

PUBLIC SERVICE ENTERPRISE GROUP INC
 Form 10-Q
 October 30, 2018

Table of Contents

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 September 30, 2018

OR

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

FOR THE TRANSITION PERIOD FROM TO

Commission Registrants, State of Incorporation,

I.R.S. Employer

File Number Address, and Telephone Number

Identification No.

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED

(A New Jersey Corporation)

001-09120

80 Park Plaza
 Newark, New Jersey 07102
 973 430-7000

22-2625848

PUBLIC SERVICE ELECTRIC AND GAS COMPANY

(A New Jersey Corporation)

001-00973

80 Park Plaza
 Newark, New Jersey 07102
 973 430-7000

22-1212800

PSEG POWER LLC

(A Delaware Limited Liability Company)

001-34232

80 Park Plaza
 Newark, New Jersey 07102
 973 430-7000

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, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

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Public Service Enterprise Group Incorporated Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company Emerging growth company

Public Service Electric and Gas Company Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company Emerging growth company

PSEG Power LLC Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company Emerging growth company

If any of the registrants is an emerging growth company, indicate by check mark if such registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

As of October 16, 2018, Public Service Enterprise Group Incorporated had outstanding 505,449,710 shares of its sole class of Common Stock, without par value.

As of October 16, 2018, 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) of Form 10-Q. Each is filing its Quarterly Report on Form 10-Q with the reduced disclosure format authorized by General Instruction H.

Table of Contents

	Page
<u>FORWARD-LOOKING STATEMENTS</u>	<u>ii</u>
FILING FORMAT	<u>iii</u>
PART I. FINANCIAL INFORMATION	
Item 1. Financial Statements	
<u>Public Service Enterprise Group Incorporated</u>	<u>1</u>
<u>Public Service Electric and Gas Company</u>	<u>6</u>
<u>PSEG Power LLC</u>	<u>11</u>
Notes to Condensed Consolidated Financial Statements	
<u>Note 1. Organization, Basis of Presentation and Significant Accounting Policies</u>	<u>16</u>
Note 2. Recent Accounting Standards	<u>17</u>
Note 3. Revenues	<u>20</u>
Note 4. Early Plant Retirements	<u>25</u>
Note 5. Variable Interest Entity (VIE)	<u>27</u>
Note 6. Rate Filings	<u>27</u>
Note 7. Financing Receivables	<u>28</u>
Note 8. Trust Investments	<u>31</u>
Note 9. Pension and Other Postretirement Benefits (OPEB)	<u>36</u>
Note 10. Commitments and Contingent Liabilities	<u>38</u>
Note 11. Debt and Credit Facilities	<u>44</u>
Note 12. Financial Risk Management Activities	<u>46</u>
Note 13. Fair Value Measurements	<u>50</u>
Note 14. Other Income (Deductions)	<u>58</u>
Note 15. Income Taxes	<u>59</u>
Note 16. Accumulated Other Comprehensive Income (Loss), Net of Tax	<u>61</u>
Note 17. Earnings Per Share (EPS) and Dividends	<u>65</u>
Note 18. Financial Information by Business Segment	<u>66</u>
Note 19. Related-Party Transactions	<u>66</u>
Note 20. Guarantees of Debt	<u>68</u>
Item 2. <u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>71</u>
Executive Overview of 2018 and Future Outlook	<u>71</u>
<u>Results of Operations</u>	<u>79</u>
<u>Liquidity and Capital Resources</u>	<u>84</u>
<u>Capital Requirements</u>	<u>86</u>
<u>Accounting Matters</u>	<u>86</u>
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>87</u>
Item 4. <u>Controls and Procedures</u>	<u>88</u>
PART II. OTHER INFORMATION	
Item 1. <u>Legal Proceedings</u>	<u>88</u>
Item 1A. <u>Risk Factors</u>	<u>88</u>
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>88</u>
Item 5. <u>Other Information</u>	<u>88</u>
Item 6. <u>Exhibits</u>	<u>90</u>
<u>Signatures</u>	<u>91</u>

Table of Contents

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. These factors include, but are not limited to:

- fluctuations in wholesale power and natural gas markets, including the potential impacts on the economic viability of our generation units;
- our ability to obtain adequate fuel supply;
- any inability to manage our energy obligations with available supply;
- increases in competition in wholesale energy and capacity markets;
- changes in technology related to energy generation, distribution and consumption and customer usage patterns;
- economic downturns;
- third-party credit risk relating to our sale of generation output and purchase of fuel;
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements;
- changes in state and federal legislation and regulations, and PSE&G's ability to recover costs and earn returns on authorized investments;
- the impact of pending and any future rate case proceedings;
- risks associated with our ownership and operation of nuclear facilities, including regulatory risks, such as compliance with the Atomic Energy Act and trade control, environmental and other regulations, as well as financial, environmental and health and safety risks;
- adverse changes in energy industry laws, policies and regulations, including market structures and transmission planning;
- changes in federal and state environmental regulations and enforcement;
- delays in receipt of, or an inability to receive, necessary licenses and permits;
- adverse outcomes of any legal, regulatory or other proceeding, settlement, investigation or claim applicable to us and/or the energy industry;
- changes in tax laws and regulations;
- the impact of our holding company structure on our ability to meet our corporate funding needs, service debt and pay dividends;
- lack of growth or slower growth in the number of customers or changes in customer demand;
- any inability of Power to meet its commitments under forward sale obligations;
- reliance on transmission facilities that we do not own or control and the impact on our ability to maintain adequate transmission capacity;
- any inability to successfully develop or construct generation, transmission and distribution projects;
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers;

Table of Contents

our inability to exercise control over the operations of generation facilities in which we do not maintain a controlling interest;

any inability to recover the carrying amount of our long-lived assets and leveraged leases;

any inability to maintain sufficient liquidity;

any inability to realize anticipated tax benefits or retain tax credits;

challenges associated with recruitment and/or retention of key executives and a qualified workforce;

the impact of our covenants in our debt instruments on our operations; and

the impact of acts of terrorism, cybersecurity attacks or intrusions.

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, results of operations or cash flows. 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 in light of new information or future events, 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.

FILING FORMAT

This combined Quarterly Report on 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 are each only responsible for information about itself and its subsidiaries.

Discussions throughout the document refer to PSEG and its direct operating subsidiaries, PSE&G and Power.

Depending on the context of each section, references to “we,” “us,” and “our” relate to PSEG or to the specific company or companies being discussed.

Table of ContentsPUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONSMillions, except per share data
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
OPERATING REVENUES	\$2,394	\$2,254	\$7,228	\$6,987
OPERATING EXPENSES				
Energy Costs	804	616	2,356	2,072
Operation and Maintenance	742	693	2,221	2,128
Depreciation and Amortization	294	252	854	1,721
Total Operating Expenses	1,840	1,561	5,431	5,921
OPERATING INCOME	554	693	1,797	1,066
Income from Equity Method Investments	5	3	12	11
Net Gains (Losses) on Trust Investments	45	18	31	71
Other Income (Deductions)	33	33	99	98
Non-Operating Pension and OPEB Credits (Costs)	19	—	57	1
Interest Expense	(127)	(100)	(341)	(289)
INCOME BEFORE INCOME TAXES	529	647	1,655	958
Income Tax Expense	(117)	(252)	(416)	(340)
NET INCOME	\$412	\$395	\$1,239	\$618
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING:				
BASIC	504	505	504	505
DILUTED	507	507	507	507
NET INCOME PER SHARE:				
BASIC	\$0.82	\$0.78	\$2.46	\$1.22
DILUTED	\$0.81	\$0.78	\$2.44	\$1.22
DIVIDENDS PAID PER SHARE OF COMMON STOCK	\$0.45	\$0.43	\$1.35	\$1.29

See Notes to Condensed Consolidated Financial Statements.

Table of ContentsPUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Millions

(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30,	September 30,	September 30,	September 30,
	2018	2017	2018	2017
NET INCOME	\$ 412	\$ 395	\$1,239	\$618
Other Comprehensive Income (Loss), net of tax				
Unrealized Gains (Losses) on Available-for-Sale Securities, net of tax (expense) benefit of \$2, \$(15), \$15 and \$(40) for the three and nine months ended 2018 and 2017, respectively	(4	) 17	(23	) 42
Unrealized Gains (Losses) on Cash Flow Hedges, net of tax (expense) benefit of \$0, \$0, \$1 and \$0 for the three and nine months ended 2018 and 2017, respectively	—	(1	) (1	) (1
Pension/Other Postretirement Benefit Costs (OPEB) adjustment, net of tax (expense) benefit of \$(3), \$(4), \$(9) and \$(12) for the three and nine months ended 2018 and 2017, respectively	7	6	22	18
Other Comprehensive Income (Loss), net of tax	3	22	(2	) 59
COMPREHENSIVE INCOME	\$ 415	\$ 417	\$1,237	\$677

See Notes to Condensed Consolidated Financial Statements.

Table of ContentsPUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
CONDENSED CONSOLIDATED BALANCE SHEETS

Millions

(Unaudited)

	September 30, 2018	December 31, 2017
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 88	\$ 313
Accounts Receivable, net of allowances of \$56 in 2018 and \$59 in 2017	1,240	1,348
Tax Receivable	225	127
Unbilled Revenues	155	296
Fuel	329	289
Materials and Supplies, net	590	577
Prepayments	214	118
Derivative Contracts	11	29
Regulatory Assets	317	211
Other	46	4
Total Current Assets	3,215	3,312
PROPERTY, PLANT AND EQUIPMENT	43,613	41,231
Less: Accumulated Depreciation and Amortization	(9,832)	(9,434)
Net Property, Plant and Equipment	33,781	31,797
NONCURRENT ASSETS		
Regulatory Assets	3,761	3,222
Long-Term Investments	923	932
Nuclear Decommissioning Trust (NDT) Fund	2,096	2,133
Long-Term Receivable of Variable Interest Entity (VIE)	682	686
Rabbi Trust Fund	225	231
Goodwill	16	16
Other Intangibles	107	114
Derivative Contracts	2	7
Other	265	266
Total Noncurrent Assets	8,077	7,607
TOTAL ASSETS	\$ 45,073	\$ 42,716

See Notes to Condensed Consolidated Financial Statements.

Table of ContentsPUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
CONDENSED CONSOLIDATED BALANCE SHEETS

Millions

(Unaudited)

	September 30, 2018	December 31, 2017
LIABILITIES AND CAPITALIZATION		
CURRENT LIABILITIES		
Long-Term Debt Due Within One Year	\$ 1,450	\$ 1,000
Commercial Paper and Loans	419	542
Accounts Payable	1,317	1,694
Derivative Contracts	13	16
Accrued Interest	159	103
Accrued Taxes	36	48
Clean Energy Program	187	128
Obligation to Return Cash Collateral	130	129
Regulatory Liabilities	303	47
Other	471	461
Total Current Liabilities	4,485	4,168
NONCURRENT LIABILITIES		
Deferred Income Taxes and Investment Tax Credits (ITC)	5,720	5,240
Regulatory Liabilities	3,286	2,948
Asset Retirement Obligations	1,059	1,024
OPEB Costs	1,410	1,455
OPEB Costs of Servco	560	542
Accrued Pension Costs	451	537
Accrued Pension Costs of Servco	108	129
Environmental Costs	348	357
Derivative Contracts	2	5
Long-Term Accrued Taxes	152	175
Other	224	221
Total Noncurrent Liabilities	13,320	12,633
COMMITMENTS AND CONTINGENT LIABILITIES (See Note 10)		
CAPITALIZATION		
LONG-TERM DEBT	12,909	12,068
STOCKHOLDERS' EQUITY		
Common Stock, no par, authorized 1,000 shares; issued, 2018 and 2017—534 shares	4,966	4,961
Treasury Stock, at cost, 2018—30 shares; 2017—29 shares	(811	) (763
Retained Earnings	10,611	9,878
Accumulated Other Comprehensive Loss	(407	) (229
Total Stockholders' Equity	14,359	13,847
Total Capitalization	27,268	25,915
TOTAL LIABILITIES AND CAPITALIZATION	\$ 45,073	\$ 42,716

See Notes to Condensed Consolidated Financial Statements.

Table of ContentsPUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

Millions

(Unaudited)

	Nine Months Ended September 30, 2018 2017	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	\$1,239	\$618
Adjustments to Reconcile Net Income to Net Cash Flows from Operating Activities:		
Depreciation and Amortization	854	1,721
Amortization of Nuclear Fuel	143	152
Emission Allowances and Renewable Energy Credit (REC) Compliance Accrual	74	79
Provision for Deferred Income Taxes (Other than Leases) and ITC	510	227
Non-Cash Employee Benefit Plan Costs	52	67
Leveraged Lease (Income) Loss, Adjusted for Rents Received and Deferred Taxes	(27)	(7)
Net (Gain) Loss on Lease Investments	14	48
Net Realized and Unrealized (Gains) Losses on Energy Contracts and Other Derivatives	78	8
Net Change in Regulatory Assets and Liabilities	(35)	(121)
Cost of Removal	(121)	(72)
Net (Gains) Losses and (Income) Expense from NDT Fund	(62)	(86)
Net Change in Certain Current Assets and Liabilities:		
Tax Receivable	(98)	64
Accrued Taxes	(12)	115
Margin Deposit	(77)	64
Other Current Assets and Liabilities	12	(71)
Employee Benefit Plan Funding and Related Payments	(85)	(64)
Other	33	(9)
Net Cash Provided By (Used In) Operating Activities	2,492	2,733
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to Property, Plant and Equipment	(3,028)	(3,046)
Purchase of Emissions Allowances and RECs	(111)	(90)
Proceeds from Sales of Trust Investments	1,085	1,013
Purchases of Trust Investments	(1,100)	(1,029)
Other	41	48
Net Cash Provided By (Used In) Investing Activities	(3,113)	(3,104)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net Change in Commercial Paper and Loans	(123)	(186)
Issuance of Long-Term Debt	2,050	1,125
Redemption of Long-Term Debt	(750)	—
Cash Dividends Paid on Common Stock	(682)	(652)
Other	(83)	(62)
Net Cash Provided By (Used In) Financing Activities	412	225
Net Increase (Decrease) in Cash, Cash Equivalents and Restricted Cash	(209)	(146)
Cash, Cash Equivalents and Restricted Cash at Beginning of Period	315	426

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Cash, Cash Equivalents and Restricted Cash at End of Period	\$106	\$280
Supplemental Disclosure of Cash Flow Information:		
Income Taxes Paid (Received)	\$64	\$(16)
Interest Paid, Net of Amounts Capitalized	\$292	\$261
Accrued Property, Plant and Equipment Expenditures	\$543	\$604

See Notes to Condensed Consolidated Financial Statements.

5

Table of ContentsPUBLIC SERVICE ELECTRIC AND GAS COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

Millions

(Unaudited)

	Three Months Ended September 30, 2018		Nine Months Ended September 30, 2017	
OPERATING REVENUES	\$1,595	\$1,530	\$4,826	\$4,749
OPERATING EXPENSES				
Energy Costs	593	543	1,863	1,793
Operation and Maintenance	389	357	1,133	1,086
Depreciation and Amortization	192	169	569	506
Total Operating Expenses	1,174	1,069	3,565	3,385
OPERATING INCOME	421	461	1,261	1,364
Net Gains (Losses) on Trust Investments	—	—	—	2
Other Income (Deductions)	21	22	61	65
Non-Operating Pension and OPEB Credits (Costs)	14	(2)	44	(5)
Interest Expense	(83)	(79)	(246)	(223)
INCOME BEFORE INCOME TAXES	373	402	1,120	1,203
Income Tax Expense	(95)	(156)	(292)	(450)
NET INCOME	\$278	\$246	\$828	\$753

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

Table of ContentsPUBLIC SERVICE ELECTRIC AND GAS COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Millions

(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2018	2017	2018	2017
NET INCOME	\$ 278	\$ 246	\$ 828	\$ 753
Unrealized Gains (Losses) on Available-for-Sale Securities, net of tax (expense) benefit of \$0, \$0, \$0 and \$1 for the three and nine months ended 2018 and 2017, respectively	(1)	—	(1)	(1)
COMPREHENSIVE INCOME	\$ 277	\$ 246	\$ 827	\$ 752

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

Table of ContentsPUBLIC SERVICE ELECTRIC AND GAS COMPANY
CONDENSED CONSOLIDATED BALANCE SHEETS

Millions

(Unaudited)

	September 30, 2018	December 31, 2017
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 25	\$ 242
Accounts Receivable, net of allowances of \$56 in 2018 and \$59 in 2017	842	882
Accounts Receivable—Affiliated Companies	55	—
Unbilled Revenues	155	296
Materials and Supplies	200	197
Prepayments	117	44
Regulatory Assets	317	211
Other	26	4
Total Current Assets	1,737	1,876
PROPERTY, PLANT AND EQUIPMENT	30,997	29,117
Less: Accumulated Depreciation and Amortization	(6,241	) (6,101)
Net Property, Plant and Equipment	24,756	23,016
NONCURRENT ASSETS		
Regulatory Assets	3,761	3,222
Long-Term Investments	278	280
Rabbi Trust Fund	46	46
Other	116	114
Total Noncurrent Assets	4,201	3,662
TOTAL ASSETS	\$ 30,694	\$ 28,554

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

Table of ContentsPUBLIC SERVICE ELECTRIC AND GAS COMPANY
CONDENSED CONSOLIDATED BALANCE SHEETS

Millions

(Unaudited)

	September 30, 2018	December 31, 2017
LIABILITIES AND CAPITALIZATION		
CURRENT LIABILITIES		
Long-Term Debt Due Within One Year	\$ 500	\$ 750
Commercial Paper and Loans	40	—
Accounts Payable	666	728
Accounts Payable—Affiliated Companies	164	340
Accrued Interest	96	78
Clean Energy Program	187	128
Obligation to Return Cash Collateral	130	129
Regulatory Liabilities	303	47
Other	367	311
Total Current Liabilities	2,453	2,511
NONCURRENT LIABILITIES		
Deferred Income Taxes and ITC	3,718	3,391
OPEB Costs	1,052	1,103
Accrued Pension Costs	171	226
Regulatory Liabilities	3,286	2,948
Environmental Costs	271	283
Asset Retirement Obligations	215	212
Long-Term Accrued Taxes	67	91
Other	118	114
Total Noncurrent Liabilities	8,898	8,368
COMMITMENTS AND CONTINGENT LIABILITIES (See Note 10)		
CAPITALIZATION		
LONG-TERM DEBT		
	8,682	7,841
STOCKHOLDER'S EQUITY		
Common Stock; 150 shares authorized; issued and outstanding, 2018 and 2017—132 shares	892	892
Contributed Capital	1,095	1,095
Basis Adjustment	986	986
Retained Earnings	7,689	6,861
Accumulated Other Comprehensive Income	(1) —
Total Stockholder's Equity	10,661	9,834
Total Capitalization	19,343	17,675
TOTAL LIABILITIES AND CAPITALIZATION	\$ 30,694	\$ 28,554

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

Table of ContentsPUBLIC SERVICE ELECTRIC AND GAS COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

Millions

(Unaudited)

	Nine Months Ended September 30, 2018 2017	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	\$828	\$753
Adjustments to Reconcile Net Income to Net Cash Flows from Operating Activities:		
Depreciation and Amortization	569	506
Provision for Deferred Income Taxes and ITC	330	497
Non-Cash Employee Benefit Plan Costs	28	37
Cost of Removal	(121)	(72)
Net Change in Regulatory Assets and Liabilities	(35)	(121)
Net Change in Certain Current Assets and Liabilities:		
Accounts Receivable and Unbilled Revenues	184	136
Materials and Supplies	(3)	(13)
Prepayments	(73)	(106)
Accounts Payable	(7)	(37)
Accounts Receivable/Payable—Affiliated Companies, net	(232)	(61)
Other Current Assets and Liabilities	10	(14)
Employee Benefit Plan Funding and Related Payments	(73)	(55)
Other	(8)	(58)
Net Cash Provided By (Used In) Operating Activities	1,397	1,392
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to Property, Plant and Equipment	(2,213)	(2,118)
Proceeds from Sales of Trust Investments	15	33
Purchases of Trust Investments	(17)	(34)
Solar Loan Investments	(15)	(2)
Other	6	7
Net Cash Provided By (Used In) Investing Activities	(2,224)	(2,114)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net Change in Short-Term Debt	40	—
Issuance of Long-Term Debt	1,350	425
Contributed Capital	—	150
Redemption of Long-Term Debt	(750)	—
Other	(14)	(5)
Net Cash Provided By (Used In) Financing Activities	626	570
Net Increase (Decrease) In Cash, Cash Equivalents and Restricted Cash	(201)	(152)
Cash, Cash Equivalents and Restricted Cash at Beginning of Period	244	393
Cash, Cash Equivalents and Restricted Cash at End of Period	\$43	\$241
Supplemental Disclosure of Cash Flow Information:		
Income Taxes Paid (Received)	\$60	\$(107)
Interest Paid, Net of Amounts Capitalized	\$223	\$208
Accrued Property, Plant and Equipment Expenditures	\$375	\$363

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

10

Table of Contents

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

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2018	2017	2018	2017
OPERATING REVENUES	\$868	\$846	\$3,038	\$3,033
OPERATING EXPENSES				
Energy Costs	431	330	1,550	1,408
Operation and Maintenance	231	229	745	717
Depreciation and Amortization	94	76	260	1,191
Total Operating Expenses	756	635	2,555	3,316
OPERATING INCOME (LOSS)	112	211	483	(283)
Income from Equity Method Investments	5	3	12	11
Net Gains (Losses) on Trust Investments	44	19	30	62
Other Income (Deductions)	14	11	38	34
Non-Operating Pension and OPEB Credits (Costs)	4	2	11	6
Interest Expense	(29)	(12)	(47)	(41)
INCOME (LOSS) BEFORE INCOME TAXES	150	234	527	(211)
Income Tax Benefit (Expense)	(25)	(98)	(127)	80
NET INCOME (LOSS)	\$125	\$136	\$400	\$(131)

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

Table of Contents

PSEG POWER LLC

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

Millions

(Unaudited)

	Three Months Ended September 30, 2018		Nine Months Ended September 30, 2017	
NET INCOME (LOSS)	\$ 125	\$ 136	\$ 400	\$(131)
Other Comprehensive Income (Loss), net of tax				
Unrealized Gains (Losses) on Available-for-Sale Securities, net of tax (expense) benefit of \$2, \$(14), \$13 and \$(41) for the three and nine months ended 2018 and 2017, respectively	(4	) 15	(19	) 44
Pension/OPEB adjustment, net of tax (expense) benefit of \$(3), \$(4), \$(8) and \$(11) for the three and nine months ended 2018 and 2017, respectively	7	5	19	15
Other Comprehensive Income (Loss), net of tax	3	20	—	59
COMPREHENSIVE INCOME (LOSS)	\$ 128	\$ 156	\$ 400	\$(72)

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

Table of ContentsPSEG POWER LLC
CONDENSED CONSOLIDATED BALANCE SHEETS

Millions

(Unaudited)

	September 30, 2018	December 31, 2017
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 41	\$ 32
Accounts Receivable	343	380
Accounts Receivable—Affiliated Companies	121	221
Short-Term Loan to Affiliate	119	—
Fuel	329	289
Materials and Supplies, net	386	376
Derivative Contracts	11	29
Prepayments	20	11
Other	6	3
Total Current Assets	1,376	1,341
PROPERTY, PLANT AND EQUIPMENT	12,277	11,755
Less: Accumulated Depreciation and Amortization	(3,408)	(3,159)
Net Property, Plant and Equipment	8,869	8,596
NONCURRENT ASSETS		
NDT Fund	2,096	2,133
Long-Term Investments	88	87
Goodwill	16	16
Other Intangibles	107	114
Rabbi Trust Fund	57	57
Derivative Contracts	2	7
Other	70	67
Total Noncurrent Assets	2,436	2,481
TOTAL ASSETS	\$ 12,681	\$ 12,418

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

Table of ContentsPSEG POWER LLC
CONDENSED CONSOLIDATED BALANCE SHEETS

Millions

(Unaudited)

September 30, December 31,
2018 2017

LIABILITIES AND MEMBER'S EQUITY

CURRENT LIABILITIES

Long-Term Debt Due Within One Year	\$ 250	\$ 250
Accounts Payable	465	712
Accounts Payable—Affiliated Companies	21	57
Short-Term Loan from Affiliate	—	281
Derivative Contracts	13	16
Accrued Interest	51	20
Other	69	99
Total Current Liabilities	869	1,435

NONCURRENT LIABILITIES

Deferred Income Taxes and ITC	1,577	1,406
Asset Retirement Obligations	841	810
OPEB Costs	289	283
Derivative Contracts	2	5
Accrued Pension Costs	161	184
Long-Term Accrued Taxes	1	52
Other	140	140
Total Noncurrent Liabilities	3,011	2,880

COMMITMENTS AND CONTINGENT LIABILITIES (See Note 10)

LONG-TERM DEBT	2,834	2,136
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MEMBER'S EQUITY

Contributed Capital	2,214	2,214	
Basis Adjustment	(986) (986)
Retained Earnings	5,086	4,911	
Accumulated Other Comprehensive Loss	(347) (172)
Total Member's Equity	5,967	5,967	
TOTAL LIABILITIES AND MEMBER'S EQUITY	\$ 12,681	\$ 12,418	

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

Table of ContentsPSEG POWER LLC
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

Millions

(Unaudited)

	Nine Months Ended September 30,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income (Loss)	\$400	\$(131)
Adjustments to Reconcile Net Income (Loss) to Net Cash Flows from Operating Activities:		
Depreciation and Amortization	260	1,191
Amortization of Nuclear Fuel	143	152
Provision for Deferred Income Taxes and ITC	177	(259)
Interest Accretion on Asset Retirement Obligation	31	23
Net Realized and Unrealized (Gains) Losses on Energy Contracts and Other Derivatives	78	8
Emission Allowances and Renewable Energy Credit (REC) Compliance Accrual	74	79
Non-Cash Employee Benefit Plan Costs	17	21
Net (Gains) Losses and (Income) Expense from NDT Fund	(62)	(86)
Net Change in Certain Current Assets and Liabilities:		
Fuel, Materials and Supplies	(50)	(32)
Margin Deposit	(77)	64
Accounts Receivable	42	19
Accounts Payable	(22)	(32)
Accounts Receivable/Payable—Affiliated Companies, net	65	205
Other Current Assets and Liabilities	(11)	11
Employee Benefit Plan Funding and Related Payments	(7)	(5)
Other	(53)	21
Net Cash Provided By (Used In) Operating Activities	1,005	1,249
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to Property, Plant and Equipment	(800)	(903)
Purchase of Emissions Allowances and RECs	(111)	(90)
Proceeds from Sales of Trust Investments	1,024	886
Purchases of Trust Investments	(1,037)	(900)
Short-Term Loan—Affiliated Company	(119)	86
Other	33	37
Net Cash Provided By (Used In) Investing Activities	(1,010)	(884)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of Long-Term Debt	700	—
Cash Dividend Paid	(400)	(350)
Short-Term Loan—Affiliated Company	(281)	—
Other	(5)	(4)
Net Cash Provided By (Used In) Financing Activities	14	(354)
Net Increase (Decrease) in Cash, Cash Equivalents and Restricted Cash	9	11
Cash, Cash Equivalents and Restricted Cash at Beginning of Period	32	11

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Cash, Cash Equivalents and Restricted Cash at End of Period	\$41	\$22
Supplemental Disclosure of Cash Flow Information:		
Income Taxes Paid (Received)	\$31	\$75
Interest Paid, Net of Amounts Capitalized	\$32	\$30
Accrued Property, Plant and Equipment Expenditures	\$168	\$241

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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Table of Contents

Note 1. Organization, Basis of Presentation and Significant Accounting Policies

Organization

Public Service Enterprise Group Incorporated (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:

Public Service Electric and Gas Company (PSE&G)—which is a 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 energy efficiency and related programs in New Jersey, which are regulated by the BPU.

PSEG Power LLC (Power)—which is a multi-regional energy supply company that integrates the operations of its merchant nuclear and fossil generating assets with its power marketing businesses and fuel supply functions through competitive energy sales in well-developed energy markets primarily in the Northeast and Mid-Atlantic United States through its principal direct wholly owned subsidiaries. In addition, Power owns and operates solar generation in various states. Power's subsidiaries are subject to regulation by FERC, the Nuclear Regulatory Commission (NRC), the Environmental Protection Agency (EPA) and the states in which they operate.

PSEG's other direct wholly owned subsidiaries are: PSEG Long Island LLC (PSEG LI), which operates the Long Island Power Authority's (LIPA) electric transmission and distribution (T&D) system under an Operations Services Agreement (OSA); PSEG Energy Holdings L.L.C. (Energy Holdings), which primarily has investments in leveraged leases; and PSEG Services Corporation (Services), which provides certain management, administrative and general services to PSEG and its subsidiaries at cost.

Basis of Presentation

The 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, 2017.

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 significant 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, 2017.

Significant Accounting Policies

Cash, Cash Equivalents and Restricted Cash

Cash equivalents consist of short-term, highly liquid investments with original maturities of three months or less. Restricted cash consists primarily of deposits received related to various construction projects at PSE&G.

The following provides a reconciliation of cash, cash equivalents and restricted cash reported within the Condensed Consolidated Balance Sheets that sum to the total of the same such amounts for the beginning (December 31, 2017) and ending periods shown in the Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2018.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Table of Contents

	PSE&Power	Other	Consolidated	
	(A)	(A)		
	Millions			
As of December 31, 2017				
Cash and Cash Equivalents	\$242	\$ 32	\$ 39	\$ 313
Restricted Cash in Other Current Assets	—	—	—	—
Restricted Cash in Other Noncurrent Assets	2	—	—	2
Cash, Cash Equivalents and Restricted Cash	\$244	\$ 32	\$ 39	\$ 315
As of September 30, 2018				
Cash and Cash Equivalents	\$25	\$ 41	\$ 22	\$ 88
Restricted Cash in Other Current Assets	6	—	—	6
Restricted Cash in Other Noncurrent Assets	12	—	—	12
Cash, Cash Equivalents and Restricted Cash	\$43	\$ 41	\$ 22	\$ 106

(A) Includes amounts applicable to PSEG (parent corporation), Energy Holdings and Services.

Note 2. Recent Accounting Standards

New Standards Issued and Adopted

Revenue from Contracts With Customers—Accounting Standard Update (ASU) 2014-09, updated by ASUs 2015-14, 2016-08, 2016-10, 2016-12, 2016-20, 2017-13, 2017-14

This accounting standard, and related updates, were adopted on January 1, 2018 using the full retrospective transition method. There was no effect on net income as a result of adoption. However, certain retrospective adjustments were recorded in accordance with the new standard. At PSE&G, retrospective adjustments increased Operating Revenues by \$21 million and \$60 million, Energy Costs by \$8 million and \$33 million, and Operation and Maintenance (O&M) Expense by \$13 million and \$27 million for the three and nine months ended September 30, 2017, respectively. At Power, retrospective adjustments reduced Operating Revenues and Energy Costs by \$27 million and \$53 million for the three and nine months ended September 30, 2017, respectively. For disclosure requirements under this standard, including Nature of Goods and Services, Disaggregation of Revenues, and Remaining Performance Obligations under Fixed Consideration Contracts, see Note 3. Revenues.

Recognition and Measurement of Financial Assets and Financial Liabilities—ASU 2016-01

Power maintains an external master trust fund to provide for the costs of decommissioning upon termination of operations of its nuclear facilities. In addition, PSEG maintains a grantor trust which was established to meet the obligations related to its non-qualified pension plans and deferred compensation plans, commonly referred to as a “Rabbi Trust.”

This accounting standard was adopted on January 1, 2018. Under the new guidance, equity investments in Power’s Nuclear Decommissioning Trust (NDT) and PSEG’s Rabbi Trust Funds are measured at fair value with the unrealized gains and losses now recognized through Net Income instead of Other Comprehensive Income (Loss). The debt securities in these trusts continue to be classified as available-for-sale with the unrealized gains and losses recorded as a component of Accumulated Other Comprehensive Income (Loss). Realized gains and losses on both equity and

available-for-sale debt security investments are recorded in earnings and are included with the unrealized gains and losses on equity securities in Net Gains (Losses) on Trust Investments. Other-than-temporary impairments on NDT and Rabbi Trust securities are also included in Net Gains (Losses) on Trust Investments. A cumulative effect adjustment was made to reclassify the net unrealized gains related to equity investments of \$342 million (\$176 million, net of tax) from Accumulated Other Comprehensive Income to Retained Earnings on January 1, 2018. See Note 16. Accumulated Other Comprehensive Income (Loss), Net of Tax and Note 8. Trust Investments for further discussion.

Statement of Cash Flows: Classification of Certain Cash Receipts and Cash Payments—ASU 2016-15

This accounting standard reduces the diversity in practice in how certain cash receipts and cash payments are presented and classified in the Statement of Cash Flows.

PSEG adopted this standard on January 1, 2018 using a retrospective transition method and had no changes in its presentation of its Statement of Cash Flows for each period presented.

Statement of Cash Flows: Restricted Cash—ASU 2016-18

This accounting standard was adopted on January 1, 2018. PSEG will continue the current balance sheet classification of restricted cash or restricted cash equivalents. PSEG has provided a reconciliation of cash and cash equivalents and restricted

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

Table of Contents

cash or restricted cash equivalents and has included a description of these amounts in Note 1. Organization, Basis of Presentation and Significant Accounting Policies. The effect of adoption on the September 30, 2018 Consolidated Statements of Cash Flows was immaterial.

Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost (OPEB)—ASU 2017-07

This accounting standard was adopted on January 1, 2018. Under the new guidance, entities are required to report the service cost component in the same line item or items as other compensation costs arising from services rendered by their employees during the period. The other components of net benefit cost are required to be presented in the Statement of Operations separately from the service cost component after Operating Income. Additionally, only the service cost component is eligible for capitalization, when applicable. As a result of adopting this standard, PSE&G reduced its charge to expense for the three and nine months ended September 30, 2018 by approximately \$15 million and \$44 million, respectively. The Condensed Consolidated Statements of Operations were recast to show retrospective adjustments of the non-service cost components of net benefit credits (costs) of \$(2) million and \$(5) million at PSE&G and \$2 million and \$6 million at Power, for the three and nine months ended September 30, 2017, respectively, from O&M Expense to a new line item after Operating Income entitled Non-Operating Pension and OPEB Credits (Costs). See Note 9. Pension and Other Postretirement Benefits (OPEB).

Stock Compensation - Scope of Modification Accounting—ASU 2017-09

This accounting standard was adopted on January 1, 2018. The standard will be applied prospectively to awards modified on or after January 1, 2018. PSEG does not expect a material impact from adoption of this new standard.

New Standards Issued But Not Yet Adopted

Leases—ASU 2016-02, updated by ASUs 2018-01, 2018-10 and 2018-11

This accounting standard, and related updates, replace existing lease accounting guidance and require lessees to recognize all leases with a term greater than 12 months on the balance sheet using a right-of-use asset approach. At lease commencement, a lessee will recognize a lease asset and corresponding lease obligation. A lessee will classify its leases as either finance leases or operating leases based on whether control of the underlying assets has transferred to the lessee. A lessor will classify its leases as operating or direct financing leases, or as sales-type leases based on whether control of the underlying assets has transferred to the lessee. Both the lessee and lessor models require additional disclosure of key information. The standard allows lessees and lessors to apply either (i) a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, or (ii) a prospective transition approach for leases existing as of January 1, 2019 with a cumulative effect adjustment to be recorded to Retained Earnings. PSEG intends to adopt this standard on a prospective basis. Existing guidance related to leveraged leases does not change.

This standard permits an entity to elect an optional transition practical expedient to exclude evaluation of land easements that exist or expired before the adoption of ASU 2016-02 and that were not previously accounted for as leases.

PSEG is currently analyzing the impact of this standard on its consolidated financial statements while undertaking the following implementation activities: (i) reviewing all contract types throughout PSEG to determine the lease population; (ii) implementing a lease accounting system to capture and account for long-term (greater than one year) leases to be operational on January 1, 2019; (iii) developing internal lease accounting policies and determining the practical expedients PSEG will elect; and (iv) drafting lease disclosures required in 2019. Pending finalization of those

activities, PSEG expects adoption of this standard on January 1, 2019 to impact its consolidated balance sheet by increasing its assets and liabilities by up to \$300 million. PSE&G expects its assets and liabilities to each increase by up to \$100 million and Power expects its assets and liabilities to each increase by up to \$60 million. PSEG does not expect adoption to have a material impact on the Consolidated Statements of Operations of PSEG, PSE&G and Power.

The standard is effective for annual and interim periods beginning after December 15, 2018.

Derivatives and Hedging: Targeted Improvements to Accounting for Hedging Activities—ASU 2017-12

This accounting standard's amendments more closely align hedge accounting with the companies' risk management activities in the financial statements. The amendments expand hedge accounting for both non-financial and financial risk components by permitting contractually specified components to be designated as the hedged risk in a cash flow hedge involving the purchase or sale of non-financial assets or variable rate financial instruments. The amendments also permit an entity to measure the interest rate risk on the hedged item in a partial-term fair value hedge assuming the hedged item has a term that reflects only the designated cash flows being hedged. Additionally, the amendments ease the operational burden of applying hedge accounting by allowing more time to prepare hedge documentation, and allowing effectiveness assessments to be performed on a qualitative basis after hedge inception.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Table of Contents

The new guidance is effective for annual and interim periods beginning after December 15, 2018. The standard requires using a modified retrospective method upon adoption. Early adoption is permitted. PSEG analyzed the impact of this standard on its consolidated financial statements and has determined that the standard could enable PSEG to enter into certain transactions that can be deemed hedges that previously would not have qualified. Adoption of this standard is not expected to have a material impact on PSEG's financial statements.

Premium Amortization on Purchased Callable Debt Securities—ASU 2017-08

This accounting standard was issued to shorten the amortization period for certain callable debt securities held at a premium. Specifically, the standard requires the premium to be amortized to the earliest call date. The amendments do not require an accounting change for securities held at a discount; the discount continues to be amortized to maturity. The standard is effective for annual and interim reporting periods beginning after December 15, 2018. Early adoption is permitted for an entity in any interim or annual period. If an entity early adopts the standard in an interim period, any adjustments should be reflected as of the beginning of the fiscal year that includes that interim period. An entity should apply this standard on a modified retrospective basis through a cumulative effect adjustment directly to retained earnings as of the beginning of the period of adoption. Additionally, in the period of adoption, an entity should provide disclosures about a change in accounting principle. PSEG is currently analyzing the impact of this standard on its financial statements.

Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income—ASU 2018-02

This accounting standard would affect any entity that is required to apply the provisions of the Accounting Standards Codification (ASC) topic, "Income Statement-Reporting Comprehensive Income," and has items of other comprehensive income for which the related tax effects are presented in other comprehensive income as required by GAAP. Specifically, this standard would allow entities to record a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the newly enacted federal corporate income tax rate. The amount of the reclassification would be the difference between the historical corporate income tax rate and the newly enacted 21% corporate income tax rate.

The standard is effective for all entities for annual periods and interim periods within those annual periods beginning after December 15, 2018. Early adoption is permitted for an entity in any interim or annual period for public business entities for reporting periods for which financial statements have not yet been issued or made available for issuance. An entity would be able to choose to apply this standard retrospectively to each period (or periods) in which the effect of the change in the U.S. federal corporate income tax rate in the new tax legislation enacted in 2017 is recognized or apply the standard in the reporting period adopted. PSEG is currently analyzing the impact this standard, if adopted, could have on its consolidated financial statements.

Measurement of Credit Losses on Financial Instruments—ASU 2016-13

This accounting standard provides a new model for recognizing credit losses on financial assets carried at amortized cost. The new model requires entities to use an estimate of expected credit losses that will be recognized as an impairment allowance rather than a direct write-down of the amortized cost basis. The estimate of expected credit losses is to be based on past events, current conditions and supportable forecasts over a reasonable period. For purchased financial assets with credit deterioration, a similar model is to be used; however, the initial allowance will be added to the purchase price rather than reported as an allowance. Credit losses on available-for-sale securities should be measured in a manner similar to current GAAP; however, this standard requires those credit losses to be presented as an allowance, rather than a write-down. This new standard also requires additional disclosures of credit

quality indicators for each class of financial asset disaggregated by year of origination.

The standard is effective for annual and interim periods beginning after December 15, 2019; however, entities may adopt early beginning in the annual or interim periods after December 15, 2018. PSEG is currently analyzing the impact of this standard on its financial statements.

Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement—ASU 2018-13

This accounting standard modifies the disclosure requirements for fair value measurements. Certain current disclosure requirements relating to Level 3 fair value measurements, and transfers between Level 1 and Level 2 fair value measurements will be eliminated. The standard will also add certain other disclosure requirements for Level 3 fair value measurements.

The standard is effective for annual and interim periods beginning after December 15, 2019. Certain amendments in the standard should be applied prospectively for only the most recent interim or annual period presented in the initial fiscal year of adoption. All other amendments of the standard should be applied retrospectively to all periods presented upon their effective date. Early adoption is permitted.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

Table of Contents

Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract—ASU 2018-15

This accounting standard aligns the capitalization requirements for implementation costs incurred in a hosting arrangement that is a service contract with capitalization requirements for implementation costs incurred to develop or obtain internal-use software, including hosting arrangements that include an internal use software license. The standard follows the guidance in ASC 350—Intangibles—Goodwill and Other to determine which implementation costs to capitalize as an asset related to the service contract and which costs to expense. The standard requires the amortization of capitalized costs to be presented in O&M Expense. In addition, the standard also adds presentation requirements for these costs in the statements of cash flows and financial position.

The standard is effective for annual and interim periods beginning after December 15, 2019. Early adoption is permitted, including adoption in any interim period. This standard should be applied either retrospectively or prospectively to all implementation costs incurred after the date of adoption. PSEG is currently analyzing the impact of this standard on its financial statements.

Simplifying the Test for Goodwill Impairment—ASU 2017-04

This accounting standard requires an entity to perform its annual or interim goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. An entity should recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. Additionally, an entity should consider income tax effects from any tax deductible goodwill on the carrying amount of the reporting unit when measuring the goodwill impairment loss, if applicable.

An entity should apply this standard on a prospective basis and will be required to disclose the nature of and reason for the change in accounting principle upon transition. The new standard is effective for impairment tests for periods beginning January 1, 2020. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. PSEG does not expect adoption of this standard to have a material impact on its financial statements.

Disclosure Framework—Changes to the Disclosure Requirements for Defined Benefit Plans—ASU 2018-14

This accounting standard modifies the disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans, including the elimination of certain current disclosure requirements. Certain other disclosure requirements related to interest crediting rates have been added and certain clarifications were made to other disclosure requirements.

The standard is effective for fiscal years ending after December 15, 2020 and early adoption is permitted. An entity should apply the amendments in this standard on a retrospective basis to all periods presented.

Note 3. Revenues

Nature of Goods and Services

The following is a description of principal activities by reportable segment from which PSEG, PSE&G and Power generate their revenues.

PSE&G

Revenues from Contracts with Customers

Electric and Gas Distribution and Transmission Revenues—PSE&G sells gas and electricity to customers under default commodity supply tariffs. PSE&G's regulated electric and gas default commodity supply and distribution services are separate tariffs which are satisfied as the product(s) and/or services are delivered to the customer. The electric and gas commodity and delivery tariffs are recurring contracts in effect until cancellation by the customer. Revenue is recognized over time as the service is rendered to the customer. Included in PSE&G's regulated revenues are unbilled electric and gas revenues which represent the estimated amount customers will be billed for services rendered from the most recent meter reading to the end of the respective accounting period.

PSE&G's transmission revenues are earned under a separate FERC tariff. The performance obligation of transmission service is satisfied over time as it is provided to and consumed by the customer. Revenue is recognized upon delivery of the transmission service. PSE&G's revenues from the transmission of electricity are recorded based on a FERC-approved annual formula rate mechanism. This mechanism provides for an annual filing of an estimated revenue requirement with rates effective January 1 of each year and a mechanism true-up to that estimate based on actual revenue requirements. The true-up mechanism is an alternative revenue which is outside the scope of revenue from contracts with customers.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

Table of Contents

Other Revenues from Contracts with Customers

Other revenues from contracts with customers, which are not a material source of PSE&G revenues, are generated primarily from appliance repair services and solar generation projects. The performance obligations under these contracts are satisfied and revenue is recognized as control of products is delivered or services are rendered.

Payment for services rendered and products transferred are typically due within 30 days of month of delivery.

Revenues Unrelated to Contracts with Customers

Other PSE&G revenues unrelated to contracts with customers are derived from alternative revenue mechanisms recorded pursuant to regulatory accounting guidance. These revenues, which include weather normalization, green energy program true-ups and transmission formula rate true-ups, are not a material source of PSE&G revenues.

Power

Revenues from Contracts with Customers

Electricity and Related Products—Wholesale and retail load contracts are executed in the different Independent System Operator (ISO) regions for the bundled supply of energy, capacity, renewable energy credits (RECs) and ancillary services representing Power's performance obligations. Revenue for these contracts is recognized over time as the bundled service is provided to the customer. Transaction terms generally run from several months to three years.

Power also sells to the ISOs energy and ancillary services which are separately transacted in the day-ahead or real-time energy markets. The energy and ancillary services performance obligations are typically satisfied over time as delivered and revenue is recognized accordingly. Power generally reports electricity sales and purchases conducted with those individual ISOs net on an hourly basis in either Operating Revenues or Energy Costs in its Consolidated Statements of Operations. The classification depends on the net hourly activity.

Power enters into capacity sales and capacity purchases through the ISOs. The transactions are reported on a net basis dependent on Power's monthly net sale or purchase position through the individual ISOs. The performance obligations with the ISOs are satisfied over time upon delivery of the capacity and revenue is recognized accordingly. In addition to capacity sold through the ISOs, Power sells capacity through bilateral contracts and the related revenue is reported on a gross basis and recognized over time upon delivery of the capacity.

Gas Contracts—Power sells wholesale natural gas, primarily through an index based full requirements Basic Gas Supply Service (BGSS) contract with PSE&G to meet the gas supply requirements of PSE&G's customers. The BGSS contract, which extends through March 2019, will renew year-to-year thereafter unless terminated by either party with a two year notice. The performance obligation is primarily delivery of gas which is satisfied over time. Revenue is recognized as gas is delivered. Based upon the availability of natural gas, storage and pipeline capacity beyond PSE&G's daily needs, Power also sells gas and pipeline capacity to other counterparties under bilateral contracts. The performance obligation under these contracts is satisfied over time upon delivery of the gas or capacity, and revenue is recognized accordingly.

Other Revenues from Contracts with Customers

Power enters into bilateral contracts to sell solar power and solar RECs from its solar facilities. Contract terms range from 15 to 30 years. The performance obligations are generally solar power and RECs which are transferred to customers upon generation. Revenue is recognized upon generation of the solar power.

Power has entered into long-term contracts with LIPA for energy management and fuel procurement services.

Revenue is recognized over time as services are rendered.

Revenues Unrelated to Contracts with Customers

Power's revenues unrelated to contracts with customers include electric, gas and certain energy-related transactions accounted for in accordance with Derivatives and Hedging accounting guidance. See Note 12. Financial Risk Management Activities for further discussion. Power is also a party to solar contracts that qualify as leases and are accounted for in accordance with lease accounting guidance.

Other

Revenues from Contracts with Customers

PSEG LI has a contract with LIPA which generates revenues. PSEG LI's subsidiary, Long Island Electric Utility Servco, LLC (Servco) records costs which are recovered from LIPA and records the recovery of those costs as revenues when Servco is a principal in the transaction.

21

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

Table of Contents

Revenues Unrelated to Contracts with Customers

Energy Holdings generates lease revenues which are recorded pursuant to lease accounting guidance.

Disaggregation of Revenues

	PSE&GPower	Other	Eliminations	Consolidated
	Millions			
Three Months Ended September 30, 2018				
Revenues from Contracts with Customers				
Electric Distribution	\$1,072	\$—	\$—	\$ 1,072
Gas Distribution	142	—	(6	) 136
Transmission	312	—	—	312
Electricity and Related Product Sales				
PJM				
Third Party Sales	—	558	—	558
Sales to Affiliates	—	166	(166) —
New York ISO	—	56	—	56
ISO New England	—	12	—	12
Gas Sales				
Third Party Sales	—	24	—	24
Sales to Affiliates	—	47	(47) —
Other Revenues from Contracts with Customers (A)	60	12	142	(1) 213
Total Revenues from Contracts with Customers	1,586	875	142	(220) 2,383
Revenues Unrelated to Contracts with Customers (B)	9	(7	) 9	— 11
Total Operating Revenues	\$1,595	\$868	\$ 151	\$ (220) \$ 2,394
	PSE&GPower	Other	Eliminations	Consolidated
	Millions			
Nine Months Ended September 30, 2018				
Revenues from Contracts with Customers				
Electric Distribution	\$2,516	\$—	\$—	\$ 2,516
Gas Distribution	1,149	—	(13	) 1,136
Transmission	925	—	—	925
Electricity and Related Product Sales				
PJM				
Third Party Sales	—	1,429	—	1,429
Sales to Affiliates	—	489	(489) —
New York ISO	—	161	—	161
ISO New England	—	73	—	73
Gas Sales				

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Third Party Sales	—	118	—	—	118
Sales to Affiliates	—	552	—	(552)	—
Other Revenues from Contracts with Customers (A)	195	35	404	(3)	631
Total Revenues from Contracts with Customers	4,785	2,857	404	(1,057)	6,989
Revenues Unrelated to Contracts with Customers (B)	41	181	17	—	239
Total Operating Revenues	\$4,826	\$3,038	\$ 421	\$ (1,057)	\$ 7,228

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

Table of Contents

	PSE&GPower	Other	Eliminations	Consolidated
	Millions			
Three Months Ended September 30, 2017				
Revenues from Contracts with Customers				
Electric Distribution	\$1,014	\$—	\$—	\$—
Gas Distribution	136	—	—	(4)
Transmission	308	—	—	—
Electricity and Related Product Sales				
PJM				
Third Party Sales	—	300	—	—
Sales to Affiliates	—	208	—	(208)
New York ISO	—	49	—	—
ISO New England	—	15	—	—
Gas Sales				
Third Party Sales	—	26	—	—
Sales to Affiliates	—	44	—	(44)
Other Revenues from Contracts with Customers (A)	59	11	130	(1)
Total Revenues from Contracts with Customers	1,517	653	130	(257)
Revenues Unrelated to Contracts with Customers (B)	13	193	5	—
Total Operating Revenues	\$1,530	\$ 846	\$ 135	\$ (257)

	PSE&GPower	Other	Eliminations	Consolidated
	Millions			
Nine Months Ended September 30, 2017				
Revenues from Contracts with Customers				
Electric Distribution	\$2,472	\$—	\$—	\$—
Gas Distribution	1,124	—	—	(11)
Transmission	914	—	—	—
Electricity and Related Product Sales				
PJM				
Third Party Sales	—	916	—	—
Sales to Affiliates	—	563	—	(563)
New York ISO	—	135	—	—
ISO New England	—	35	—	—
Gas Sales				
Third Party Sales	—	89	—	—
Sales to Affiliates	—	552	—	(552)
Other Revenues from Contracts with Customers (A)	188	33	386	(3)

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Total Revenues from Contracts with Customers	4,698	2,323	386	(1,129)	6,278
Revenues Unrelated to Contracts with Customers (B)	51	710	(52)	—	709
Total Operating Revenues	\$4,749	\$3,033	\$334	\$ (1,129	)	\$ 6,987

(A) Includes primarily revenues from appliance repair services at PSE&G, solar power projects and energy management and fuel service contracts with LIPA at Power, and PSEG LI's OSA with LIPA in Other.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

Table of Contents

Includes primarily alternative revenues at PSE&G, derivative contracts at Power, and lease contracts in Other. For (B) the nine months ended September 30, 2018 and 2017, Other includes a \$20 million loss and a \$77 million loss, respectively, related to Energy Holdings' investments in leases.

Contract Balances

PSE&G

PSE&G does not have any material contract balances (rights to consideration for services already provided or obligations to provide services in the future for consideration already received) as of September 30, 2018 and December 31, 2017. Substantially all of PSE&G's accounts receivable result from contracts with customers. Allowances represented approximately seven percent of accounts receivable as of September 30, 2018 and December 31, 2017.

Power

Power generally collects consideration upon satisfaction of performance obligations, and therefore, Power had no material contract balances as of September 30, 2018 and December 31, 2017.

Power's accounts receivable include amounts resulting from contracts with customers and other contracts which are out of scope of accounting guidance for revenues from contracts with customers. The majority of these accounts receivable are subject to master netting agreements. As a result, accounts receivable resulting from contracts with customers and receivables unrelated to contracts with customers are netted within Accounts Receivable and Accounts Payable on the Condensed Consolidated Balance Sheets. In the wholesale energy markets in which Power operates, payment for services rendered and products transferred are typically due within 30 days of month of delivery. As such, there is little credit risk associated with these receivables and Power typically records no allowances.

Other

PSEG LI does not have any material contract balances as of September 30, 2018 and December 31, 2017.

Remaining Performance Obligations under Fixed Consideration Contracts

Power and PSE&G primarily record revenues as allowed by the guidance, which states that if an entity has a right to consideration from a customer in an amount that corresponds directly with the value to the customer of the entity's performance completed to date, the entity may recognize revenue in the amount to which the entity has a right to invoice. PSEG has future performance obligations under contracts with fixed consideration as follows:

Power

As stated above, capacity transactions with ISOs are reported on a net basis dependent on Power's monthly net sale or purchase position through the individual ISOs.

Capacity Payments from the PJM Reliability Pricing Model (RPM) Annual Base Residual and Incremental Auctions—The Base Residual Auction is conducted annually three years in advance of the operating period. Power expects to realize the following average capacity prices for capacity obligations to be satisfied resulting from the base and incremental auctions which have been completed:

Delivery Year	\$ per MW-Day	MW Cleared
June 2018 to May 2019	\$205	9,200
June 2019 to May 2020	\$116	8,900

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June 2020 to May 2021	\$170	8,100
June 2021 to May 2022	\$178	7,700

Capacity Payments from the New England ISO Forward Capacity Market—The Forward Capacity Market Auction (FCM) is conducted annually three years in advance of the operating period. The table below includes Power's cleared capacity in the FCM for the Bridgeport Harbor Station 5, which cleared the 2019/2020 auction at \$231/MW-day for seven years, with escalations based on the Handy-Whitman Index and the planned retirement of Bridgeport Harbor Station 3 in 2021. Power expects to realize the following average capacity prices for capacity obligations to be satisfied resulting from the FCM auctions which have been completed:

24

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Table of Contents

Delivery Year	\$ per MW-Day	MW Cleared
June 2018 to May 2019	\$314	820
June 2019 to May 2020	\$231	1,330
June 2020 to May 2021	\$195	1,330
June 2021 to May 2022	\$192	950
June 2022 to May 2023	\$231	480
June 2023 to May 2024	\$231	480
June 2024 to May 2025	\$231	480
June 2025 to May 2026	\$231	480

Bilateral capacity contracts—Capacity obligations pursuant to contract terms through 2029 are anticipated to result in revenues totaling \$171 million.

Other

The LIPA OSA is a 12-year services contract ending in 2025 with annual fixed and incentive components. The fixed fee for the provision of services thereunder in 2018 is \$64 million and could increase each year based on the change in the Consumer Price Index (CPI). The incentive for 2018 can range from zero to approximately \$10 million and could increase each year thereafter based on the change in the CPI.

Note 4. Early Plant Retirements

Fossil

On June 1, 2017, Power completed its previously announced retirement of the generation operations of the existing coal/gas units at the Hudson and Mercer generating stations.

As of June 1, 2017, Power recognized total Depreciation and Amortization of \$964 million for the Hudson and Mercer units to reflect the significant shortening of their expected economic useful lives in 2017. In the three and nine months ended September 30, 2017, Power recognized pre-tax charges of \$1 million and \$10 million, respectively, in Energy Costs primarily for coal inventory lower of cost or market adjustments. In the three and nine months ended September 30, 2017, Power also recognized pre-tax charges in O&M of \$8 million and \$12 million, respectively, of shut down costs and a net increase in the Asset Retirement Obligation liability due to settlements and changes in cash flow estimates, partially offset by changes in employee-related severance costs. In 2018, no material costs were recorded. Power is exploring various opportunities with

these sites, including using the sites for alternative industrial activity or the disposition of one or both of the sites. If Power determines not to use the sites for alternative industrial activity, the early retirement of the units at such sites would trigger

obligations under certain environmental regulations, including possible remediation. The amounts for any such environmental

remediation are neither currently probable nor estimable but may be material.

PSEG and Power continue to monitor their other coal assets, including the Keystone and Conemaugh generating stations, to assess their economic viability through the end of their designated useful lives and their continued classification as held for use. The precise timing of a change in useful lives may be dependent upon events out of PSEG's and Power's control and may impact their ability to operate or maintain certain assets in the future. These generating stations may be impacted by factors such as environmental legislation, co-owner capital requirements and continued depressed wholesale power prices or capacity factors, among other things. Any early retirement or change in the held for use classification of our remaining coal units may have a material adverse impact on PSEG's and Power's future financial results.

Nuclear

Since 2013, several nuclear generating stations in the United States have closed or announced early retirement due to economic reasons, or have announced being at risk for early retirement. In September 2018, Exelon, a co-owner of the Salem units, shut down its Oyster Creek nuclear plant located in New Jersey, one year earlier than previously planned for economic reasons. In addition, First Energy announced in March 2018 the early retirement of four nuclear units at the Davis-Besse, Perry Nuclear and Beaver Valley nuclear plants in Ohio and Pennsylvania by 2021. These closures and retirements are generally due to the decline in market prices of energy, resulting from low natural gas prices driven by the growth of shale gas production since 2007, the continuing cost of regulatory compliance and enhanced security for nuclear facilities, both federal and state-level policies that provide financial incentives to construct renewable energy such as wind and solar and the failure to adequately compensate nuclear generating stations for the attributes they bring similar to renewable energy production. These trends have significantly reduced

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Table of Contents

the revenues of nuclear generating stations while limiting their ability to reduce the unit cost of production. This may result in the electric generation industry experiencing a further shift from nuclear generation to natural gas-fired generation, creating less diversity of the generation fleet.

In May 2018, the governor of New Jersey signed legislation that would provide a safety net in order to prevent the loss of environmental attributes from selected nuclear generating stations referred to as the ZEC (Zero Emissions Certificate) program. The legislation calls for the BPU to establish a collection process for a customer charge, determine eligibility and certification of need, and potentially select nuclear plants to receive ZECs starting in April 2019. The law mandates each New Jersey electric distribution company (EDC), including PSE&G, to purchase ZECs and recover its procurement of ZECs through a non-bypassable charge (ZEC charge) in the amount of \$0.004 per kilowatt-hour.

In the ordinary course, management, and in the case of the Salem units the co-owner, each makes a number of decisions that impact the operation of Power's nuclear units beyond the current year, including whether and to what extent these units participate in RPM capacity auctions, commitments relating to refueling outages and significant capital expenditures, and decisions regarding our hedging arrangements. When considering whether to make these future commitments, management's decisions will primarily be influenced by the financial outlook of the units, including the progress, timing and continued outlook for selection of the units under the newly enacted legislation in the state of New Jersey. Power and Exelon have agreed to continue to assess and, when appropriate, approve the funding of individual capital projects to ensure compliance with regulatory requirements and the safe operation of the Salem generating station and that the funding of previously postponed projects may be restored as a result of the legislation enacted in New Jersey sufficiently values the attributes of nuclear generation and Salem benefits from such legislation.

Power believes it may be unable to cover its costs and would be inadequately compensated for its market and operational risks at the Salem and Hope Creek nuclear units, which would result in Power retiring these units early if (i) energy market prices continue to be depressed, (ii) there are adverse impacts from potential changes to the capacity market construct being considered by FERC, or (iii) Salem and/or Hope Creek are not selected to participate in the ZEC program or the ZEC program does not adequately compensate our nuclear generating stations for their attributes. The costs associated with any such retirement, which may include, among other things, accelerated depreciation and amortization or impairment charges, accelerated asset retirement costs, severance costs, environmental remediation costs and additional funding of the NDT Fund would be material to both PSEG and Power. If any or all of the Salem and Hope Creek units were shut down, it would significantly alter New Jersey's energy supply predominately by increasing New Jersey's reliance on natural gas generation. Such a decrease in fuel diversity could also increase the market's vulnerability to price fluctuations and power disruptions in times of high demand.

The following table provides the balance sheet amounts by generating station as of September 30, 2018 for significant assets and liabilities associated with Power's owned share of its nuclear assets.

As of September 30, 2018		
		Support
Hope		Facilities Peach
Creek	Salem	and Other Bottom
		(A)

Millions

Assets				
Materials and Supplies Inventory	\$83	\$ 72	\$ —	\$ 42
Nuclear Production, net of Accumulated Depreciation	684	642	199	775
Nuclear Fuel In-Service, net of Accumulated Depreciation	155	72	—	103
Construction Work in Progress (including nuclear fuel)	144	156	2	87
Total Assets	\$1,066	\$ 942	\$ 201	\$ 1,007
Liability				
Asset Retirement Obligation	\$313	\$ 258	\$ —	\$ 213
Total Liabilities	\$313	\$ 258	\$ —	\$ 213
Net Assets	\$753	\$ 684	\$ 201	\$ 794
NRC License Renewal Term	2046	2036/2040	N/A	2033/2034
% Owned	100	% 57	% Various	50 %

(A)Includes Hope Creek's and Salem's shared support facilities and other nuclear development capital.

The precise timing of any potential early retirement and resulting financial statement impact may be affected by a number of factors, including co-owner considerations, the results of any transmission system reliability study assessments and decommissioning trust fund requirements and other commitments, as well as future energy prices. Power maintains a NDT Fund that funds its decommissioning obligations. See Note 8. Trust Investments.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Table of Contents

Note 5. Variable Interest Entity (VIE)

VIE for which PSEG LI is the Primary Beneficiary

PSEG LI consolidates 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.

For transactions in which Servco acts as principal and controls the services provided to LIPA, 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 O&M Expense, respectively. Servco recorded \$126 million and \$114 million for the three months and \$355 million and \$338 million for the nine months ended September 30, 2018 and 2017, 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 6. Rate Filings

This Note should be read in conjunction with Note 6. Regulatory Assets and Liabilities to the Consolidated Financial Statements in the Annual Report on Form 10-K for the year ended December 31, 2017.

In addition to items previously reported in the Annual Report on Form 10-K, significant regulatory orders received and currently pending rate filings with FERC and the BPU by PSE&G are as follows:

Electric and Gas Distribution Base Rate Filings—In October 2018, the BPU issued an Order approving the settlement of PSE&G's distribution base rate case with new rates effective November 1, 2018. The settlement resulted in a net reduction in overall annual revenues of approximately \$13 million, comprised of a \$212 million increase in base revenues, including recovery of deferred storm costs, offset by the return of tax benefits of approximately \$225 million. The tax benefits include the flow-back to customers of excess accumulated deferred income taxes resulting from the reduction of the federal income tax rates provided in the Tax Cuts and Jobs Act of 2017 (Tax Act) as well as the accumulated deferred income taxes from previously realized tax repair deductions and tax benefits from future tax repair deductions as realized. As a result of the agreement to flow back tax repair-related accumulated deferred income taxes in the settlement, PSE&G recognized a \$581 million regulatory liability and a corresponding regulatory asset as of September 30, 2018. The Order provides for a \$9.5 billion rate base, a 9.6% return on equity for PSE&G's distribution business and a 54% equity component of its capitalization structure. In addition to the \$13 million annual revenue reduction, the Order provides for a \$28 million one-time refund to customers in November and December 2018 for taxes collected at the higher federal income tax rate for the January 1 to March 31, 2018 period. The BPU

approved a rate reduction effective April 1, 2018, to PSE&G's then current electric and gas base rates of approximately \$71 million and \$43 million, respectively, on an annual basis, to reflect the lower federal income tax rate for the period April 1 and forward.

Transmission Formula Rate Filings—In October 2018, PSE&G made two FERC filings with respect to its Transmission Formula Rate. PSE&G filed its 2019 Annual Transmission Formula Rate update with FERC requesting approximately \$100 million in increased annual transmission revenue effective January 1, 2019, subject to true-up. In addition, PSE&G filed a Section 205 filing that seeks FERC approval to refund approximately \$155 million of transmission related “unprotected excess deferred income tax benefits” to transmission customers over the 2019 twelve month period. The amount of unprotected excess deferred taxes is subject to change pending further Internal Revenue Service (IRS) guidance. FERC approval of PSE&G's Section 205 filing is required to commence any refund to customers and as such, the Annual Transmission Formula Rate update request does not include the impact of the tax refund. This matter is pending.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

Table of Contents

In June 2018, PSE&G filed its 2017 true-up adjustment pertaining to its transmission formula rates in effect for 2017. This resulted in an adjustment of \$27 million more than the 2017 originally filed revenues, the impact of which PSE&G had primarily recognized in its Consolidated Statement of Operations for the year ended December 31, 2017. BGSS—In September 2018, the BPU provisionally approved PSE&G's request to decrease its BGSS rates which will decrease annual BGSS revenues by \$26 million. The BGSS rate decreased from approximately 37 cents to 35 cents per therm for residential gas customers effective October 1, 2018.

In April 2018, the BPU approved the final BGSS rates which were effective October 1, 2017.

Green Program Recovery Charges (GPRC)—In October 2018, the BPU approved PSE&G's 2017 GPRC cost recovery petition requesting recovery of approximately \$58 million and \$15 million in electric and gas revenues, respectively, on an annual basis.

In June 2018, PSE&G filed its 2018 GPRC cost recovery petition requesting recovery of approximately \$65 million and \$6 million in electric and gas revenues, respectively, on an annual basis.

Remediation Adjustment Charge (RAC)—In October 2018, the BPU approved PSE&G's filing with respect to its RAC 25 petition allowing recovery of \$63 million effective November 1, 2018 related to Manufactured Gas Plant expenditures from August 1, 2016 through July 31, 2017.

Energy Strong Program I (ES I) Recovery Filing—In August 2018, the BPU approved recovery of PSE&G's ES I capital investment petition of an annual revenue requirement increase of \$0.6 million and \$0.1 million associated with electric and gas investment costs, respectively. This represents the final recovery of electric and gas ES I capital investment costs consistent with the BPU Order of Approval of the Energy Strong Program.

In February 2018, the BPU approved recovery of an annual revenue requirement of \$8 million associated with electric ES I capital investment costs placed in service from June 1, 2017 through November 30, 2017.

Weather Normalization Clause (WNC)—In October 2018, the BPU approved PSE&G's 2017-2018 WNC petition on a provisional basis allowing a net recovery of \$14 million to be collected over the 2018-2019 Winter Period with the new rate effective November 1, 2018. The \$14 million net recovery is the result of \$9 million of excess revenues from the colder-than-normal 2017-2018 Winter Period offset by \$23 million of remaining prior Winter Period undercollection.

In April 2018, the BPU gave final approval to PSE&G's petition to collect \$55 million in net deficiency gas revenues as a result of the warmer than normal 2016-2017 Winter Period, which resulted in a deficiency of \$31 million, plus a carryover balance of \$24 million from the 2015-2016 Winter Period.

Gas System Modernization Program I (GSMP I)—In October 2018, PSE&G updated its annual GSMP I cost recovery petition to include GSMP I investments in service as of September 30, 2018. The petition seeks BPU approval to recover in gas base rates an estimated annual revenue increase of \$21 million effective January 1, 2019.

Societal Benefits Charge—In February 2018, the BPU approved PSE&G's petition to increase electric rates by approximately \$20 million on an annual basis and to decrease gas rates by approximately \$0.8 million on an annual basis, in order to recover electric and gas costs incurred through May 31, 2017 under its Energy Efficiency and Renewable Energy and Social Programs. The new rates were effective April 1, 2018.

Note 7. 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. Interest income on the loans is recorded on an accrual basis. The loans are generally paid back with solar renewable energy certificates (SRECs) generated from the installed solar electric system. In the event of a loan default, the basis of the solar loan would be recovered through a regulatory recovery mechanism. None of the solar loans are impaired; however, in the event a loan becomes impaired, the basis of the loan would be recovered through a regulatory recovery mechanism. 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."

28

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Table of Contents

Outstanding Loans by Class of Customer

	As of September 30, 2018	As of December 31, 2017
Consumer Loans		
	Millions	
Commercial/Industrial	\$ 166	\$ 158
Residential	9	10
Total	\$ 175	\$ 168

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' equity investments in the leases are comprised of the total expected lease receivables 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.

During the first quarter of 2017, due to continuing liquidity issues facing NRG REMA, LLC (REMA), economic challenges facing coal generation in PJM, and based upon an ongoing review of available alternatives as well as certain discussions with REMA management, Energy Holdings recorded a \$55 million pre-tax charge for its current best estimate of loss related to the lease receivables. Additional pre-tax charges of \$22 million (including \$7 million related to residual value impairment) were recorded in the quarter ended June 30, 2017.

Based on an ongoing review of (i) the liquidity challenges facing REMA and (ii) available alternatives, Energy Holdings recorded an additional \$20 million pre-tax charge in the three months ended June 30, 2018 for its current best estimate of loss related to lease receivables. Pre-tax charges were reflected in Operating Revenues in 2018 and 2017 and are included in Gross Investment in Leases as of September 30, 2018.

In September 2018, certain subsidiaries of Energy Holdings (PSEG Entities) entered into a Restructuring Support Agreement (RSA) with REMA. Pursuant to the RSA, the PSEG Entities have agreed to support implementation of restructuring and related transactions with respect to REMA's indebtedness. Such restructuring transactions will be implemented by REMA on an in-court basis under Chapter 11 of the Bankruptcy Code. The RSA outlines a plan of reorganization under which, in addition to other terms, the ownership interest in the leases relating to the Keystone and Conemaugh investments will be transferred to debtholders of REMA. Upon consummation of the restructuring transactions, the PSEG Entities will receive \$31.5 million in cash in exchange for (a) the full satisfaction of all claims asserted against REMA and (b) approval of certain amendments to the Shawville lease. The Shawville lease amendments, among other things, will allow REMA to express tentative interest in a renewal on or after November 24, 2019, with similar changes to the other milestones in the lease renewal procedures. In addition, REMA has agreed

to fund qualifying credit support up to \$36 million.

Energy Holdings will be required upon resolution of this matter to accelerate and pay approximately \$40 million of state deferred tax liabilities and accelerate and pay and/or reduce \$85 million of a forecasted federal tax loss to the IRS.

As of September 30, 2018, no additional charges were recorded because the anticipated proceeds of \$31.5 million from the transactions described above are in excess of the September 30, 2018 recorded amounts for the Keystone and Conemaugh lease investments.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Table of Contents

The following table shows Energy Holdings' gross and net lease investment as of September 30, 2018 and December 31, 2017.

	As of September 30, 2018	As of December 31, 2017
	Millions	
Lease Receivables (net of Non-Recourse Debt)	\$ 524	\$ 546
Estimated Residual Value of Leased Assets	326	326
Total Investment in Rental Receivables	850	872
Unearned and Deferred Income	(294)	(307)
Gross Investment in Leases	556	565
Deferred Tax Liabilities	(470)	(480)
Net Investment in Leases	\$ 86	\$ 85

The corresponding receivables associated with the lease portfolio are reflected as follows, 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 September 30, 2018	Lease Receivables, Net of Non-Recourse Debt
	As of September 30, 2018 Millions
AA	\$ 13
BBB+ — BBB-	316
BB	133
NR	62
Total	\$ 524

The "BB" and the "NR" ratings in the preceding table represent lease receivables related to coal and gas-fired assets in Illinois and Pennsylvania, respectively. As of September 30, 2018, the gross investment in the leases of such assets, net of non-recourse debt, was \$316 million (\$83 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 MW	Fuel Type	Counterparties' S&P Credit Ratings	Counterparty
		Millions					
Powerton Station Units 5 and 6	IL	\$ 133	64 %	1,538	Coal	BB	NRG Energy, Inc.
Joliet Station Units 7 and 8	IL	\$ 85	64 %	1,036	Gas	BB	NRG Energy, Inc.

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Keystone Station Units 1 and 2	PA	\$ 10	17 %	1,711	Coal	NR	REMA (A)
Conemaugh Station Units 1 and 2	PA	\$ 9	17 %	1,711	Coal	NR	REMA (A)
Shawville Station Units 1, 2, 3 and 4	PA	\$ 79	100 %	596	Gas	NR	REMA (A)

REMA filed a voluntary petition for relief under Chapter 11 of the U.S. Bankruptcy Code. See above for a (A) discussion of the RSA entered into by REMA and the PSEG Entities relating to certain restructuring transactions by REMA.

The credit exposure for lessors is partially mitigated through various credit enhancement mechanisms within the lease structures. These credit enhancement features vary from lease to lease. Upon the occurrence of certain defaults, indirect subsidiary companies of Energy Holdings would exercise their rights and seek recovery of their investment, potentially

30

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Table of Contents

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 and trigger certain material tax obligations which could, for certain leases, wholly or partially be mitigated by tax indemnification claims against the counterparty. A bankruptcy of a lessee would likely delay and potentially limit 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.

Additional factors that 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 their affiliates and the quality and condition of assets under lease.

Note 8. Trust Investments

NDT Fund

Power maintains an external master NDT to fund its share of decommissioning costs for its five nuclear facilities upon their respective termination of operation. The trust contains two separate funds: a qualified fund and a non-qualified fund. Section 468A of the Internal Revenue Code (IRC) limits the amount of money that can be contributed into a qualified fund. The funds are managed by third-party investment managers who operate under investment guidelines developed by Power.

The following tables show the fair values and gross unrealized gains and losses for the securities held in the NDT Fund.

	As of September 30, 2018			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	Millions			
Equity Securities				
Domestic	\$467	\$ 268	\$ (7)	\$728
International	330	78	(16)	392
Total Equity Securities	797	346	(23)	1,120
Available-for Sale Debt Securities				
Government	537	—	(17)	520
Corporate	468	1	(13)	456
Total Available-for-Sale Debt Securities	1,005	1	(30)	976
Other	—	—	—	—
Total NDT Fund Investments	\$1,802	\$ 347	\$ (53)	\$2,096

As of December 31, 2017			
Cost	Gross	Gross	Fair

	Unrealized Gains		Unrealized Losses		Value
	Millions				
Equity Securities					
Domestic	\$497	\$ 245	\$ (2	)	\$740
International	311	99	(3	)	407
Total Equity Securities	808	344	(5	)	1,147
Available-for Sale Debt Securities					
Government	586	2	(4	)	584
Corporate	400	4	(2	)	402
Total Available-for-Sale Debt Securities	986	6	(6	)	986
Total NDT Fund Investments	\$1,794	\$ 350	\$ (11	)	\$2,133

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Table of Contents

Net unrealized gains (losses) on debt securities of \$(17) million (after-tax) were included in Accumulated Other Comprehensive Loss on PSEG's and Power's Condensed Consolidated Balance Sheets as of September 30, 2018. The portion of net unrealized gains (losses) recognized during the third quarter and first nine months of 2018 related to equity securities still held at the end of September 30, 2018 were \$41 million and \$26 million, respectively. 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 September 30, 2018	As of December 31, 2017
Accounts Receivable	\$ 13	\$ 24
Accounts Payable	\$ 14	\$ 74

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 September 30, 2018				As of December 31, 2017			
	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)								
Domestic	\$78	\$ (7)	\$4	\$ —	\$40	\$ (2)	\$—	\$ —
International	87	(14)	8	(2)	29	(3)	2	—
Total Equity Securities	165	(21)	12	(2)	69	(5)	2	—
Available-for-Sale Debt Securities								
Government (B)	342	(10)	153	(7)	343	(2)	91	(2)
Corporate (C)	342	(11)	49	(2)	191	(1)	27	(1)
Total Available-for-Sale Debt Securities	684	(21)	202	(9)	534	(3)	118	(3)
NDT Trust Investments	\$849	\$ (42)	\$214	\$ (11)	\$603	\$ (8)	\$120	\$ (3)

Equity Securities—Investments in marketable equity securities within the NDT Fund are primarily in common stocks (A) within a broad range of industries and sectors. Effective January 1, 2018, unrealized gains and losses on these securities are recorded in Net Income.

(B) Debt Securities (Government)—Unrealized gains and losses on these securities are recorded in Accumulated Other Comprehensive Income (Loss). The unrealized losses on Power's NDT investments in U.S. Treasury obligations

and Federal Agency mortgage-backed securities were caused by interest rate changes. These investments are guaranteed by the U.S. government or an agency of the U.S. government. Power also has investments in municipal bonds that are primarily in investment grade securities. It is not expected that these securities will 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 September 30, 2018.

Debt Securities (Corporate)—Unrealized gains and losses on these securities are recorded in Accumulated Other Comprehensive Income (Loss). Power's investments in corporate bonds are primarily in investment grade (C) 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 September 30, 2018.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Table of Contents

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

	Three Months Ended September 30, 2018		Nine Months Ended September 30, 2017	
	2018	2017	2018	2017
	Millions			
Proceeds from NDT Fund Sales (A)	\$231	\$278	\$1,005	\$845
Net Realized Gains (Losses) on NDT Fund				
Gross Realized Gains	\$17	\$29	\$75	\$82
Gross Realized Losses	(7)	(5)	(29)	(14)
Net Realized Gains (Losses) on NDT Fund (B)	\$10	\$24	\$46	\$68
Unrealized Gains (Losses) on Equity Securities in NDT Fund (C)	34	N/A	(16)	N/A
Other-Than-Temporary-Impairments (OTTI)	\$—	\$(5)	—	(9)
Net Gains (Losses) on NDT Fund Investments	\$44	\$19	\$30	\$59

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

(B)The cost of these securities was determined on the basis of specific identification.

(C)Effective January 1, 2018, unrealized gains (losses) on equity securities are recorded in Net Income instead of Other Comprehensive Income (Loss).

The NDT Fund debt securities held as of September 30, 2018 had the following maturities:

Time Frame	Fair Value Millions
Less than one year	\$ 11
1 - 5 years	282
6 - 10 years	201
11 - 15 years	47
16 - 20 years	73
Over 20 years	362
Total NDT Available-for-Sale	\$ 976
Debt Securities	

Power periodically assesses individual debt securities whose fair value is less than amortized cost to determine whether the investments are considered to be other-than-temporarily impaired. For these 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). 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.”

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Table of Contents

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 September 30, 2018			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	Millions			
Equity Securities				
Domestic	\$21	\$ 4	\$ —	\$ 25
International	—	—	—	—
Total Equity Securities	21	4	—	25
Available-for-Sale Debt Securities				
Government	103	—	(4)	99
Corporate	104	—	(3)	101
Total Available-for-Sale Debt Securities	207	—	(7)	200
Total Rabbi Trust Investments	\$228	\$ 4	\$ (7)	\$ 225

	As of December 31, 2017			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	Millions			
Equity Securities				
Domestic	\$24	\$ 3	\$ —	\$ 27
International	—	—	—	—
Total Equity Securities	24	3	—	27
Available-for-Sale Debt Securities				
Government	85	1	(1)	85
Corporate	118	2	(1)	119
Total Available-for-Sale Debt Securities	203	3	(2)	204
Total Rabbi Trust Investments	\$227	\$ 6	\$ (2)	\$ 231

Net unrealized gains (losses) on debt securities of \$(5) million (after-tax) were included in Accumulated Other Comprehensive Loss on PSEG's Condensed Consolidated Balance Sheet as of September 30, 2018. The portion of net unrealized gains (losses) recognized during the third quarter and first nine months of 2018 related to equity securities still held at the end of September 30, 2018 were \$1 million and \$2 million, respectively.

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

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on the Condensed Consolidated Balance Sheets as shown in the following table.

	As of September 30, 2018	As of December 31, 2017
Accounts Receivable	\$ 1	\$ 2
Accounts Payable	\$ —	\$ 1

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Table of Contents

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

	As of September 30, 2018				As of December 31, 2017			
	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							
Available-for-Sale Debt Securities								
Government (A)	\$70	\$ (2)	\$28	\$ (2)	\$28	\$ —	\$25	\$ (1)
Corporate (B)	76	(3)	14	—	39	(1)	9	—
Total Available-for-Sale Debt Securities	146	(5)	42	(2)	67	(1)	34	(1)
Rabbi Trust Investments	\$146	\$ (5)	\$42	\$ (2)	\$67	\$ (1)	\$34	\$ (1)

Debt Securities (Government)—Unrealized gains and losses on these securities are recorded in Accumulated Other Comprehensive Income (Loss). The unrealized losses on PSEG's Rabbi Trust investments in U.S. Treasury obligations and Federal Agency mortgage-backed securities were caused by interest rate changes. These investments are guaranteed by the U.S. government or an agency of the U.S. government. PSEG also has (A) investments in municipal bonds that are primarily in investment grade securities. It is not expected that these securities will 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 September 30, 2018.

Debt Securities (Corporate)—Unrealized gains and losses on these securities are recorded in Accumulated Other Comprehensive Income (Loss). PSEG's investments in corporate bonds are primarily in investment grade (B) 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 September 30, 2018.

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

	Three Months Ended September 30, 2018	Nine Months Ended September 30, 2017
	Millions	
Proceeds from Rabbi Trust Sales (A)	\$33	\$24
	\$80	\$168

Net Realized Gains (Losses) on Rabbi Trust:				
Gross Realized Gains	\$—	\$—	\$2	\$17
Gross Realized Losses	(1)	(1)	(3)	(5)
Net Realized Gains (Losses) on Rabbi Trust (B)	(1)	(1)	(1)	12
Unrealized Gains (Losses) on Equity Securities in Rabbi Trust (C)	2	N/A	2	N/A
OTTI	—	—	—	—
Net Gains (Losses) on Rabbi Trust Investments	\$1	\$(1)	\$1	\$12

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

(B) The cost of these securities was determined on the basis of specific identification.

(C) Effective January 1, 2018, unrealized gains (losses) on equity securities are recorded in Net Income instead of Other Comprehensive Income (Loss).

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Table of Contents

The Rabbi Trust debt securities held as of September 30, 2018 had the following maturities:

Time Frame	Fair Value Millions
Less than one year	\$ 3
1 - 5 years	28
6 - 10 years	32
11 - 15 years	7
16 - 20 years	22
Over 20 years	108
Total Rabbi Trust Available-for-Sale	\$ 200
Debt Securities	

PSEG periodically assesses individual debt securities whose fair value is less than amortized cost to determine whether the investments are considered to be other-than-temporarily impaired. For these 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 the Rabbi Trust related to PSEG, PSE&G and Power are detailed as follows:

	As of September 30, 2018	As of December 31, 2017
	Millions	
PSE&G	\$ 46	\$ 46
Power	57	57
Other	122	128
Total Rabbi Trust Investments	\$ 225	\$ 231

Note 9. Pension and Other Postretirement Benefits (OPEB)

PSEG sponsors 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 for PSEG, excluding Servco. Amounts shown do not reflect the impacts of capitalization and co-owner allocations. Effective with the adoption of ASU 2017-07 on January 1, 2018,

only the service cost component is eligible for capitalization, when applicable. For additional information, see Note 2. Recent Accounting Standards.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Table of Contents

	Pension Benefits		OPEB		Pension Benefits		OPEB	
	Three Months Ended September 30, 2018	Three Months Ended September 30, 2017	Three Months Ended September 30, 2018	Three Months Ended September 30, 2017	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
Components of Net Periodic Benefit (Credits) Costs								
Service Cost (included in O&M Expense)	\$32	\$29	\$4	\$4	\$97	\$86	\$13	\$12
Non-Service Components of Pension and OPEB (Credits) Costs								
Interest Cost	52	51	16	15	156	153	49	47
Expected Return on Plan Assets	(111)	(98)	(9)	(8)	(331)	(295)	(30)	(25)
Amortization of Net Prior Service Cost	(4)	(5)	(1)	(3)	(13)	(14)	(1)	(8)
Actuarial Loss	22	24	16	13	64	73	48	38
Non-Service Components of Pension and OPEB (Credits) Costs	(41)	(28)	22	17	(124)	(83)	66	52
Total Benefit (Credits) Costs	\$(9)	\$1	\$26	\$21	\$(27)	\$3	\$79	\$64

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

	Pension Benefits		OPEB		Pension Benefits		OPEB	
	Three Months Ended September 30, 2018	Three Months Ended September 30, 2017	Three Months Ended September 30, 2018	Three Months Ended September 30, 2017	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
PSE&G	\$(8)	\$(1)	\$17	\$13	\$(23)	\$(3)	\$51	\$40
Power	(2)	—	8	7	(7)	1	24	20
Other	1	2	1	1	3	5	4	4
Total Benefit (Credits) Costs	\$(9)	\$1	\$26	\$21	\$(27)	\$3	\$79	\$64

During the three months ended March 31, 2018, PSEG contributed its entire planned contribution for the year 2018 of \$14 million into its OPEB plan.

Servco Pension and OPEB

At the direction of LIPA, Servco sponsors benefit plans that cover its current and former employees who meet certain eligibility criteria. Under the OSA, all of these and any future employee benefit costs are to be funded by LIPA. See Note 5. Variable Interest Entity. 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 cost disclosures. Pension and OPEB costs of Servco are accounted for according to the OSA. Servco recognizes expenses for contributions to its pension plan trusts and for OPEB payments made to retirees. Operating Revenues are recognized for the reimbursement of these costs. Servco has contributed its entire planned contribution amount of \$40 million into its pension plan trusts during 2018. Servco's pension-related revenues and costs were \$20 million and \$18 million for three months ended September 30, 2018 and 2017, respectively, and \$40 million and \$35 million for the nine months ended September 30, 2018 and 2017, respectively. The OPEB-related revenues earned and costs incurred were \$1 million for each of the three months ended September 30, 2018 and 2017, and \$4 million and \$3 million for the nine months ended September 30, 2018 and 2017, respectively.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

Table of Contents

Note 10. 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 as a form of collateral. 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.

Power is subject to

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

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 the net position 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. Current exposure consists of the net of accounts receivable and accounts payable and the forward value on open positions, less any collateral posted.

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

In addition to the guarantees discussed above, Power has also provided payment guarantees to third parties on behalf of its affiliated companies. These guarantees support various other non-commodity related contractual obligations. The following table shows the face value of Power's outstanding guarantees, current exposure and margin positions as of September 30, 2018 and December 31, 2017.

	As of September 30, 2018	As of December 31, 2017
	Millions	
Face Value of Outstanding Guarantees	\$1,787	\$ 1,701
Exposure under Current Guarantees	\$140	\$ 153
Letters of Credit Margin Posted	\$163	\$ 103

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Letters of Credit Margin Received	\$17	\$ 32
Cash Deposited and Received:		
Counterparty Cash Margin Deposited	\$—	\$ —
Counterparty Cash Margin Received	\$(3)	\$(1)
Net Broker Balance Deposited (Received)	\$226	\$ 147
Additional Amounts Posted:		
Other Letters of Credit	\$63	\$ 61

38

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

Table of Contents

As part of determining credit exposure, Power nets receivables and payables with the corresponding net fair values of energy contracts. See Note 12. 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 Condensed Consolidated Balance Sheet. The remaining balances of net cash (received)/deposited after allocation are generally included in Accounts Payable and Receivable, respectively.

In addition to amounts for outstanding guarantees, current exposure and margin positions, PSEG and Power have posted letters of credit to support Power's various other non-energy contractual and environmental obligations. See preceding table.

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.

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

The U.S. Environmental Protection Agency (EPA) has determined that a 17-mile stretch of the lower Passaic River from Newark to Clifton, New Jersey is a "Superfund" site under CERCLA and a comprehensive study of the entire 17 miles of the lower Passaic River needed to be performed. 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, certain 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. The CPG has 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 7.6 percent of the RI/FS costs are currently deemed attributable to PSE&G's former MGP sites and approximately 1.9 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.

The CPG's draft FS set forth various alternatives for remediating the lower Passaic River with an estimated cost to remediate the lower 17 miles of the Passaic River ranging from approximately \$518 million to \$3.2 billion on an undiscounted basis.

In March 2016, the EPA released its Record of Decision (ROD) for the EPA's own Focused Feasibility Study (FFS) which requires the removal of 3.5 million cubic yards of sediment from the Passaic River's lower 8.3 miles at an estimated cost of \$2.3 billion on an undiscounted basis (ROD Remedy). The EPA estimated the total project length to be about 11 years, including a one year period of negotiation with the PRPs, three to four years to design the project and six years for implementation. Occidental Chemical Corporation (OCC), one of the PRPs, has commenced performance of the remedial design required by the ROD Remedy, reserving its right of cost contribution from all other PRPs.

In September 2017, the EPA concluded that an Agency-commenced allocation process for the Passaic River's lower 8.3 miles should include only certain PRPs. The allocation is intended to lead to a consent decree in which certain of the PRPs agree to perform and pay for the remedial action under EPA oversight. The allocation process has commenced and is scheduled to be completed in late 2019.

In October 2018, the EPA Region 2 issued a Directive to the CPG instructing the CPG to focus the ongoing RI/FS evaluation on various adaptive management scenarios for remediation of the upper 9 miles of the Passaic River, which approach has been agreed to in concept by the EPA and the CPG. The Directive does not contain estimates for anticipated costs. Adaptive management focuses on removing targeted "hot spots" of contaminated sediments rather than removing all of the Passaic River's sediments as in a "bank to bank" approach.

In a separate matter, two PRPs, Tierra Solutions, Inc. (Tierra) and Maxus Energy Corporation (Maxus), filed for Chapter 11 bankruptcy in Delaware Federal Bankruptcy Court. In June 2018, the trust representing the creditors in this proceeding filed a complaint asserting claims against the current and former parent entities of Tierra and Maxus, among other parties, for up to \$14 billion. Any damages awarded may be used to fund, in part, the remediation costs of the lower 8.3 miles of the Passaic River. The creditor trust has reserved its right to file contribution claims against 28 PRPs, including PSEG. This matter is ongoing.

In June 2018, OCC filed a complaint in Federal District Court in Newark against various defendants, including PSE&G, seeking cost recovery and contribution under CERCLA for the remediation of the lower 8.3 miles of the Passaic River. The

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

Table of Contents

complaint does not quantify damages sought.

The Complaint alleges that “no single hazardous substance” is to blame for the contamination of the lower Passaic River and lists the eight Contaminants of Concern (COCs) identified by the EPA in the ROD. OCC alleges PSE&G is responsible for a portion of six of the eight COCs. PSE&G cannot predict the outcome of this matter.

Based upon the estimated cost of the ROD Remedy and PSEG’s estimate of PSE&G’s and Power’s shares of that cost, as of September 30, 2018, PSEG has accrued approximately \$57 million. Of this amount, PSE&G has accrued \$46 million as an Environmental Costs Liability and a corresponding Regulatory Asset based on its continued ability to recover such costs in its rates. Power has accrued \$11 million as an Other Noncurrent Liability with the corresponding O&M Expense recorded in prior years when the liability was accrued.

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, which covers the entire 17 miles of the lower Passaic River, is finalized either in whole or in part, (ii) an agreement by the PRPs to perform either the ROD Remedy as issued, or an amended ROD Remedy determined through negotiation or litigation, and an agreed upon remedy for the remaining 8.7 miles of the river, are reached, (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 PSEG’s 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 U.S. Department of Commerce and the U.S. 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 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 \$343 million and \$388 million on an undiscounted basis through 2021, including its \$46 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 \$343 million as of September 30, 2018. Of this amount, \$75 million was recorded in Other Current Liabilities and \$268 million was reflected as Environmental Costs in Noncurrent Liabilities. PSE&G has recorded a \$343 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. NJDEP, PSEG and EPA representatives have had discussions regarding to what extent sampling in the Passaic River is required to delineate coal tar from MGP sites that abut the Passaic River Superfund site. PSEG cannot determine at this time whether this will have an impact on the Passaic River Superfund remedy.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

Table of Contents

Clean Water Act (CWA) Permit Renewals

Pursuant to the Federal Water Pollution Control Act, 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 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 May 2014, the EPA issued a final cooling water intake rule that establishes requirements for the regulation of cooling water intakes at existing power plants and industrial facilities with a design flow of more than two million gallons of water per day.

The EPA has structured the rule so that each state Permitting Director will continue to consider renewal permits for existing power facilities on a case by case basis, based on studies related to impingement mortality and entrainment by the facilities seeking renewal permits.

Several environmental organizations and certain energy industry groups have filed suit under the CWA and the Endangered Species Act. The cases were consolidated at the Second Circuit, and in July 2018 the Second Circuit upheld the EPA's final cooling water intake rule. The Court's decision allows Permitting Directors to continue to issue permits in accordance with the flexible, site-specific provisions of the final rule.

In June 2016, the NJDEP issued a final NJPDES permit for Salem. The final permit does not mandate specific service water system modifications, but consistent with Section 316 (b) of the CWA, it requires additional studies and the selection of technology to address impingement for the service water system. In July 2016, the Delaware Riverkeeper Network (Riverkeeper) filed a request challenging the NJDEP's issuance of the final NJPDES renewal permit for Salem. NJDEP has granted the hearing request, but it has not yet been scheduled. The Riverkeeper's filing does not change the effective date of the permit. If the Riverkeeper's challenge were successful, Power may be required to incur additional costs to comply with the CWA. Potential cooling water system modification costs could be material and could adversely impact the economic competitiveness of this facility.

State permitting decisions at Bridgeport and possibly New Haven could also have a material impact on Power's ability to renew permits at its existing larger once-through cooled plants without making significant upgrades to existing intakes and cooling systems.

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.

Power is actively engaged with the Connecticut Department of Energy and Environmental Protection (CTDEEP) regarding renewal of the current permit for the cooling water intake structure at Bridgeport Harbor Station Unit 3 (BH3). To address compliance with the EPA's CWA Section 316(b) final rule, Power has proposed to continue to operate BH3 without making the capital expenditures for modification to the existing intake structure and retire BH3 in 2021, which is four years earlier than the previously estimated useful life ending in 2025. Power is currently awaiting action by the CTDEEP to issue a draft and then a final permit.

Power has entered into a Community Environmental Benefit Agreement (CEBA) with the City of Bridgeport, Connecticut and local community organizations. That CEBA provides that Power would retire BH3 early if all of its conditions precedent occur, which include receipt of all final permits to build and operate a proposed new combined cycle generating facility on the same site that BH3 currently operates. Absent those conditions being met, and the

permit for the cooling water intake structure referred to above not being issued, Power may seek to operate BH3 through the previously estimated useful life.

In February 2016, the proposed new generating facility at Bridgeport Harbor was awarded a capacity obligation. The Connecticut Siting Council issued an order to approve siting Bridgeport Harbor Station Unit 5 (BH5). All major environmental permits have been received; however, secondary approvals are still being obtained to allow operations to begin in mid-2019. Power's obligations under the CEBA are being monitored regularly and carried out as needed.

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

Jersey City, New Jersey Subsurface Feeder Cable Matter

In October 2016, a discharge of dielectric fluid from subsurface feeder cables located in the Hudson River near Jersey City,

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

Table of Contents

New Jersey, was identified and reported to the NJDEP. The feeder cables are located within a subsurface easement granted to PSE&G by the property owners, Newport Associates Development Company (NADC) and Newport Associates Phase I Developer Limited Partnership. The feeder cables are subject to agreements between PSE&G and Consolidated Edison Company of New York, Inc. (Con Edison) and are jointly owned by PSE&G and Con Edison, with PSE&G owning the portion of the cables located in New Jersey and Con Edison owning the portion of the cables located in New York. The NJDEP declared an emergency and an emergency response action was undertaken to investigate, contain, remediate and stop the fluid discharge; to assess, repair and restore the cables to good working order, if feasible; and to restore the property. The regulatory agencies overseeing the emergency response, including the U.S. Coast Guard, the NJDEP and the Army Corps of Engineers, have issued multiple notices, orders and directives to the various parties related to this matter and the parties may also be subject to the assessment of civil penalties related to the discharge and response. The U.S. Coast Guard transitioned control of the federal response to the EPA in May 2018. In August 2018, the EPA ended the federal response to the matter. The response has now transitioned to the NJDEP site remediation program.

The impacted cable was repaired in late September 2017; however, small amounts of residual dielectric fluid believed to be contained within the marina sediment continue to appear on the surface and response actions related to the fluid discharge are ongoing, although at a significantly reduced scale. PSE&G remains concerned about future leaks and potential environmental impacts as a result of reintroduction of fluid back into these lines and has determined that retirement of the affected facilities is appropriate. PSE&G has been unable to reach an agreement with Con Edison and, as a result, in May 2018, PSE&G filed an action at FERC to resolve the matter. FERC dismissed PSE&G's Complaint against Con Edison in September 2018. Also ongoing is the lawsuit in federal court to determine ultimate responsibility for the costs to address the leak among PSE&G, Con Edison and NADC. In addition, Con Edison filed counter claims against PSE&G and NADC, including seeking injunctive relief and damages. Based on the information currently available and depending on the outcome of the federal court action, PSE&G's portion of the costs to address the leak may be material; however, PSE&G anticipates that it will recover these costs through regulatory proceedings.

Steam Electric Effluent Guidelines

In September 2015, the EPA issued a new Effluent Limitation Guidelines Rule (ELG Rule) for steam electric generating units. The rule establishes new best available technology economically achievable (BAT) standards for fly ash transport water, bottom ash transport water, flue gas desulfurization and flue gas mercury control wastewater. Power's Bridgeport Harbor station and the jointly-owned Keystone and Conemaugh stations, have bottom ash transport water discharges that are regulated under the ELG Rule. Keystone and Conemaugh also have flue gas desulfurization wastewaters regulated by the ELG Rule.

Through various orders, the EPA has stayed the compliance dates in the ELG Rule and has announced plans to further revise the requirements and compliance dates of the ELG Rule. Power is unable to determine how this will ultimately impact its compliance requirements or its financial condition and results of operations.

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, is residential and smaller commercial and industrial customers (BGS-Residential Small Commercial Pricing (RSCP)). The second category is larger customers that exceed a BPU-established load (kW) threshold (BGS-Commercial and Industrial Energy 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, 2018 is \$287.76 per MW-day, replacing the BGS-CIEP auction year price ending May 31, 2018 of \$276.83 per MW-day. Energy for BGS-CIEP is priced at hourly PJM locational marginal prices for the contract period.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

Table of Contents

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			
	2015	2016	2017	2018
36-Month Terms Ending	May 2018	May 2019	May 2020	May 2021 (A)
Load (MW)	2,900	2,800	2,800	2,900
\$ per MWh	\$99.54	\$96.38	\$90.78	\$91.77

(A) Prices set in the 2018 BGS auction year became effective on June 1, 2018 when the 2015 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 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 19. 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 2021 and a significant portion through 2022 at Salem, Hope Creek and Peach Bottom.

Power 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 beyond the needs of PSE&G's customers, Power can use the gas to supply its fossil generating stations in New Jersey.

Power also has various long-term fuel purchase commitments for coal through 2021 to support its fossil generation stations.

As of September 30, 2018, the total minimum purchase requirements included in these commitments were as follows:

Fuel Type	Power's Share of Commitments through 2022 Millions
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Nuclear Fuel

Uranium	\$	227
Enrichment	\$	312
Fabrication	\$	158
Natural Gas	\$	922
Coal	\$	240

Litigation

Sewaren 7 Construction

In June 2018, a complaint was filed in federal court in Newark against PSEG Fossil, LLC, a wholly owned subsidiary of Power, regarding an ongoing dispute with Durr Mechanical Construction, Inc. (Durr), a contractor on the Sewaren 7 project. Among other things, Durr seeks damages of \$93 million and alleges that Power withheld money owed to Durr and that Power's intentional conduct led to the inability of Durr to obtain prospective contracts. Power intends to vigorously defend against these allegations. Based upon the preliminary nature of this matter, a loss is not considered probable nor is the amount of loss, if any, estimable as of September 30, 2018.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

Table of Contents

Newark Customer Incident

On the morning of July 5, 2018, PSE&G discontinued electricity to the home of a customer residing in Newark because of outstanding arrears on that customer's account. Subsequent to the discontinuation of electricity, that customer died on the afternoon of July 5th. The family of the customer, who was on hospice care, raised allegations in the media regarding PSE&G's conduct surrounding the discontinuation and restoration of electricity to the home of the customer, claiming that the discontinuation of electric service prevented the customer from using life sustaining medical equipment. The BPU initiated an investigation into the matter and that investigation is ongoing. In addition, PSE&G received a grand jury subpoena from the Essex County Prosecutor's Office (ECPO) for records and correspondence between PSE&G and the customer. PSE&G is fully cooperating with the BPU and the ECPO in both proceedings. PSEG cannot predict the outcome of the pending proceedings regarding this incident at this time. The PSEG Board of Directors (PSEG Board) retained outside counsel to conduct an independent investigation of the facts surrounding this incident with the full support and cooperation of management. The independent investigation concluded that the disconnection itself was not improper; however, it did identify issues related to PSE&G's response once it was notified of the disconnection. The PSEG Board reviewed and considered the findings and conclusions of the investigation and PSE&G's proposed corrective actions. PSE&G's progress on implementation of the corrective actions will continue to be overseen by the PSEG Board.

Caithness Energy, L.L.C. (Caithness)

In August 2018, Caithness, a Long Island power plant developer, filed a complaint in federal district court in the Eastern District of New York against PSEG and PSEG LI alleging violations of state and federal antitrust laws and a claim of intentional interference of prospective business relations. Caithness alleges that PSEG and PSEG LI interfered with LIPA's consideration of the Caithness proposal for a 750 MW combined cycle generation project that was identified as a finalist for a Request For Proposal issued by LIPA. In addition, Caithness claims that PSEG and PSEG LI induced LIPA to agree to eliminate the proposed project as a potential competitor to other PSEG affiliates with power supply operations. The complaint alleges hundreds of millions of dollars of harm and seeks treble and punitive damages. We intend to vigorously defend against these allegations. Based upon the preliminary nature of this matter, a loss is not considered probable nor is the amount of loss, if any, estimable as of September 30, 2018.

Other Litigation and Legal Proceedings

PSEG and its subsidiaries are party to various lawsuits in the ordinary course of business. In view of the inherent difficulty in predicting the outcome of such matters, PSEG, PSE&G and Power generally cannot predict the eventual outcome of the pending matters, the timing of the ultimate resolution of these matters, or the eventual loss, fines or penalties related to each pending matter.

In accordance with applicable accounting guidance, a liability is accrued when those matters present loss contingencies that are both probable and reasonably estimable. In such cases, there may be an exposure to loss in excess of any amounts accrued. PSEG will continue to monitor the matter for further developments that could affect the amount of the accrued liability that has been previously established.

Based on current knowledge, management does not believe that loss contingencies arising from pending matters, other than the matters described herein, could have a material adverse effect on PSEG's, PSE&G's or Power's consolidated financial position or liquidity. However, in light of the inherent uncertainties involved in these matters, some of which are beyond PSEG's control, and the large or indeterminate damages sought in some of these matters, an adverse outcome in one or more of these matters could be material to PSEG's, PSE&G's or Power's results of operations or

liquidity for any particular reporting period.

Note 11. Debt and Credit Facilities

Long-Term Debt Financing Transactions

The following long-term debt transactions occurred in the nine months ended September 30, 2018:

PSE&G

• issued \$375 million of 3.70% Secured Medium-Term Notes, Series M, due May 2028,

• issued \$325 million of 4.05% Secured Medium-Term Notes, Series M, due May 2048,

• issued \$325 million of 3.25% Secured Medium-Term Notes, Series M, due September 2023,

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Table of Contents

issued \$325 million of 3.65% Secured Medium-Term Notes, Series M, due September 2028, retired \$400 million of 5.30% Medium-Term Notes at maturity, and retired \$350 million of 2.30% Medium-Term Notes at maturity.

Power

issued \$700 million of 3.85% Senior Notes due June 2023.

Short-Term Liquidity

PSEG meets its short-term liquidity requirements, as well as those of Power, primarily with cash and through the issuance of commercial paper. PSE&G maintains its own separate commercial paper program to meet its short-term liquidity requirements. Each commercial paper program is fully back-stopped by its own separate credit facilities. The commitments under the \$4.3 billion credit facilities are provided by a diverse bank group. As of September 30, 2018, the total available credit capacity was \$3.6 billion.

As of September 30, 2018, no single institution represented more than 9% of the total commitments in the credit facilities.

As of September 30, 2018, total credit capacity was in excess of the total anticipated maximum liquidity requirements over PSEG's 12-month planning horizon.

In September 2018, Power amended an existing 3-year \$100 million letter of credit facility, extending the expiration date to September 2021. The second letter of credit facility, which is scheduled to expire in March 2020, will be terminated during the fourth quarter of 2018. Power also executed a new 3-year \$100 million letter of credit facility that expires in September 2021.

Each of the credit facilities is restricted as to availability and use to the specific companies as listed in the following table; however, if necessary, the PSEG facilities can also be used to support its subsidiaries' liquidity needs. The total credit facilities and available liquidity as of September 30, 2018 were as follows:

Company/Facility	As of September 30, 2018			Expiration Date	Primary Purpose
	Total Facility Millions	Usage	Available Liquidity		
PSEG					
5-year Credit Facilities (A)	\$ 1,500	\$ 393	\$ 1,107	Mar 2022	Commercial Paper Support/Funding/Letters of Credit
Total PSEG	\$ 1,500	\$ 393	\$ 1,107		
PSE&G					
5-year Credit Facility (A)	\$ 600	\$ 56	\$ 544	Mar 2022	Commercial Paper Support/Funding/Letters of Credit
Total PSE&G	\$ 600	\$ 56	\$ 544		
Power					
3-year Letter of Credit Facility	\$ 100	\$ 62	\$ 38	Mar 2020	Letters of Credit
	200	100	\$ 100	Sept 2021	Letters of Credit

3-year Letter of Credit
Facilities

5-year Credit Facilities	1,900	51	1,849	Mar 2022	Funding/Letters of Credit
Total Power	\$2,200	\$ 213	\$ 1,987		
Total	\$4,300	\$ 662	\$ 3,638		

(A) The primary use of PSEG's and PSE&G's credit facilities is to support their respective Commercial Paper Programs, under which as of September 30, 2018, PSEG had \$379 million outstanding at a weighted average interest rate of 2.54%. PSE&G had \$40 million outstanding at a weighted average interest rate of 2.35% under its Commercial Paper Program as of September 30, 2018.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

Table of Contents

Note 12. Financial Risk Management Activities

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 purchases and normal sales (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. PSEG uses interest rate swaps and other derivatives, which are designated and effective as cash flow or fair value hedges. Power enters into additional contracts that are derivatives, but are not designated as either cash flow hedges or fair value hedges. These transactions are economic hedges and are recorded at fair market value.

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, such as financial options, futures, swaps, fuel purchases and forward purchases and sales of electricity, to manage the exposure to fluctuations in commodity prices and optimize the value of Power's expected generation. Power also uses derivatives to hedge a portion of its anticipated BGSS obligations with PSE&G. For additional information see Note 10. Commitments and Contingent Liabilities. Changes in the fair market value of these derivative contracts are recorded in earnings.

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.

Fair Value Hedges

PSEG enters into fair value hedges to convert fixed-rate debt into variable-rate debt. The changes in fair value of the interest rate swaps are fully offset by changes in the fair value of the underlying forecasted interest payments of the debt. There were no outstanding interest rate swaps as of September 30, 2018 or December 31, 2017.

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. PSEG interest rate hedges totaling \$500 million were executed and terminated during the second quarter of 2018 and a loss of \$(1) million was recorded in Accumulated Other Comprehensive Income (Loss) (after tax) and will amortize to interest expense over the remaining life of Power's \$700 million of 3.85% Senior Notes due June 2023. For additional information see Note 11. Debt and Credit Facilities. There were no outstanding interest rate hedges as of September 30, 2018 and December 31, 2017. The Accumulated Other Comprehensive Income (Loss) (after tax) related to terminated interest rate derivatives designated as cash flow hedges was \$(1) million as of September 30, 2018 and was immaterial as of December 31, 2017. The after-tax unrealized losses on these hedges expected to be

reclassified to earnings during the next 12 months are immaterial.

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 PSEG's accounting policy, these positions are offset on the Condensed Consolidated Balance Sheets of Power and PSEG. For additional information see Note 13. Fair Value Measurements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Table of Contents

The following tabular disclosure does not include the offsetting of trade receivables and payables.

Balance Sheet Location	As of September 30, 2018			
	Power (A) Not Designated Energy- Related Contracts (B)	Netting (B)	Total Power	Total Derivatives
	Millions			
Derivative Contracts				
Current Assets	\$301	\$(290)	\$11	\$ 11
Noncurrent Assets	123	(121)	2	2
Total Mark-to-Market Derivative Assets	\$424	\$(411)	\$13	\$ 13
Derivative Contracts				
Current Liabilities	\$(389)	\$376	\$(13)	\$(13)
Noncurrent Liabilities	(149)	147	(2)	(2)
Total Mark-to-Market Derivative (Liabilities)	\$(538)	\$523	\$(15)	\$(15)
Total Net Mark-to-Market Derivative Assets (Liabilities)	\$(114)	\$112	\$(2)	\$(2)
Balance Sheet Location	As of December 31, 2017			
	Power (A) Not Designated Energy- Related Contracts (B)	Netting (B)	Total Power	Total Derivatives
	Millions			
Derivative Contracts				
Current Assets	\$391	\$(362)	\$29	\$ 29
Noncurrent Assets	78	(71)	7	7
Total Mark-to-Market Derivative Assets	\$469	\$(433)	\$36	\$ 36
Derivative Contracts				
Current Liabilities	\$(403)	\$387	\$(16)	\$(16)
Noncurrent Liabilities	(95)	90	(5)	(5)
Total Mark-to-Market Derivative (Liabilities)	\$(498)	\$477	\$(21)	\$(21)
Total Net Mark-to-Market Derivative Assets (Liabilities)	\$(29)	\$44	\$15	\$ 15

(A)

Substantially all of Power'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 September 30, 2018 and December 31, 2017.

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 September 30, 2018 and December 31, 2017, Power had net cash collateral/margin payments to counterparties of \$223 million and \$146 million, respectively. Of these net cash/collateral margin payments \$112 million as of (B) September 30, 2018 and \$44 million as December 31, 2017 were netted against the corresponding net derivative contract positions. Of the \$112 million as of September 30, 2018, \$(2) million was netted against current assets, and \$(1) million was netted against noncurrent assets, \$88 million was netted against current liabilities, and \$27 million was netted against noncurrent liabilities. Of the \$44 million as of December 31, 2017, \$(3) million was netted against current assets, \$28 million was netted against current liabilities, and \$19 million was netted against noncurrent liabilities.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Table of Contents

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 by S&P or Moody's, it would be required to provide additional collateral. A below investment grade credit rating for Power would represent a three level downgrade from its current S&P or Moody's ratings. 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 \$23 million and \$30 million as of September 30, 2018 and December 31, 2017, respectively. As of September 30, 2018 and December 31, 2017, Power had the contractual right of offset of \$7 million and \$13 million, respectively, related to derivative instruments that are assets with the same counterparty under master 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 \$16 million and \$17 million as of September 30, 2018 and December 31, 2017, respectively, related to its derivatives, net of the contractual right of offset under master agreements and the application of collateral.

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

Accumulated Other Comprehensive Income (Loss)	Pre-Tax	After-Tax
	Millions	
Balance as of December 31, 2016	\$3	\$ 2
Gain Recognized in AOCI	—	—
Less: Gain Reclassified into Income	(3)	(2)
Balance as of December 31, 2017	\$—	\$ —
Loss Recognized in AOCI	(2)	(1)
Less: Loss Reclassified into Income	—	—
Balance as of September 30, 2018	\$(2)	\$ (1)

The following shows the effect on the Condensed Consolidated Statements of Operations of derivative instruments not designated as hedging instruments or as NPNS for the three months and nine months ended September 30, 2018 and 2017. Power's derivative contracts reflected in this table include contracts to hedge the purchase and sale of electricity and natural gas, and the purchase of fuel. The table does not include contracts that Power has designated as NPNS, such as its BGS contracts and certain other energy supply contracts that it has with other utilities and companies with retail load.

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 September 30, 2018	2017	Pre-Tax Gain (Loss) Recognized in Income on Derivatives Nine Months Ended September 30, 2017	2018	2017
PSEG and Power						
Energy-Related Contracts	Operating Revenues	\$(130)	\$26	\$(154)	\$216	
Energy-Related Contracts	Energy Costs	5	(4)	12	(14)	
Total PSEG and Power		\$(125)	\$22	\$(142)	\$202	

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Table of Contents

The following table summarizes the net notional volume purchases/(sales) of open derivative transactions by commodity as of September 30, 2018 and December 31, 2017.

Type	Notional	Total PSEG Power PSE&G Millions			
As of September 30, 2018					
Natural Gas	Dekatherm (Dth)	281	—	281	—
Electricity	MWh	(66)	—	(66)	—
Financial Transmission Rights (FTRs)	MWh	24	—	24	—
As of December 31, 2017					
Natural Gas	Dth	154	—	154	—
Electricity	MWh	(63)	—	(63)	—
FTRs	MWh	6	—	6	—

Credit Risk

Credit risk relates to the risk of loss that Power would incur as a result of non-performance by counterparties pursuant to the terms of their contractual obligations. PSEG has established credit policies that it believes 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.

The following table provides information on Power's credit risk from wholesale counterparties, net of collateral, as of September 30, 2018. It further delineates that exposure by the credit rating of the counterparties, which is determined by the lowest rating from S&P, Moody's or an internal scoring model. In addition, it 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.

As of September 30, 2018, 97% of the net credit exposure for Power's wholesale 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, NPNS and non-derivatives).

Rating	Current Exposure	Securities held as Collateral	Net Exposure	Number of Counterparties >10%	Net Exposure of Counterparties >10%	
	Millions				Millions	
Investment Grade	\$ 112	\$ 12	\$ 100	2	\$ 50	(A)
Non-Investment Grade	6	2	4	—	—	
Total	\$ 118	\$ 14	\$ 104	2	\$ 50	

(A) Represents net exposure of \$39 million with PSE&G and \$11 million with a non-affiliated counterparty. As of September 30, 2018, collateral held from counterparties where Power had credit exposure included \$2 million in cash collateral and \$12 million in letters of credit.

As of September 30, 2018, Power had 137 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 September 30, 2018, primarily all of the posted collateral was in the form of parental guarantees. The unsecured credit used by the suppliers

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Table of Contents

represents PSE&G's net credit exposure. PSE&G's BGS suppliers' credit exposure is calculated each business day. As of September 30, 2018, 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 13. 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 and money market mutual funds, as well as natural gas futures contracts executed on NYMEX.

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 September 30, 2018, these consisted primarily of certain electric load contracts and gas contracts.

Certain derivative transactions may transfer from Level 2 to Level 3 if inputs become unobservable and internal modeling techniques are employed to determine fair value. Conversely, measurements may transfer from Level 3 to Level 2 if the inputs become observable.

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 September 30, 2018 and December 31, 2017, 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.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Table of Contents

Description	Recurring Fair Value Measurements as of September 30, 2018				
	Total	Netting (C)	Quoted Market Prices for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	Millions				
PSEG					
Assets:					
Energy-Related Contracts (A)	\$ 13	\$(411)	\$ 12	\$ 404	\$ 8
NDT Fund (B)					
Equity Securities	\$ 1,120	\$—	\$ 1,118	\$ 2	\$ —
Debt Securities—U.S. Treasury	\$ 209	\$—	\$ —	\$ 209	\$ —
Debt Securities—Govt Other	\$ 311	\$—	\$ —	\$ 311	\$ —
Debt Securities—Corporate	\$ 456	\$—	\$ —	\$ 456	\$ —
Rabbi Trust (B)					
Equity Securities	\$ 25	\$—	\$ 25	\$ —	\$ —
Debt Securities—U.S. Treasury	\$ 60	\$—	\$ —	\$ 60	\$ —
Debt Securities—Govt Other	\$ 39	\$—	\$ —	\$ 39	\$ —
Debt Securities—Corporate	\$ 101	\$—	\$ —	\$ 101	\$ —
Liabilities:					
Derivative Contracts:					
Energy-Related Contracts (A)	\$(15)	\$ 523	\$ (10)	\$ (519)	\$ (9)
PSE&G					
Assets:					
Rabbi Trust (B)					
Equity Securities	\$ 5	\$—	\$ 5	\$ —	\$ —
Debt Securities—U.S. Treasury	\$ 12	\$—	\$ —	\$ 12	\$ —
Debt Securities—Govt Other	\$ 8	\$—	\$ —	\$ 8	\$ —
Debt Securities—Corporate	\$ 21	\$—	\$ —	\$ 21	\$ —
Power					
Assets:					
Derivative Contracts:					
Energy-Related Contracts (A)	\$ 13	\$(411)	\$ 12	\$ 404	\$ 8
NDT Fund (B)					
Equity Securities	\$ 1,120	\$—	\$ 1,118	\$ 2	\$ —
Debt Securities—U.S. Treasury	\$ 209	\$—	\$ —	\$ 209	\$ —
Debt Securities—Govt Other	\$ 311	\$—	\$ —	\$ 311	\$ —
Debt Securities—Corporate	\$ 456	\$—	\$ —	\$ 456	\$ —

Rabbi Trust (B)

Equity Securities	\$6	\$—	\$ 6	\$ —	\$ —
Debt Securities—U.S. Treasury	\$15	\$—	\$ —	\$ 15	\$ —
Debt Securities—Govt Other	\$10	\$—	\$ —	\$ 10	\$ —
Debt Securities—Corporate	\$26	\$—	\$ —	\$ 26	\$ —

Liabilities:

Derivative Contracts:

Energy-Related Contracts (A)	\$(15)	\$523	\$ (10)	\$ (519)	\$ (9)
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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Table of Contents

Description	Recurring Fair Value Measurements as of December 31, 2017				
	Total	Netting (C)	Quoted Market Prices for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	Millions				
PSEG					
Assets:					
Cash Equivalents (D)	\$223	\$—	\$ 223	\$ —	\$ —
Derivative Contracts:					
Energy-Related Contracts (A)	\$36	\$(433)	\$ 15	\$ 442	\$ 12
NDT Fund (B)					
Equity Securities	\$1,147	\$—	\$ 1,145	\$ 2	\$ —
Debt Securities—U.S. Treasury	\$314	\$—	\$ —	\$ 314	\$ —
Debt Securities—Govt Other	\$270	\$—	\$ —	\$ 270	\$ —
Debt Securities—Corporate	\$402	\$—	\$ —	\$ 402	\$ —
Rabbi Trust (B)					
Equity Securities	\$27	\$—	\$ 27	\$ —	\$ —
Debt Securities—U.S. Treasury	\$51	\$—	\$ —	\$ 51	\$ —
Debt Securities—Govt Other	\$34	\$—	\$ —	\$ 34	\$ —
Debt Securities—Corporate	\$119	\$—	\$ —	\$ 119	\$ —
Liabilities:					
Derivative Contracts:					
Energy-Related Contracts (A)	\$(21)	\$477	\$(8)	\$(485)	\$(5)
PSE&G					
Assets:					
Cash Equivalents (D)	\$223	\$—	\$ 223	\$ —	\$ —
Rabbi Trust (B)					
Equity Securities	\$5	\$—	\$ 5	\$ —	\$ —
Debt Securities—U.S. Treasury	\$10	\$—	\$ —	\$ 10	\$ —
Debt Securities—Govt Other	\$7	\$—	\$ —	\$ 7	\$ —
Debt Securities—Corporate	\$24	\$—	\$ —	\$ 24	\$ —
Power					
Assets:					
Derivative Contracts:					
Energy-Related Contracts (A)	\$36	\$(433)	\$ 15	\$ 442	\$ 12
NDT Fund (B)					
Equity Securities	\$1,147	\$—	\$ 1,145	\$ 2	\$ —

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Debt Securities—U.S. Treasury	\$314	\$—	\$ —	\$ 314	\$ —
Debt Securities—Govt Other	\$270	\$—	\$ —	\$ 270	\$ —
Debt Securities—Corporate	\$402	\$—	\$ —	\$ 402	\$ —
Rabbi Trust (B)					
Equity Securities	\$6	\$—	\$ 6	\$ —	\$ —
Debt Securities—U.S. Treasury	\$13	\$—	\$ —	\$ 13	\$ —
Debt Securities—Govt Other	\$8	\$—	\$ —	\$ 8	\$ —
Debt Securities—Corporate	\$30	\$—	\$ —	\$ 30	\$ —
Liabilities:					
Derivative Contracts:					
Energy-Related Contracts (A)	\$(21)	\$477	\$ (8)	\$ (485)	\$ (5)

(A) Level 1—These contracts represent natural gas futures contracts executed on NYMEX, and are being valued solely on settled pricing inputs which come directly from the exchange.

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 settled prices from similar assets and liabilities from an exchange, such as NYMEX, ICE and Nodal Exchange, 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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

Table of Contents

significant to the overall inputs.

Level 3—Unobservable inputs are used for the valuation of certain contracts. See “Additional Information Regarding Level 3 Measurements” below for more information on the utilization of unobservable inputs.

The NDT Fund maintains investments in various equity and fixed income securities. The Rabbi Trust maintains investments in various fixed income securities and a Russell 3000 index fund. 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 other equity securities in the NDT and Rabbi Trust Funds consist primarily of investments in Dreyfus money market funds which seek a high level of current income as is consistent with the preservation of capital and the maintenance of liquidity. To pursue its goals, the funds normally invest in diversified portfolios of high quality, short-term, dollar-denominated debt securities and government securities. The funds’ Net Asset Value is priced and published daily. The Rabbi Trust also has an equity index fund which is valued based on quoted prices in an active market.

Level 2—NDT and Rabbi Trust fixed income securities include investment grade corporate bonds, collateralized mortgage obligations, asset-backed securities and certain government and U.S. Treasury obligations or Federal Agency asset-backed securities and municipal bonds 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. The preferred stocks are not actively traded on a daily basis and therefore, are also priced using an evaluated pricing methodology. 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.

(C) Represents the netting of fair value balances with the same counterparty (where the right of offset exists) and the application of collateral. See Note 12. Financial Risk Management Activities for additional detail.

(D) Represents money market mutual funds.

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 (RMC) approves risk management policies and objectives for risk assessment, control and valuation, counterparty credit approval and the monitoring and reporting of risk exposures. The RMC reports to the Corporate Governance and Audit Committees 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.

The fair value of Power's electric load contracts in 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. The fair value of Power's gas physical contracts at certain illiquid delivery locations are measured using average historical basis and, accordingly, are categorized as Level 3. While these gas physical contracts have an unobservable component in their respective forward price curves, the fluctuations in fair value have been driven primarily by changes in the observable inputs. The following tables provide details surrounding significant Level 3 valuations as of September 30, 2018 and December 31, 2017.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Table of Contents

Quantitative Information About Level 3 Fair Value Measurements

Commodity	Level 3 Position	Fair Value as of September 30, 2018 Assets(Liabilities) Millions	Valuation Technique(s)	Significant Unobservable Input	Range
Power					
Electricity	Electric Load Contracts	\$ — \$ (9)	Discounted Cash flow	Historic Load Variability	0% to 10%
Gas	Gas Physical Contracts	8 —	Discounted Cash flow	Average Historical Basis	-40% to 0%
Total Power		\$ 8 \$ (9)			
Total PSEG		\$ 8 \$ (9)			

Quantitative Information About Level 3 Fair Value Measurements

Commodity	Level 3 Position	Fair Value as of December 31, 2017 Assets(Liabilities) Millions	Valuation Technique(s)	Significant Unobservable Input	Range
Power					
Electricity	Electric Load Contracts	\$ 1 \$ (3)	Discounted Cash flow	Historic Load Variability	0% to 10%
Gas	Gas Physical Contracts	11 (2)	Discounted Cash flow	Average Historical Basis	-40% to -10%
Total Power		\$ 12 \$ (5)			
Total PSEG		\$ 12 \$ (5)			

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 energy-related contracts in cases where Power is a seller, an increase in the load variability would decrease the fair value. For gas-related contracts in cases where Power is a buyer, an increase in the average historical basis would increase the fair value.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Table of Contents

A reconciliation of the beginning and ending balances of Level 3 derivative contracts and securities for the three months and nine months ended September 30, 2018 and September 30, 2017, respectively, follows:

Changes in Level 3 Assets and (Liabilities) Measured at Fair Value on a Recurring Basis
for the Three Months and Nine Months Ended September 30, 2018

Description	Three Months Ended September 30, 2018						Balance as of September 30, 2018
	Balance as of July 1, 2018	Included in Income (A)	Included in Regulatory Assets/ Liabilities (B)	Purchases (Sales)	Issuances/ Settlements (C)	Transfers In/Out (D)	
	Total Gains or (Losses) Realized/Unrealized						
	Balance as of July 1, 2018						
	Millions						
PSEG							
Net Derivative Assets (Liabilities)	\$4	\$ (4)	\$	— \$	—\$ (1)	\$	—\$ (1)
Power							
Net Derivative Assets (Liabilities)	\$4	\$ (4)	\$	— \$	—\$ (1)	\$	—\$ (1)
	Nine Months Ended September 30, 2018						
	Total Gains or (Losses) Realized/Unrealized						
	Balance as of January 1, 2018						
	Millions						
PSEG							
Net Derivative Assets (Liabilities)	\$7	\$ (8)	\$	— \$	—\$ —	\$	—\$ (1)
Power							
Net Derivative Assets (Liabilities)	\$7	\$ (8)	\$	— \$	—\$ —	\$	—\$ (1)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Table of Contents

Changes in Level 3 Assets and (Liabilities) Measured at Fair Value on a Recurring Basis
for the Three Months and Nine Months Ended September 30, 2017

Description	Three Months Ended September 30, 2017							Balance as of September 30, 2017
	Balance as of July 1, 2017	Included in Income (E)	Included in Regulatory Assets/Liabilities (B)	Purchases (Sales)	Issuances/Settlements (C)	Transfers In/Out (D)	Total Gains or (Losses) Realized/Unrealized	
	Millions							
PSEG								
Net Derivative Assets (Liabilities)	\$6	\$ 3	\$ —	\$ —	—\$ (3)	\$ —	\$ 6	
PSE&G								
Net Derivative Assets (Liabilities)	\$—	\$ —	\$ —	\$ —	—\$ —	\$ —	\$ —	
Power								
Net Derivative Assets (Liabilities)	\$6	\$ 3	\$ —	\$ —	—\$ (3)	\$ —	\$ 6	
Description	Nine Months Ended September 30, 2017							Balance as of September 30, 2017
	Balance as of January 1, 2017	Included in Income (E)	Included in Regulatory Assets/Liabilities (B)	Purchases (Sales)	Issuances/Settlements (C)	Transfers In/Out (D)	Total Gains or (Losses) Realized/Unrealized	
	Millions							
PSEG								
Net Derivative Assets (Liabilities)	\$1	\$ 29	\$ 5	\$ —	—\$ (28)	\$ (1)	\$ 6	
PSE&G								
Net Derivative Assets (Liabilities)	\$(5)	\$ —	\$ 5	\$ —	—\$ —	\$ —	\$ —	
Power								
Net Derivative Assets (Liabilities)	\$6	\$ 29	\$ —	\$ —	—\$ (28)	\$ (1)	\$ 6	

PSEG's and Power's gains(losses) attributable to changes in net derivative assets and liabilities for the three months and nine months ended September 30, 2018 include \$(8) million and \$(7) million, respectively, in Operating Revenues and \$4 million and \$(1) million, respectively, in Energy Costs. Both the \$(8) million and \$(7) million in (A) Operating Revenues are unrealized. Of the \$4 million and \$(1) million in Energy Costs, \$5 million and \$(1) million are unrealized. Unrealized gains (losses) represent the change in derivative assets and liabilities still held at the end of the reporting period.

Mainly includes gains/losses on PSE&G's derivative contracts that are not included in either earnings or (B) Accumulated Other Comprehensive Income, as they are deferred as a Regulatory Asset/Liability and are expected to be recovered from/returned to PSE&G's customers.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

Table of Contents

(C) Represents settlements of \$(1) million for the three months ended September 30, 2018. Represents settlements of \$(3) million and \$(28) million for the three months and nine months ended September 30, 2017, respectively.

(D) During the three months and nine months ended September 30, 2018, there were no transfers into or out of Level 2 to Level 3. During the nine months ended September 30, 2017, \$(1) million of net derivatives were transferred from Level 2 to Level 3. There were no transfers into or out of Level 3 during the three months ended September 30, 2017.

(E) PSEG's and Power's gains(losses) attributable to changes in net derivative assets and liabilities for the three months and nine months ended September 30, 2017 include \$5 million and \$22 million, respectively, in Operating Revenues and \$(2) million and \$7 million, respectively, in Energy Costs. The \$5 million in Operating Revenues and \$(2) million in Energy Costs for the three months ended September 30, 2017 are realized. Of the \$22 million in Operating Revenues and the \$7 million in Energy Costs, \$(2) million and \$3 million, respectively, are unrealized for the nine months ended September 30, 2017.

As of September 30, 2018, PSEG carried \$2.3 billion of net assets that are measured at fair value on a recurring basis, of which \$1 million of net liabilities was measured using unobservable inputs and classified as Level 3 within the fair value hierarchy.

As of September 30, 2017, PSEG carried \$2.6 billion of net assets that are measured at fair value on a recurring basis, of which \$6 million of net assets were measured using unobservable inputs and classified as Level 3 within the fair value hierarchy.

Fair Value of Debt

The estimated fair values were determined using the market quotations or values of instruments with similar terms, credit ratings, remaining maturities and redemptions as of September 30, 2018 and December 31, 2017.

	As of September 30, 2018		As of December 31, 2017	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	Millions			
Long-Term Debt:				
PSEG (A) (B)	\$2,093	\$2,051	\$2,091	\$2,081
PSE&G (B)	9,182	9,292	8,591	9,322
Power (B)	3,084	3,254	2,386	2,659
Total Long-Term Debt	\$14,359	\$14,597	\$13,068	\$14,062

(A) Includes floating rate term loan of \$700 million. The fair values of the term loan debt (Level 2 measurement) approximate the carrying values because the interest payments are based on LIBOR rates that are reset monthly and the debt is redeemable at face value by PSEG at any time.

(B) Given that these bonds do not trade actively, the fair value amounts of taxable debt securities (primarily Level 2 measurements) are generally determined by a valuation model that is based on a conventional discounted cash flow methodology and utilizes assumptions of current market pricing curves. In order to incorporate the credit risk into the discount rates, pricing is obtained (i.e. U.S. Treasury rate plus credit spread) based on expected new issue

pricing across each of the companies' respective debt maturity spectrum. The credit spreads of various tenors obtained from this information are added to the appropriate benchmark U.S. Treasury rates in order to determine the current market yields for the various tenors. The yields are then converted into discount rates of various tenors that are used for discounting the respective cash flows of the same tenor for each bond or note.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)Table of Contents

Note 14. Other Income (Deductions)

	PSEG Power	Other (A)	Consolidated	
	Millions			
Three Months Ended September 30, 2018				
NDT Fund Interest and Dividends	\$—	\$ 13	\$—	\$ 13
Allowance for Funds Used During Construction	13	—	—	13
Solar Loan Interest	5	—	—	5
Other	3	1	(2)	2
Total Other Income (Deductions)	\$21	\$ 14	\$(2)	\$ 33
Nine Months Ended September 30, 2018				
NDT Fund Interest and Dividends	\$—	\$ 40	\$—	\$ 40
Allowance for Funds Used During Construction	40	—	—	40
Solar Loan Interest	14	—	—	14
Other	7	(2)	—	5
Total Other Income (Deductions)	\$61	\$ 38	\$—	\$ 99
Three Months Ended September 30, 2017				
NDT Fund Interest and Dividends	\$—	\$ 12	\$—	\$ 12
Allowance for Funds Used During Construction	14	—	—	14
Solar Loan Interest	6	—	—	6
Other	2	(1)	—	1
Total Other Income (Deductions)	\$22	\$ 11	\$—	\$ 33
Nine Months Ended September 30, 2017				
NDT Fund Interest and Dividends	\$—	\$ 35	\$—	\$ 35
Allowance for Funds Used During Construction	42	—	—	42
Solar Loan Interest	16	—	—	16
Other	7	(1)	(1)	5
Total Other Income (Deductions)	\$65	\$ 34	\$(1)	\$ 98

(A) Other consists of activity at PSEG (as parent company), Energy Holdings, Services, PSEG LI and intercompany eliminations.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Table of Contents

Note 15. Income Taxes

PSEG's, PSE&G's and Power's effective tax rates for the three months and nine months ended September 30, 2018 and 2017 were as follows:

	Three Months		Nine Months	
	Ended		Ended	
	September		September	
	30,		30,	
	2018	2017	2018	2017
PSEG	22.1%	38.9%	25.1%	35.5%
PSE&G	25.5%	38.8%	26.1%	37.4%
Power	16.7%	41.9%	24.1%	37.9%

For the three months and nine months ended September 30, 2018, the differences in PSEG's effective tax rates as compared to the same periods in the prior year were due primarily to the change in the statutory federal tax rate from 35% to 21% as a result of the Tax Act and the remeasurement of uncertain tax positions and associated interest in connection with a 2015 claim to carry back tax-defined nuclear decommissioning costs under IRC 172(f) (nuclear carryback claim) and 2011 and 2012 federal tax audit, offset by the New Jersey (NJ) surtax, plant-related items and tax credits. For the three months and nine months ended September 30, 2018, the differences in PSEG's effective tax rates as compared to the statutory tax rate of 28.11% were due primarily to the remeasurement of uncertain tax positions and associated interest in connection with the nuclear carryback claim and 2011 and 2012 federal tax audit, plant-related items and tax credits, offset by the NJ surtax.

In August 2018, the IRS completed its audit of PSEG's nuclear carryback claim and federal tax returns for the years 2011 and 2012. The completion of the IRS' audit resulted in a settlement agreement with the IRS, which is subject to review by the Joint Committee on Taxation (JCT). As a result of this new information, PSEG remeasured certain unrecognized tax benefits that impacted the effective tax rate in the amount of \$28 million, primarily related to the nuclear carryback claim and the associated interest, in the three months ended September 30, 2018.

For the three months and nine months ended September 30, 2018, the differences in PSE&G's effective tax rates as compared to the same periods in the prior year were due primarily to the change in the statutory federal tax rate from 35% to 21% as a result of the Tax Act, offset by changes in uncertain tax positions, plant-related and other flow-through items. For the three months and nine months ended September 30, 2018, the differences in PSE&G's effective tax rate as compared to the statutory tax rate of 28.11% were due primarily to plant-related and other flow-through items, tax credits and changes in uncertain tax positions.

For the three months and nine months ended September 30, 2018, the differences in Power's effective tax rates as compared to the same periods in the prior year were due primarily to the change in the statutory federal tax rate from 35% to 21% as a result of the Tax Act and the remeasurement of uncertain tax positions and associated interest in connection with the nuclear carryback claim and 2011 and 2012 federal tax audit, offset by the NJ surtax. For the three months and nine months ended September 30, 2018, the differences in Power's effective tax rates as compared to the statutory tax rate of 28.11% were due primarily to the remeasurement of uncertain tax positions and associated interest in connection with the nuclear carryback claim and 2011 and 2012 federal tax audit, offset by the NJ surtax.

Uncertain Tax Positions

In August 2018, the IRS completed its audit of PSEG's nuclear carryback claim and federal tax returns for the years 2011 and 2012. The JCT is required to review all claims over \$5 million, and the tax years are not considered concluded until the JCT's review has been completed. As a result, it is reasonably possible that PSEG's total unrecognized tax benefits may decrease in the range of \$50 million to \$120 million based on current estimates within the next 12 months.

Tax Act

PSEG, PSE&G and Power recorded the impact of the Tax Act in their December 31, 2017 consolidated financial statements, including certain provisional amounts, in accordance with SEC guidance under Staff Accounting Bulletin 118 (SAB 118). PSEG's accounting for certain elements of the Tax Act remains incomplete.

In August 2018, the IRS issued a Notice of Proposed Rulemaking (Notice) regarding the application of tax depreciation rules as amended by the Tax Act. In September 2018, PSEG recorded additional provisional adjustments that increased plant-related deferred taxes in the amount of \$53 million and \$35 million to the Regulatory Liability for the associated excess deferred taxes. PSEG continues to analyze the Notice and, as such, the amounts recorded for bonus depreciation for 2017 and 2018 remain provisional.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Table of Contents

Further, the Tax Act is unclear in certain respects and will require interpretations and implementing regulations by the IRS, as well as state tax authorities. The Tax Act could also be subject to potential amendments and technical corrections which could impact PSEG's, PSE&G's and Power's financial statements.

The Protecting Americans from Tax Hikes Act of 2015 (2015 Tax Act), among other provisions, included an extension of the bonus depreciation rules and the 30% investment tax credit for qualified property placed into service after 2016. Qualified property that is placed into service from January 1, 2015 through December 31, 2017 is eligible for the 50% bonus depreciation. The provisions of the 2015 Tax Act have generated significant cash tax benefits for PSEG, PSE&G and Power through tax benefits related to the accelerated depreciation.

For the period beginning September 28, 2017, subject to the transition rules, the Tax Act modified the bonus depreciation rules of the 2015 Tax Act. Subject to further review of the Notice, it is expected that Power will be entitled to 100% expensing for qualifying 2018 plant additions and bonus depreciation will no longer apply to PSE&G.

New Jersey State Tax Reform

In July 2018, the State of New Jersey made significant changes to its income tax laws, including imposing a temporary surtax on allocated corporate taxable income of 2.5% effective January 1, 2018 and 2019 and 1.5% in 2020 and 2021, as well as requiring corporate taxpayers to file in a combined reporting group as defined under New Jersey law starting in 2019. Both provisions include an exemption for public utilities. At this time, PSEG believes PSE&G meets the definition of a public utility and, therefore, will not be impacted by the temporary surtax or be included in the combined reporting group. PSEG expects these new provisions to unfavorably affect its non-utility business. The newly enacted New Jersey tax legislation did not have a material impact on PSEG's deferred income tax balance.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)Table of Contents

Note 16. Accumulated Other Comprehensive Income (Loss), Net of Tax

PSEG	Other Comprehensive Income (Loss) Three Months Ended September 30, 2018			
	Cash Flow Hedges	Pension and OPEB Plans	Available-for-Sale Securities	Total
Accumulated Other Comprehensive Income (Loss)				
	Millions			
Balance as of June 30, 2018	\$ (1)	\$ (391)	\$ (18)	\$ (410)
Other Comprehensive Income before Reclassifications	—	—	(6)	(6)
Amounts Reclassified from Accumulated Other Comprehensive Income (Loss)	—	7	2	9
Net Current Period Other Comprehensive Income (Loss)	—	7	(4)	3
Balance as of September 30, 2018	\$ (1)	\$ (384)	\$ (22)	\$ (407)
PSEG	Other Comprehensive Income (Loss) Three Months Ended September 30, 2017			
	Cash Flow Hedges	Pension and OPEB Plans	Available-for-Sale Securities	Total
Accumulated Other Comprehensive Income (Loss)				
	Millions			
Balance as of June 30, 2017	\$ 2	\$ (386)	\$ 158	\$ (226)
Other Comprehensive Income before Reclassifications	—	—	25	25
Amounts Reclassified from Accumulated Other Comprehensive Income (Loss)	(1)	6	(8)	(3)
Net Current Period Other Comprehensive Income (Loss)	(1)	6	17	22
Balance as of September 30, 2017	\$ 1	\$ (380)	\$ 175	\$ (204)
PSEG	Other Comprehensive Income (Loss) Nine Months Ended September 30, 2018			
	Cash Flow Hedges	Pension and OPEB Plans	Available-for-Sale Securities	Total
Accumulated Other Comprehensive Income (Loss)				
	Millions			
Balance as of December 31, 2017	\$ —	\$ (406)	\$ 177	\$ (229)
Cumulative Effect Adjustment to Reclassify Unrealized Net Gains on Equity Investments to Retained Earnings	—	—	(176)	(176)

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Current Period Other Comprehensive Income (Loss)				
Other Comprehensive Income before Reclassifications	(1)	—	(28)	(29)
Amounts Reclassified from Accumulated Other Comprehensive Income (Loss)	—	22	5	27
Net Current Period Other Comprehensive Income (Loss)	(1)	22	(23)	(2)
Net Change in Accumulative Other Comprehensive Income (Loss)	(1)	22	(199)	(178)
Balance as of September 30, 2018	\$ (1)	\$ (384)	\$ (22)	\$ (407)

PSEG	Other Comprehensive Income (Loss)			
	Nine Months Ended September 30, 2017			
	Cash	Pension	Available-for-Sale	Total
Accumulated Other Comprehensive Income (Loss)	Flow	and	Securities	
	Hedges	OPEB		
		Plans		
	Millions			
Balance as of December 31, 2016	\$ 2	\$ (398)	\$ 133	\$ (263)
Other Comprehensive Income before Reclassifications	—	—	78	78
Amounts Reclassified from Accumulated Other Comprehensive Income (Loss)	(1)	18	(36)	(19)
Net Current Period Other Comprehensive Income (Loss)	(1)	18	42	59
Balance as of September 30, 2017	\$ 1	\$ (380)	\$ 175	\$ (204)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Table of Contents

Power	Other Comprehensive Income (Loss) Three Months Ended September 30, 2018		
Accumulated Other Comprehensive Income (Loss)	Cash and Flow Hedges Pension and OPEB Plans	Available-for-Sale Securities	Total
	Millions		
Balance as of June 30, 2018	\$ — (335)	\$ (15)	\$ (350)
Other Comprehensive Income before Reclassifications	— —	(5)	(5)
Amounts Reclassified from Accumulated Other Comprehensive Income (Loss)	— 7	1	8
Net Current Period Other Comprehensive Income (Loss)	— 7	(4)	3
Balance as of September 30, 2018	\$ — (328)	\$ (19)	\$ (347)
Power	Other Comprehensive Income (Loss) Three Months Ended September 30, 2017		
Accumulated Other Comprehensive Income (Loss)	Cash and Flow Hedges Pension and OPEB Plans	Available-for-Sale Securities	Total
	Millions		
Balance as of June 30, 2017	\$ — (330)	\$ 158	\$ (172)
Other Comprehensive Income before Reclassifications	— —	24	24
Amounts Reclassified from Accumulated Other Comprehensive Income (Loss)	— 5	(9)	(4)
Net Current Period Other Comprehensive Income (Loss)	— 5	15	20
Balance as of September 30, 2017	\$ — (325)	\$ 173	\$ (152)
Power	Other Comprehensive Income (Loss) Nine Months Ended September 30, 2018		
Accumulated Other Comprehensive Income (Loss)	Cash and Flow Hedges Pension and OPEB Plans	Available-for-Sale Securities	Total
	Millions		
Balance as of December 31, 2017	\$ — (347)	\$ 175	\$ (172)
	— —	(175)	(175)

Cumulative Effect Adjustment to Reclassify Unrealized Net Gains on
Equity Investments to Retained Earnings

Current Period Other Comprehensive Income (Loss)				
Other Comprehensive Income before Reclassifications	—	—	(23	) (23)
Amounts Reclassified from Accumulated Other Comprehensive Income (Loss)	—	19	4	23
Net Current Period Other Comprehensive Income (Loss)	—	19	(19) —
Net Change in Accumulative Other Comprehensive Income (Loss)	—	19	(194	) (175)
Balance as of September 30, 2018	\$ —	(328)	\$ (19	) \$ (347)

Power

	Other Comprehensive Income (Loss)		
	Nine Months Ended September 30, 2017		
	Pension		
Accumulated Other Comprehensive Income (Loss)	Cash and Flow Hedges Plans	Available-for-Sale Securities	Total
	Millions		
Balance as of December 31, 2016	\$ —	(340)	\$ 129
Other Comprehensive Income before Reclassifications	—	—	74
Amounts Reclassified from Accumulated Other Comprehensive Income (Loss)	—	15	(30)
Net Current Period Other Comprehensive Income (Loss)	—	15	44
Balance as of September 30, 2017	\$ —	(325)	\$ 173

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

Table of Contents

PSEG		Amounts Reclassified from Accumulated Other Comprehensive Income (Loss) to Income Statement					
		Three Months Ended September 30, 2018			Nine Months Ended September 30, 2018		
Description of Amounts Reclassified from Accumulated Other Comprehensive Income (Loss)	Location of Pre-Tax Amount In Statement of Operations	Pre-Tax	Tax	After-Tax	Pre-Tax	Tax	After-Tax
		Amount	(Expense) Benefit	Amount	Amount	(Expense) Benefit	Amount
Millions							
Pension and OPEB Plans							
Amortization of Prior Service (Cost) Credit	Non-Operating Pension and OPEB Credits (Costs)	\$1	\$ —	\$ 1	\$3	\$ —	\$ 3
Amortization of Actuarial Loss	Non-Operating Pension and OPEB Credits (Costs)	(11)	3	(8)	(34)	9	(25)
Total Pension and OPEB Plans Available-for-Sale Debt Securities		(10)	3	(7)	(31)	9	(22)
Realized Gains (Losses) and OTTI	Net Gains (Losses) on Trust Investments	(2)	—	(2)	(8)	3	(5)
Total Available-for-Sale Debt Securities		(2)	—	(2)	(8)	3	(5)
Total		\$(12)	\$ 3	\$(9)	\$(39)	\$ 12	\$(27)

PSEG		Amounts Reclassified from Accumulated Other Comprehensive Income (Loss) to Income Statement					
		Three Months Ended September 30, 2017			Nine Months Ended September 30, 2017		
Description of Amounts Reclassified from Accumulated Other Comprehensive Income (Loss)	Location of Pre-Tax Amount In Statement of Operations	Pre-Tax	Tax	After-Tax	Pre-Tax	Tax	After-Tax
		Amount	(Expense) Benefit	Amount	Amount	(Expense) Benefit	Amount
Millions							
Cash Flow Hedges							
Interest Rate Swaps	Interest Expense	\$2	\$(1)	\$ 1	\$2	\$(1)	\$ 1
Total Cash Flow Hedges		2	(1)	1	2	(1)	1