on Derivatives	Pre-Tax Gain (Loss) Recognized in Income on Derivatives			
		Three Months Ended June 30,		Six Months Ended June 30,	
		2015	2014	2015	2014
		Millions			
PSEG and Power					
Energy-Related Contracts	Operating Revenues	$124	$(58)	$48	$(852)
Energy-Related Contracts	Energy Costs	(10)	(36)	—	77
Total PSEG and Power		$114	$(94)	$48	$(775)

Power's derivative contracts reflected in the preceding tables include contracts to hedge the purchase and sale of electricity and natural gas and the purchase of fuel. Not all of these contracts qualify for hedge accounting. Most of these contracts are marked to market. The tables above do not include contracts for which Power has elected the NPNS exemption, such as its BGS contracts and certain other energy supply contracts that it has with other utilities and companies with retail load. In addition, PSEG has interest rate swaps designated as fair value hedges. The effect of these hedges was to reduce interest expense by $5 million for each of the three months and $10 million for each of the six months ended June 30, 2015 and 2014, respectively.
The following reflects the gross volume, on an absolute value basis, of derivatives as of June 30, 2015 and December 31, 2014.

Type	Notional	Total	PSEG	Power	PSE&G
		Millions			
As of June 30, 2015					
Natural Gas	Dth	259	—	214	45
Electricity	MWh	299	—	299	—
Financial Transmission Rights (FTRs)	MWh	30	—	30	—
Interest Rate Swaps	U.S. Dollars	850	850	—	—
As of December 31, 2014					

Natural Gas	Dth	274	—	216	58
Electricity	MWh	310	—	310	—
FTRs	MWh	15	—	15	—
Interest Rate Swaps	U.S. Dollars	850	850	—	—

Credit Risk

Credit risk relates to the risk of loss that we would incur as a result of non-performance by counterparties pursuant to the terms of their contractual obligations. We have established credit policies that we believe significantly minimize credit risk. These policies include an evaluation of potential counterparties' financial condition (including credit rating), collateral requirements under certain circumstances and the use of standardized agreements, which allow for the netting of positive and negative exposures associated with a single counterparty. In the event of non-performance or non-payment by a major counterparty, there may be a material adverse impact on Power's and PSEG's financial condition, results of operations or net cash flows.

As of June 30, 2015, 99.3% of the credit for Power's operations was with investment grade counterparties. Credit exposure is defined as any positive results of netting accounts receivable/accounts payable and the forward value of open positions (which includes all financial instruments including derivatives and non-derivatives and normal purchases/normal sales).

The following table provides information on Power's credit risk from others, net of cash collateral, as of June 30, 2015. It further delineates that exposure by the credit rating of the counterparties and provides guidance on the concentration of credit risk to individual counterparties and an indication of the quality of Power's credit risk by credit rating of the counterparties.

Rating	Current Exposure	Securities Held as Collateral	Net Exposure	Number of Counterparties >10%	Net Exposure of Counterparties >10%	
	Millions				Millions	
Investment Grade—External Rating	$310	$82	$302	2	$119	(A)
Non-Investment Grade—External Rating	2	—	2	—	—	
Investment Grade—No External Rating	10	—	10	—	—	
Non-Investment Grade—No External Rating	—	—	—	—	—	
Total	$322	$82	$314	2	$119	

(A) Represents net exposure of $82 million with PSE&G. The remaining net exposure of $37 million is with a non-affiliated power purchaser which is an investment grade counterparty.

The net exposure listed above, in some cases, will not be the difference between the current exposure and the collateral held. A counterparty may have posted more cash collateral than the outstanding exposure, in which case there would be no exposure. When letters of credit have been posted as collateral, the exposure amount is not reduced, but the exposure amount is transferred to the rating of the issuing bank. As of June 30, 2015, Power had 138 active counterparties.

PSE&G's supplier master agreements are approved by the BPU and govern the terms of its electric supply procurement contracts. These agreements define a supplier's performance assurance requirements and allow a supplier to meet its credit requirements with a certain amount of unsecured credit. The amount of unsecured credit is determined based on the supplier's credit ratings from the major credit rating agencies and the supplier's tangible net worth. The credit position is based on the initial market price, which is the forward price of energy on the day the procurement transaction is executed, compared to the forward price curve for energy on the valuation day. To the extent that the forward price curve for energy exceeds the initial market price, the supplier is required to post a parental guaranty or other security instrument such as a letter of credit or cash, as collateral to the extent the credit exposure is greater than the supplier's unsecured credit limit. As of June 30, 2015, primarily all of the posted collateral was in the form of parental guarantees. The unsecured credit used by the suppliers represents PSE&G's net credit exposure. PSE&G's

suppliers’ credit exposure is calculated each business day. As of June 30, 2015, PSE&G had no net credit exposure with suppliers, including Power.

PSE&G is permitted to recover its costs of procuring energy through the BPU-approved BGS tariffs. PSE&G’s counterparty credit risk is mitigated by its ability to recover realized energy costs through customer rates.

Note 11. Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Accounting guidance for fair value measurement emphasizes that fair value is a market-based measurement, not an entity-specific measurement, and establishes a fair value hierarchy that distinguishes between assumptions based on market data obtained from independent sources and those based on an entity’s own assumptions. The hierarchy prioritizes the inputs to fair value measurement into three levels:

Level 1—measurements utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that PSEG, PSE&G and Power have the ability to access. These consist primarily of listed equity securities.

Level 2—measurements include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and other observable inputs such as interest rates and yield curves that are observable at commonly quoted intervals. These consist primarily of non-exchange traded derivatives such as forward contracts or options and most fixed income securities.

Level 3—measurements use unobservable inputs for assets or liabilities, based on the best information available and might include an entity’s own data and assumptions. In some valuations, the inputs used may fall into different levels of the hierarchy. In these cases, the financial instrument’s level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. As of June 30, 2015, these consisted primarily of long-term gas supply contracts and certain electric load contracts.

The following tables present information about PSEG’s, PSE&G’s and Power's respective assets and (liabilities) measured at fair value on a recurring basis as of June 30, 2015 and December 31, 2014, including the fair value measurements and the levels of inputs used in determining those fair values. Amounts shown for PSEG include the amounts shown for PSE&G and Power.

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	Recurring Fair Value Measurements as of June 30, 2015				
Description	Total	Netting (E)	Quoted Market Prices for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	Millions				
PSEG					
Assets:					
Cash Equivalents (A)	$547	$—	$547	$—	$—
Derivative Contracts:					
Energy-Related Contracts (B)	$247	$(462)	$—	$701	$8
Interest Rate Swaps (C)	$15	$—	$—	$15	$—
NDT Fund (D)					
Equity Securities	$921	$—	$920	$1	$—
Debt Securities—Govt Obligations	$455	$—	$—	$455	$—
Debt Securities—Other	$386	$—	$—	$386	$—
Other Securities	$30	$—	$30	$—	$—
Rabbi Trust (D)					
Equity Securities—Mutual Funds	$22	$—	$22	$—	$—
Debt Securities—Govt Obligations	$100	$—	$—	$100	$—
Debt Securities—Other	$90	$—	$—	$90	$—
Other Securities	$—	$—	$—	$—	$—
Liabilities:					
Derivative Contracts:					
Energy-Related Contracts (B)	$(96)	$470	$—	$(566)	$—
PSE&G					
Assets:					
Cash Equivalents (A)	$151	$—	$151	$—	$—
Derivative Contracts:					
Energy-Related Contracts (B)	$5	$—	$—	$—	$5
Rabbi Trust (D)					
Equity Securities—Mutual Funds	$4	$—	$4	$—	$—
Debt Securities—Govt Obligations	$20	$—	$—	$20	$—
Debt Securities—Other	$18	$—	$—	$18	$—
Other Securities	$—	$—	$—	$—	$—
Power					
Assets:					
Derivative Contracts:					
Energy-Related Contracts (B)	$242	$(462)	$—	$701	$3
NDT Fund (D)					
Equity Securities	$921	$—	$920	$1	$—
Debt Securities—Govt Obligations	$455	$—	$—	$455	$—
Debt Securities—Other	$386	$—	$—	$386	$—
Other Securities	$30	$—	$30	$—	$—
Rabbi Trust (D)					
Equity Securities—Mutual Funds	$5	$—	$5	$—	$—
Debt Securities—Govt Obligations	$25	$—	$—	$25	$—

Debt Securities—Other	$22	$—	$—	$22	$—
Other Securities	$—	$—	$—	$—	$—
Liabilities:					
Derivative Contracts:					
Energy-Related Contracts (B)	$(96)	$470	$—	$(566)	$—

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	Recurring Fair Value Measurements as of December 31, 2014				
Description	Total	Netting (E)	Quoted Market Prices for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	Millions				
PSEG					
Assets:					
Cash Equivalents (A)	$365	$—	$365	$—	$—
Derivative Contracts:					
Energy-Related Contracts (B)	$295	$(517)	$—	$774	$38
Interest Rate Swaps (C)	$22	$—	$—	$22	$—
NDT Fund (D)					
Equity Securities	$897	$—	$896	$1	$—
Debt Securities—Govt Obligations	$438	$—	$—	$438	$—
Debt Securities—Other	$339	$—	$—	$339	$—
Other Securities	$106	$—	$106	$—	$—
Rabbi Trust (D)					
Equity Securities—Mutual Funds	$23	$—	$23	$—	$—
Debt Securities—Govt Obligations	$91	$—	$—	$91	$—
Debt Securities—Other	$75	$—	$—	$75	$—
Other Securities	$2	$—	$—	$2	$—
Liabilities:					
Derivative Contracts:					
Energy-Related Contracts (B)	$(165)	$541	$—	$(705)	$(1)
PSE&G					
Assets:					
Cash Equivalents (A)	$294	$—	$294	$—	$—
Derivative Contracts:					
Energy Related Contracts (B)	$26	$—	$—	$—	$26
Rabbi Trust (D)					
Equity Securities—Mutual Funds	$5	$—	$5	$—	$—
Debt Securities—Govt Obligations	$20	$—	$—	$20	$—
Debt Securities—Other	$16	$—	$—	$16	$—
Other Securities	$—	$—	$—	$—	$—
Power					
Assets:					
Derivative Contracts:					
Energy-Related Contracts (B)	$269	$(517)	$—	$774	$12
NDT Fund (D)					
Equity Securities	$897	$—	$896	$1	$—
Debt Securities—Govt Obligations	$438	$—	$—	$438	$—
Debt Securities—Other	$339	$—	$—	$339	$—
Other Securities	$106	$—	$106	$—	$—
Rabbi Trust (D)					
Equity Securities—Mutual Funds	$5	$—	$5	$—	$—
Debt Securities—Govt Obligations	$21	$—	$—	$21	$—

Debt Securities—Other	$18	$—	$—	$18	$—
Other Securities	$1	$—	$—	$1	$—
Liabilities:					
Derivative Contracts:					
Energy-Related Contracts (B)	$(165)	$541	$—	$(705)	$(1)

(A) Represents money market mutual funds

(B) Level 2—Fair values for energy-related contracts are obtained primarily using a market-based approach. Most derivative contracts (forward purchase or sale contracts and swaps) are valued using the average of the bid/ask midpoints from multiple broker or dealer quotes or auction prices. Prices used in the valuation process are also corroborated independently by management to determine that values are based on actual transaction data or, in the absence of transactions, bid and offers for the day. Examples may include certain exchange and non-exchange traded

capacity and electricity contracts and natural gas physical or swap contracts based on market prices, basis adjustments and other premiums where adjustments and premiums are not considered significant to the overall inputs.
Level 3—For energy-related contracts, which include more complex agreements where limited observable inputs or pricing information are available, modeling techniques are employed using assumptions reflective of contractual terms, current market rates, forward price curves, discount rates and risk factors, as applicable. Fair values of other energy contracts may be based on broker quotes that we cannot corroborate with actual market transaction data.

(C) Interest rate swaps are valued using quoted prices on commonly quoted intervals, which are interpolated for periods different than the quoted intervals, as inputs to a market valuation model. Market inputs can generally be verified and model selection does not involve significant management judgment.

(D) The NDT Fund maintains investments in various equity and fixed income securities classified as "available for sale." The Rabbi Trust maintains investments in an S&P 500 index fund and various fixed income securities classified as "available for sale." These securities are generally valued with prices that are either exchange provided (equity securities) or market transactions for comparable securities and/or broker quotes (fixed income securities).

Level 1—Investments in marketable equity securities within the NDT Fund are primarily investments in common stocks across a broad range of industries and sectors. Most equity securities are priced utilizing the principal market close price or, in some cases, midpoint, bid or ask price. Certain open-ended mutual funds with mainly short-term investments are valued based on unadjusted quoted prices in active markets. The Rabbi Trust equity index fund is valued based on quoted prices in an active market.
Level 2—NDT and Rabbi Trust fixed income securities are limited to investment grade corporate bonds, collateralized mortgage obligations, asset backed securities and government obligations or Federal Agency asset-backed securities with a wide range of maturities. Since many fixed income securities do not trade on a daily basis, they are priced using an evaluated pricing methodology that varies by asset class and reflects observable market information such as the most recent exchange price or quoted bid for similar securities. Market-based standard inputs typically include benchmark yields, reported trades, broker/dealer quotes and issuer spreads. Certain short-term investments are valued using observable market prices or market parameters such as time-to-maturity, coupon rate, quality rating and current yield.

(E) Represents the netting of fair value balances with the same counterparty (where the right of offset exists) and the application of collateral. All cash collateral received or posted that has been allocated to derivative positions, where the right of offset exists, has been offset in the Condensed Consolidated Balance Sheets. As of June 30, 2015, net cash collateral (received) paid of $8 million, was netted against the corresponding net derivative contract positions. Of the $8 million as of June 30, 2015, $(8) million of cash collateral was netted against assets, and $16 million was netted against liabilities. As of December 31, 2014, net cash collateral (received) paid of $24 million, was netted against the corresponding net derivative contract positions. Of the $24 million as of December 31, 2014, $(12) million of cash collateral was netted against assets, and $36 million was netted against liabilities.

Additional Information Regarding Level 3 Measurements

For valuations that include both observable and unobservable inputs, if the unobservable input is determined to be significant to the overall inputs, the entire valuation is categorized in Level 3. This includes derivatives valued using indicative price quotations for contracts with tenors that extend into periods with no observable pricing. In instances where observable data is unavailable, consideration is given to the assumptions that market participants would use in valuing the asset or liability. This includes assumptions about market risks such as liquidity, volatility and contract duration. Such instruments are categorized in Level 3 because the model inputs generally are not observable. PSEG's Risk Management Committee approves risk management policies and objectives for risk assessment, control and valuation, counterparty credit approval and the monitoring and reporting of risk exposures. The Risk Management Committee reports to the Audit Committee of the PSEG Board of Directors on the scope of the risk management activities and is responsible for approving all valuation procedures at PSEG. Forward price curves for the power market utilized by Power to manage the portfolio are maintained and reviewed by PSEG's Enterprise Risk Management market pricing group and used for financial reporting purposes. PSEG considers credit and

nonperformance risk in the valuation of derivative contracts categorized in Levels 2 and 3, including both historical and current market data, in its assessment of credit and nonperformance risk by counterparty. The impacts of credit and nonperformance risk were not material to the financial statements.

For PSE&G and Power, natural gas supply contracts are measured at fair value using modeling techniques taking into account the current price of natural gas adjusted for appropriate risk factors, as applicable, and internal assumptions about transportation costs, and accordingly, the fair value measurements are classified in Level 3. The fair value of Power's electric load contracts in

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which load consumption may change hourly based on demand are measured using certain unobservable inputs, such as historic load variability and, accordingly, are categorized as Level 3. For Power, long-term electric capacity contracts are measured using capacity auction prices. If the fair value for the unobservable tenor is significant, then the entire capacity contract is categorized as Level 3. The following tables provide details surrounding significant Level 3 valuations as of June 30, 2015 and December 31, 2014.

Quantitative Information About Level 3 Fair Value Measurements

Commodity	Level 3 Position	Fair Value as of June 30, 2015		Valuation Technique(s)	Significant Unobservable Input	Range
		Assets	(Liabilities)			
		Millions				
PSE&G						
Gas	Natural Gas Supply Contracts	$5	$—	Discounted Cash Flow	Transportation Costs	$0.70 to $1/dekatherm
Total PSE&G		$5	$—			
Power						
Electricity	Electric Load Contracts	$3	$—	Discounted Cash flow	Historic Load Variability	0% to +10%
Other	Various (A)	—	—			
Total Power		$3	$—			
Total PSEG		$8	$—			

Quantitative Information About Level 3 Fair Value Measurements

Commodity	Level 3 Position	Fair Value as of December 31, 2014		Valuation Technique(s)	Significant Unobservable Input	Range
		Assets	(Liabilities)			
		Millions				
PSE&G						
Gas	Natural Gas Supply Contracts	$26	$—	Discounted Cash Flow	Transportation Costs	$0.70 to $1/dekatherm
Total PSE&G		$26	$—			
Power						
Electricity	Electric Load Contracts	$12	$(1)	Discounted Cash Flow	Historic Load Variability	0% to +10%
Other	Various (B)	—	—			
Total Power		$12	$(1)			
Total PSEG		$38	$(1)			

(A) Includes long-term electric positions which were immaterial as of June 30, 2015.
(B) Includes gas supply positions and long-term electric capacity positions which were immaterial as of December 31, 2014.

Significant unobservable inputs listed above would have a direct impact on the fair values of the above Level 3 instruments if they were adjusted. For gas supply contracts where PSE&G is a seller, an increase in gas transportation

cost would increase the fair value. For energy-related contracts in cases where Power is a seller, an increase in either the power basis or the load variability or the longer-term gas basis amounts would decrease the fair value.

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A reconciliation of the beginning and ending balances of Level 3 derivative contracts and securities for the three months and six months ended June 30, 2015 and June 30, 2014, respectively, follows:
Changes in Level 3 Assets and (Liabilities) Measured at Fair Value on a Recurring Basis
for the Three Months and Six Months Ended June 30, 2015

	Three Months Ended June 30, 2015						
		Total Gains or (Losses) Realized/Unrealized					
Description	Balance as of April 1, 2015	Included in Income (A)	Included in Regulatory Assets/ Liabilities (B)	Purchases (Sales)	Issuances/ Settlements (C)	Transfers In/Out	Balance as of June 30, 2015
	Millions						
PSEG							
Net Derivative Assets (Liabilities)	$9	$5	$ (2)	$—	$(4)	$—	$8
PSE&G							
Net Derivative Assets (Liabilities)	$7	$—	$ (2)	$—	$—	$—	$5
Power							
Net Derivative Assets (Liabilities)	$2	$5	$ —	$—	$(4)	$—	$3

	Six Months Ended June 30, 2015						
		Total Gains or (Losses) Realized/Unrealized					
Description	Balance as of January 1, 2015	Included in Income (A)	Included in Regulatory Assets/ Liabilities (B)	Purchases (Sales)	Issuances/ Settlements (C)	Transfers In/Out	Balance as of June 30, 2015
	Millions						
PSEG							
Net Derivative Assets (Liabilities)	$37	$8	$ (21)	$—	$(16)	$—	$8
PSE&G							
Net Derivative Assets (Liabilities)	$26	$—	$ (21)	$—	$—	$—	$5
Power							
Net Derivative Assets (Liabilities)	$11	$8	$ —	$—	$(16)	$—	$3

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Changes in Level 3 Assets and (Liabilities) Measured at Fair Value on a Recurring Basis
for the Three Months and Six Months Ended June 30, 2014

	Three Months Ended June 30, 2014						
		Total Gains or (Losses) Realized/Unrealized					
Description	Balance as of April 1, 2014	Included in Income (E)	Included in Regulatory Assets/ Liabilities (B)	Purchases (Sales)	Issuances/ Settlements (C)	Transfers In/Out (D)	Balance as of June 30, 2014
	Millions						
PSEG							
Net Derivative Assets (Liabilities)	$1	$6	$ 10	$—	$(1)	$(3)	$13
PSE&G							
Net Derivative Assets (Liabilities)	$12	$—	$ 10	$—	$—	$—	$22
Power							
Net Derivative Assets (Liabilities)	$(11)	$6	$ —	$—	$(1)	$(3)	$(9)

	Six Months Ended June 30, 2014						
		Total Gains or (Losses) Realized/Unrealized					
Description	Balance as of January 1, 2014	Included in Income (E)	Included in Regulatory Assets/ Liabilities (B)	Purchases (Sales)	Issuances/ Settlements (C)	Transfers In/Out (D)	Balance as of June 30, 2014
	Millions						