

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

Millions
(Unaudited)

	Six Months Ended June 30,	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	\$ 658	\$ 931
Adjustments to Reconcile Net Income to Net Cash Flows from Operating Activities:		
Depreciation and Amortization	448	647
Amortization of Nuclear Fuel	105	106
Provision for Deferred Income Taxes (Other than Leases) and ITC	334	170
Non-Cash Employee Benefit Plan Costs	63	81
Leveraged Lease (Income) Loss, Adjusted for Rents Received and Deferred Taxes	(30)	(22)
Net Unrealized (Gains) Losses on Energy Contracts and Other Derivatives	153	(9)
Change in Accrued Storm Costs	(1)	15
Net Change in Other Regulatory Assets and Liabilities	(124)	(53)
Cost of Removal	(74)	(58)
Net Realized (Gains) Losses and (Income) Expense from NDT Fund	(2)	(21)
Net Change in Certain Current Assets and Liabilities:		
Tax Receivable	301	188
Accrued Taxes	94	71
Margin Deposit	(46)	69
Other Current Assets and Liabilities	(120)	98
Employee Benefit Plan Funding and Related Payments	(78)	(67)
Other	41	88
Net Cash Provided By (Used In) Operating Activities	<u>1,722</u>	<u>2,234</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to Property, Plant and Equipment	(1,971)	(1,743)
Proceeds from Sales of Available-for-Sale Securities	392	885
Investments in Available-for-Sale Securities	(407)	(918)
Other	(18)	3
Net Cash Provided By (Used In) Investing Activities	<u>(2,004)</u>	<u>(1,773)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net Change in Commercial Paper and Loans	(364)	—
Issuance of Long-Term Debt	1,550	600
Redemption of Long-Term Debt	(171)	(300)
Redemption of Securitization Debt	—	(125)
Cash Dividends Paid on Common Stock	(415)	(394)
Other	(64)	(47)
Net Cash Provided By (Used In) Financing Activities	<u>536</u>	<u>(266)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	254	195
Cash and Cash Equivalents at Beginning of Period	394	402
Cash and Cash Equivalents at End of Period	<u>\$ 648</u>	<u>\$ 597</u>
Supplemental Disclosure of Cash Flow Information:		
Income Taxes Paid (Received)	\$ (276)	\$ 184
Interest Paid, Net of Amounts Capitalized	\$ 176	\$ 195
Accrued Property, Plant and Equipment Expenditures	\$ 513	\$ 324

See Notes to Condensed Consolidated Financial Statements.

PUBLIC SERVICE ELECTRIC AND GAS COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

Millions
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
OPERATING REVENUES	\$ 1,350	\$ 1,466	\$ 3,062	\$ 3,468
OPERATING EXPENSES				
Energy Costs	529	544	1,258	1,436
Operation and Maintenance	352	368	734	780
Depreciation and Amortization	136	234	275	481
Total Operating Expenses	<u>1,017</u>	<u>1,146</u>	<u>2,267</u>	<u>2,697</u>
OPERATING INCOME	333	320	795	771
Other Income	19	19	39	37
Other Deductions	(1)	(1)	(2)	(2)
Interest Expense	(74)	(67)	(142)	(136)
INCOME BEFORE INCOME TAXES	<u>277</u>	<u>271</u>	<u>690</u>	<u>670</u>
Income Tax Expense	(98)	(104)	(249)	(261)
NET INCOME	<u>\$ 179</u>	<u>\$ 167</u>	<u>\$ 441</u>	<u>\$ 409</u>

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

PUBLIC SERVICE ELECTRIC AND GAS COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Millions
(Unaudited)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2016	2015	2016	2015
NET INCOME	\$ 179	\$ 167	\$ 441	\$ 409
Unrealized Gains (Losses) on Available-for-Sale Securities, net of tax (expense) benefit of \$0 and \$0 for the three and six months ended 2016 and 2015, respectively	1	(1)	1	(1)
COMPREHENSIVE INCOME	<u>\$ 180</u>	<u>\$ 166</u>	<u>\$ 442</u>	<u>\$ 408</u>

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**PUBLIC SERVICE ELECTRIC AND GAS COMPANY
CONDENSED CONSOLIDATED BALANCE SHEETS**

**Millions
(Unaudited)**

ASSETS	<u>June 30, 2016</u>	<u>December 31, 2015</u>
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 168	\$ 198
Accounts Receivable, net of allowances of \$65 and \$67 in 2016 and 2015, respectively	736	787
Accounts Receivable—Affiliated Companies	—	222
Unbilled Revenues	202	197
Materials and Supplies	162	148
Prepayments	196	31
Regulatory Assets	310	164
Derivative Contracts	—	13
Other	8	9
Total Current Assets	<u>1,782</u>	<u>1,769</u>
PROPERTY, PLANT AND EQUIPMENT	<u>24,976</u>	<u>23,732</u>
Less: Accumulated Depreciation and Amortization	(5,627)	(5,504)
Net Property, Plant and Equipment	<u>19,349</u>	<u>18,228</u>
NONCURRENT ASSETS		
Regulatory Assets	3,120	3,196
Long-Term Investments	316	330
Other Special Funds	57	49
Other	113	105
Total Noncurrent Assets	<u>3,606</u>	<u>3,680</u>
TOTAL ASSETS	<u><u>\$ 24,737</u></u>	<u><u>\$ 23,677</u></u>

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PUBLIC SERVICE ELECTRIC AND GAS COMPANY
CONDENSED CONSOLIDATED BALANCE SHEETS

Millions
(Unaudited)

LIABILITIES AND CAPITALIZATION	June 30, 2016	December 31, 2015
CURRENT LIABILITIES		
Long-Term Debt Due Within One Year	\$ 100	\$ 171
Commercial Paper and Loans	—	153
Accounts Payable	680	724
Accounts Payable—Affiliated Companies	179	292
Accrued Interest	73	70
Clean Energy Program	200	142
Derivative Contracts	2	—
Obligation to Return Cash Collateral	127	128
Regulatory Liabilities	74	123
Regulatory Liabilities of VIEs	22	42
Other	339	297
Total Current Liabilities	1,796	2,142
NONCURRENT LIABILITIES		
Deferred Income Taxes and ITC	5,503	5,181
OPEB Costs	904	937
Accrued Pension Costs	165	202
Regulatory Liabilities	165	175
Clean Energy Program	27	—
Environmental Costs	336	365
Asset Retirement Obligations	220	218
Derivative Contracts	—	11
Long-Term Accrued Taxes	99	109
Other	113	114
Total Noncurrent Liabilities	7,532	7,312
COMMITMENTS AND CONTINGENT LIABILITIES (See Note 8)		
CAPITALIZATION		
LONG-TERM DEBT	7,394	6,650
STOCKHOLDER'S EQUITY		
Common Stock; 150 shares authorized; issued and outstanding, 2016 and 2015—132 shares	892	892
Contributed Capital	695	695
Basis Adjustment	986	986
Retained Earnings	5,440	4,999
Accumulated Other Comprehensive Income	2	1
Total Stockholder's Equity	8,015	7,573
Total Capitalization	15,409	14,223
TOTAL LIABILITIES AND CAPITALIZATION	\$ 24,737	\$ 23,677

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

Millions
(Unaudited)

	Six Months Ended	
	June 30,	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	\$ 441	\$ 409
Adjustments to Reconcile Net Income to Net Cash Flows from Operating Activities:		
Depreciation and Amortization	275	481
Provision for Deferred Income Taxes and ITC	290	79
Non-Cash Employee Benefit Plan Costs	36	48
Cost of Removal	(74)	(58)
Change in Accrued Storm Costs	(1)	15
Net Change in Other Regulatory Assets and Liabilities	(124)	(53)
Net Change in Certain Current Assets and Liabilities:		
Accounts Receivable and Unbilled Revenues	50	53
Materials and Supplies	(14)	(10)
Prepayments	(165)	(162)
Accounts Payable	(29)	48
Accounts Receivable/Payable—Affiliated Companies, net	181	154
Other Current Assets and Liabilities	17	(27)
Employee Benefit Plan Funding and Related Payments	(62)	(55)
Other	(13)	(13)
Net Cash Provided By (Used In) Operating Activities	<u>808</u>	<u>909</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to Property, Plant and Equipment	(1,355)	(1,230)
Proceeds from Sales of Available-for-Sale Securities	12	12
Investments in Available-for-Sale Securities	(13)	(14)
Other	2	12
Net Cash Provided By (Used In) Investing Activities	<u>(1,354)</u>	<u>(1,220)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net Change in Short-Term Debt	(153)	—
Issuance of Long-Term Debt	850	600
Redemption of Long-Term Debt	(171)	(300)
Redemption of Securitization Debt	—	(125)
Other	(10)	(8)
Net Cash Provided By (Used In) Financing Activities	<u>516</u>	<u>167</u>
Net Increase (Decrease) In Cash and Cash Equivalents	(30)	(144)
Cash and Cash Equivalents at Beginning of Period	198	310
Cash and Cash Equivalents at End of Period	<u>\$ 168</u>	<u>\$ 166</u>
Supplemental Disclosure of Cash Flow Information:		
Income Taxes Paid (Received)	\$ (255)	\$ (74)
Interest Paid, Net of Amounts Capitalized	\$ 134	\$ 131
Accrued Property, Plant and Equipment Expenditures	\$ 381	\$ 282

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
OPERATING REVENUES	\$ 714	\$ 1,025	\$ 2,027	\$ 2,750
OPERATING EXPENSES				
Energy Costs	381	409	1,019	1,302
Operation and Maintenance	265	313	518	485
Depreciation and Amortization	80	75	159	151
Total Operating Expenses	<u>726</u>	<u>797</u>	<u>1,696</u>	<u>1,938</u>
OPERATING INCOME (LOSS)	(12)	228	331	812
Income from Equity Method Investments	4	5	6	8
Other Income	25	55	51	84
Other Deductions	(9)	(7)	(27)	(18)
Other-Than-Temporary Impairments	(10)	(10)	(20)	(15)
Interest Expense	(20)	(33)	(42)	(64)
INCOME (LOSS) BEFORE INCOME TAXES	<u>(22)</u>	<u>238</u>	<u>299</u>	<u>807</u>
Income Tax Benefit (Expense)	11	(72)	(118)	(306)
NET INCOME (LOSS)	<u>\$ (11)</u>	<u>\$ 166</u>	<u>\$ 181</u>	<u>\$ 501</u>

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

