

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q**

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934
FOR THE QUARTERLY PERIOD ENDED September 30, 2019**
OR
☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934
FOR THE TRANSITION PERIOD FROM TO**

Commission File Number	Name of Registrant, Address, and Telephone Number	State or other jurisdiction of Incorporation	I.R.S. Employer Identification Number
001-09120	Public Service Enterprise Group Incorporated 80 Park Plaza Newark, New Jersey 07102 973 430-7000	New Jersey	22-2625848
001-00973	Public Service Electric and Gas Company 80 Park Plaza Newark, New Jersey 07102 973 430-7000	New Jersey	22-1212800
001-34232	PSEG Power LLC 80 Park Plaza Newark, New Jersey 07102 973 430-7000	Delaware	22-3663480

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol(s)	Name of Each Exchange On Which Registered
Public Service Enterprise Group Incorporated		
Common Stock without par value	PEG	New York Stock Exchange
Public Service Electric and Gas Company		
9.25% First and Refunding Mortgage Bonds, Series CC, due 2021	PEG21	New York Stock Exchange
8.00% First and Refunding Mortgage Bonds, due 2037	PEG37D	New York Stock Exchange
5.00% First and Refunding Mortgage Bonds, due 2037	PEG37J	New York Stock Exchange
PSEG Power LLC		
8.625% Senior Notes, due 2031	PEG31	New York Stock Exchange

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 ☒ No ☐

Indicate by check mark whether the registrants have submitted electronically 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 such files). Yes ☒ No ☐

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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.

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 15, 2019, Public Service Enterprise Group Incorporated had outstanding 505,726,465 shares of its sole class of Common Stock, without value.

As of October 15, 2019, 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.

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FORWARD-LOOKING STATEMENTS

Certain of the matters discussed in this report about our and our subsidiaries' future performance, including, without limitation, future revenues, earnings, strategies, prospects, consequences and all other statements that are not purely historical constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ materially from those anticipated. Such statements are based on management's beliefs as well as assumptions made by and information currently available to management. When used herein, the words "anticipate," "intend," "estimate," "believe," "expect," "plan," "should," "hypothetical," "potential," "forecast," "project," variations of such words and similar expressions are 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;
- PSE&G's proposed investment programs may not be fully approved by regulators and its capital investment may be lower than planned;
- 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 any future rate 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;
- the impact on our New Jersey nuclear plants if such plants are not selected to participate in future Zero Emission Certificate (ZEC) programs, ZEC programs are overturned or modified through legal proceedings or if adverse changes are made to the capacity market construct;
- 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 PSEG Power to meet its commitments under forward sale obligations;

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- 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, obtain regulatory approval for, 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;
- 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 (PSEG Power). Information relating to any individual company is filed by such company on its own behalf. PSE&G and PSEG 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 PSEG 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.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
OPERATING REVENUES	\$ 2,302	\$ 2,394	\$ 7,598	\$ 7,228
OPERATING EXPENSES				
Energy Costs	753	804	2,581	2,356
Operation and Maintenance	745	742	2,251	2,221
Depreciation and Amortization	307	294	928	854
Loss on Asset Dispositions	7	—	402	—
Total Operating Expenses	1,812	1,840	6,162	5,431
OPERATING INCOME	490	554	1,436	1,797
Income from Equity Method Investments	3	5	10	12
Net Gains (Losses) on Trust Investments	(3)	45	164	31
Other Income (Deductions)	35	33	101	99
Non-Operating Pension and OPEB Credits (Costs)	55	19	121	57
Interest Expense	(147)	(127)	(417)	(341)
INCOME BEFORE INCOME TAXES	433	529	1,415	1,655
Income Tax Benefit (Expense)	(30)	(117)	(159)	(416)
NET INCOME	\$ 403	\$ 412	\$ 1,256	\$ 1,239
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING:				
BASIC	504	504	504	504
DILUTED	507	507	507	507
NET INCOME PER SHARE:				
BASIC	\$ 0.80	\$ 0.82	\$ 2.49	\$ 2.46
DILUTED	\$ 0.79	\$ 0.81	\$ 2.47	\$ 2.44

See Notes to Condensed Consolidated Financial Statements.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
NET INCOME	\$ 403	\$ 412	\$ 1,256	\$ 1,239
Other Comprehensive Income (Loss), net of tax				
Unrealized Gains (Losses) on Available-for-Sale Securities, net of tax (expense) benefit of \$(5), \$2, \$(30) and \$15 for the three and nine months ended 2019 and 2018, respectively	10	(4)	49	(23)
Unrealized Gains (Losses) on Cash Flow Hedges, net of tax (expense) benefit of \$0, \$0, \$6 and \$1 for the three and nine months ended 2019 and 2018, respectively	1	—	(16)	(1)
Pension/OPEB adjustment, net of tax (expense) benefit of \$7, \$(3), \$1 and \$(9) for the three and nine months ended 2019 and 2018, respectively	(17)	7	(13)	22
Other Comprehensive Income (Loss), net of tax	(6)	3	20	(2)
COMPREHENSIVE INCOME	\$ 397	\$ 415	\$ 1,276	\$ 1,237

See Notes to Condensed Consolidated Financial Statements.

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

	September 30, 2019	December 31, 2018
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 120	\$ 177
Accounts Receivable, net of allowances of \$61 in 2019 and \$63 in 2018	1,184	1,435
Tax Receivable	—	242
Unbilled Revenues	161	240
Fuel	346	331
Materials and Supplies, net	579	571
Prepayments	249	94
Derivative Contracts	18	11
Regulatory Assets	352	389
Other	50	17
Total Current Assets	3,059	3,507
PROPERTY, PLANT AND EQUIPMENT	45,500	44,201
Less: Accumulated Depreciation and Amortization	(10,093)	(9,838)
Net Property, Plant and Equipment	35,407	34,363
NONCURRENT ASSETS		
Regulatory Assets	3,593	3,399
Operating Lease Right-of-Use Assets	285	—
Long-Term Investments	812	896
Nuclear Decommissioning Trust (NDT) Fund	2,135	1,878
Long-Term Tax Receivable	150	—
Long-Term Receivable of Variable Interest Entity (VIE)	639	624
Rabbi Trust Fund	246	224
Goodwill	16	16
Other Intangibles	188	143
Derivative Contracts	27	1
Other	258	275
Total Noncurrent Assets	8,349	7,456
TOTAL ASSETS	\$ 46,815	\$ 45,326

See Notes to Condensed Consolidated Financial Statements.

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

	September 30, 2019	December 31, 2018
LIABILITIES AND CAPITALIZATION		
CURRENT LIABILITIES		
Long-Term Debt Due Within One Year	\$ 1,056	\$ 1,294
Commercial Paper and Loans	346	1,016
Accounts Payable	1,244	1,451
Derivative Contracts	32	11
Accrued Interest	174	110
Accrued Taxes	37	26
Clean Energy Program	187	143
Obligation to Return Cash Collateral	123	136
Regulatory Liabilities	346	311
Other	522	437
Total Current Liabilities	4,067	4,935
NONCURRENT LIABILITIES		
Deferred Income Taxes and Investment Tax Credits (ITC)	6,143	5,713
Regulatory Liabilities	2,972	3,221
Operating Leases	275	—
Asset Retirement Obligations	1,073	1,063
OPEB Costs	695	704
OPEB Costs of Servco	525	501
Accrued Pension Costs	819	791
Accrued Pension Costs of Servco	98	109
Environmental Costs	361	327
Derivative Contracts	5	4
Long-Term Accrued Taxes	165	181
Other	244	232
Total Noncurrent Liabilities	13,375	12,846
COMMITMENTS AND CONTINGENT LIABILITIES (See Note 11)		
CAPITALIZATION		
LONG-TERM DEBT	14,448	13,168
STOCKHOLDERS' EQUITY		
Common Stock, no par, authorized 1,000 shares; issued, 2019 and 2018—534 shares	4,989	4,980
Treasury Stock, at cost, 2019 and 2018—30 shares	(832)	(808)
Retained Earnings	11,206	10,582
Accumulated Other Comprehensive Loss	(438)	(377)
Total Stockholders' Equity	14,925	14,377
Total Capitalization	29,373	27,545
TOTAL LIABILITIES AND CAPITALIZATION	\$ 46,815	\$ 45,326

See Notes to Condensed Consolidated Financial Statements.

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

	Nine Months Ended September 30,	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	\$ 1,256	\$ 1,239
Adjustments to Reconcile Net Income to Net Cash Flows from Operating Activities:		
Depreciation and Amortization	928	854
Amortization of Nuclear Fuel	137	143
Loss on Asset Dispositions	402	—
Emission Allowances and Renewable Energy Credit (REC) Compliance Accrual	80	74
Provision for Deferred Income Taxes (Other than Leases) and ITC	139	510
Non-Cash Employee Benefit Plan (Credits) Costs	(26)	52
Leveraged Lease (Income) Loss, Adjusted for Rents Received and Deferred Taxes	(8)	(27)
Net (Gain) Loss on Lease Investments	32	14
Net Realized and Unrealized (Gains) Losses on Energy Contracts and Other Derivatives	(201)	78
Cost of Removal	(87)	(121)
Net Change in Regulatory Assets and Liabilities	54	(35)
Net (Gains) Losses and (Income) Expense from NDT Fund	(195)	(62)
Net Change in Certain Current Assets and Liabilities:		
Tax Receivable	77	(98)
Accrued Taxes	(11)	(12)
Margin Deposit	301	(77)
Other Current Assets and Liabilities	(155)	12
Employee Benefit Plan Funding and Related Payments	(33)	(85)
Other	19	33
Net Cash Provided By (Used In) Operating Activities	2,709	2,492
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to Property, Plant and Equipment	(2,383)	(3,028)
Purchase of Emission Allowances and RECs	(73)	(111)
Proceeds from Sales of Trust Investments	1,374	1,085
Purchases of Trust Investments	(1,402)	(1,100)
Other	125	41
Net Cash Provided By (Used In) Investing Activities	(2,359)	(3,113)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net Change in Commercial Paper and Loans	(670)	(123)
Issuance of Long-Term Debt	1,900	2,050
Redemption of Long-Term Debt	(850)	(750)
Cash Dividends Paid on Common Stock	(713)	(682)
Other	(60)	(83)
Net Cash Provided By (Used In) Financing Activities	(393)	412
Net Increase (Decrease) in Cash, Cash Equivalents and Restricted Cash	(43)	(209)
Cash, Cash Equivalents and Restricted Cash at Beginning of Period	199	315
Cash, Cash Equivalents and Restricted Cash at End of Period	\$ 156	\$ 106
Supplemental Disclosure of Cash Flow Information:		
Income Taxes Paid (Received)	\$ 31	\$ 64
Interest Paid, Net of Amounts Capitalized	\$ 345	\$ 292
Accrued Property, Plant and Equipment Expenditures	\$ 514	\$ 543

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
Millions
(Unaudited)

	Common Stock		Treasury Stock		Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
	Shs.	Amount	Shs.	Amount			
Balance as of June 30, 2019	534	\$ 4,980	(30)	\$ (835)	\$ 11,041	\$ (432)	\$ 14,754
Net Income	—	—	—	—	403	—	403
Other Comprehensive Income (Loss), net of tax (expense) benefit of \$2	—	—	—	—	—	(6)	(6)
Comprehensive Income							397
Cash Dividends at \$0.47 per share on Common Stock	—	—	—	—	(238)	—	(238)
Other	—	9	—	3	—	—	12
Balance as of September 30, 2019	534	\$ 4,989	(30)	\$ (832)	\$ 11,206	\$ (438)	\$ 14,925
Balance as of June 30, 2018	534	\$ 4,955	(30)	\$ (813)	\$ 10,426	\$ (410)	\$ 14,158
Net Income	—	—	—	—	412	—	412
Other Comprehensive Income (Loss), net of tax (expense) benefit of \$(1)	—	—	—	—	—	3	3
Comprehensive Income							415
Cash Dividends at \$0.45 per share on Common Stock	—	—	—	—	(227)	—	(227)
Other	—	11	—	2	—	—	13
Balance as of September 30, 2018	534	\$ 4,966	(30)	\$ (811)	\$ 10,611	\$ (407)	\$ 14,359

	Common Stock		Treasury Stock		Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
	Shs.	Amount	Shs.	Amount			
Balance as of December 31, 2018	534	\$ 4,980	(30)	\$ (808)	\$ 10,582	\$ (377)	\$ 14,377
Net Income	—	—	—	—	1,256	—	1,256
Cumulative Effect Adjustment to Reclassify Stranded Tax Effects Resulting from the Change in the Federal Corporate Income Tax Rate	—	—	—	—	81	(81)	—
Other Comprehensive Income (Loss), net of tax (expense) benefit of \$(23)	—	—	—	—	—	20	20
Comprehensive Income							1,276
Cash Dividends at \$1.41 per share on Common Stock	—	—	—	—	(713)	—	(713)
Other	—	9	—	(24)	—	—	(15)
Balance as of September 30, 2019	534	\$ 4,989	(30)	\$ (832)	\$ 11,206	\$ (438)	\$ 14,925
Balance as of December 31, 2017	534	\$ 4,961	(29)	\$ (763)	\$ 9,878	\$ (229)	\$ 13,847
Net Income	—	—	—	—	1,239	—	1,239
Cumulative Effect Adjustment to Reclassify Unrealized Net Gains on Equity Investments	—	—	—	—	176	(176)	—
Other Comprehensive Income (Loss), net of tax (expense) benefit of \$7	—	—	—	—	—	(2)	(2)
Comprehensive Income							1,237
Cash Dividends at \$1.35 per share on Common Stock	—	—	—	—	(682)	—	(682)
Other	—	5	(1)	(48)	—	—	(43)
Balance as of September 30, 2018	534	\$ 4,966	(30)	\$ (811)	\$ 10,611	\$ (407)	\$ 14,359

See Notes to Condensed Consolidated Financial Statements.

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

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2019	2018	2019	2018
OPERATING REVENUES	\$ 1,604	\$ 1,595	\$ 5,018	\$ 4,826
OPERATING EXPENSES				
Energy Costs	618	593	2,094	1,863
Operation and Maintenance	388	389	1,165	1,133
Depreciation and Amortization	206	192	620	569
Total Operating Expenses	1,212	1,174	3,879	3,565
OPERATING INCOME	392	421	1,139	1,261
Net Gains (Losses) on Trust Investments	—	—	1	—
Other Income (Deductions)	22	21	60	61
Non-Operating Pension and OPEB Credits (Costs)	46	14	105	44
Interest Expense	(92)	(83)	(268)	(246)
INCOME BEFORE INCOME TAXES	368	373	1,037	1,120
Income Tax Benefit (Expense)	(24)	(95)	(63)	(292)
NET INCOME	\$ 344	\$ 278	\$ 974	\$ 828

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		Nine Months Ended	
	September 30,		September 30,	
	2019	2018	2019	2018
NET INCOME	\$ 344	\$ 278	\$ 974	\$ 828
Unrealized Gains (Losses) on Available-for-Sale Securities, net of tax (expense) benefit of \$0, \$0, \$(1) and \$0 for the three and nine months ended 2019 and 2018, respectively	1	(1)	3	(1)
COMPREHENSIVE INCOME	<u>\$ 345</u>	<u>\$ 277</u>	<u>\$ 977</u>	<u>\$ 827</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 BALANCE SHEETS

Millions
(Unaudited)

	September 30, 2019	December 31, 2018
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 25	\$ 39
Accounts Receivable, net of allowances of \$61 in 2019 and \$63 in 2018	852	879
Tax Receivable	—	20
Accounts Receivable—Affiliated Companies	12	123
Unbilled Revenues	161	240
Materials and Supplies, net	213	196
Prepayments	123	10
Regulatory Assets	352	389
Other	39	11
Total Current Assets	1,777	1,907
PROPERTY, PLANT AND EQUIPMENT	33,298	31,633
Less: Accumulated Depreciation and Amortization	(6,532)	(6,277)
Net Property, Plant and Equipment	26,766	25,356
NONCURRENT ASSETS		
Regulatory Assets	3,593	3,399
Operating Lease Right-of-Use Assets	97	—
Long-Term Investments	251	270
Rabbi Trust Fund	48	45
Other	120	132
Total Noncurrent Assets	4,109	3,846
TOTAL ASSETS	\$ 32,652	\$ 31,109

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

PUBLIC SERVICE ELECTRIC AND GAS COMPANY
CONDENSED CONSOLIDATED BALANCE SHEETS

Millions
(Unaudited)

	September 30, 2019	December 31, 2018
LIABILITIES AND CAPITALIZATION		
CURRENT LIABILITIES		
Long-Term Debt Due Within One Year	\$ 250	\$ 500
Commercial Paper and Loans	10	272
Accounts Payable	633	713
Accounts Payable—Affiliated Companies	208	321
Accrued Interest	106	84
Clean Energy Program	187	143
Obligation to Return Cash Collateral	123	136
Regulatory Liabilities	346	311
Other	422	345
Total Current Liabilities	2,285	2,825
NONCURRENT LIABILITIES		
Deferred Income Taxes and ITC	4,132	3,830
Regulatory Liabilities	2,972	3,221
Operating Leases	85	—
Asset Retirement Obligations	300	302
OPEB Costs	476	486
Accrued Pension Costs	420	400
Environmental Costs	299	268
Long-Term Accrued Taxes	103	69
Other	127	124
Total Noncurrent Liabilities	8,914	8,700
COMMITMENTS AND CONTINGENT LIABILITIES (See Note 11)		
CAPITALIZATION		
LONG-TERM DEBT	9,576	8,684
STOCKHOLDER'S EQUITY		
Common Stock; 150 shares authorized; issued and outstanding, 2019 and 2018—132 shares	892	892
Contributed Capital	1,095	1,095
Basis Adjustment	986	986
Retained Earnings	8,902	7,928
Accumulated Other Comprehensive Income (Loss)	2	(1)
Total Stockholder's Equity	11,877	10,900
Total Capitalization	21,453	19,584
TOTAL LIABILITIES AND CAPITALIZATION	\$ 32,652	\$ 31,109

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

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

	Nine Months Ended September 30,	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	\$ 974	\$ 828
Adjustments to Reconcile Net Income to Net Cash Flows from Operating Activities:		
Depreciation and Amortization	620	569
Provision for Deferred Income Taxes and ITC	10	330
Non-Cash Employee Benefit Plan (Credits) Costs	(39)	28
Cost of Removal	(87)	(121)
Net Change in Regulatory Assets and Liabilities	54	(35)
Net Change in Certain Current Assets and Liabilities:		
Accounts Receivable and Unbilled Revenues	105	184
Materials and Supplies	(16)	(3)
Prepayments	(97)	(73)
Accounts Payable	(77)	(7)
Accounts Receivable/Payable—Affiliated Companies, net	8	(232)
Other Current Assets and Liabilities	66	10
Employee Benefit Plan Funding and Related Payments	(19)	(73)
Other	(21)	(8)
Net Cash Provided By (Used In) Operating Activities	1,481	1,397
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to Property, Plant and Equipment	(1,866)	(2,213)
Proceeds from Sales of Trust Investments	27	15
Purchases of Trust Investments	(25)	(17)
Solar Loan Investments	2	(15)
Other	7	6
Net Cash Provided By (Used In) Investing Activities	(1,855)	(2,224)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net Change in Commercial Paper and Loans	(262)	40
Issuance of Long-Term Debt	1,150	1,350
Redemption of Long-Term Debt	(500)	(750)
Other	(14)	(14)
Net Cash Provided By (Used In) Financing Activities	374	626
Net Increase (Decrease) In Cash, Cash Equivalents and Restricted Cash	—	(201)
Cash, Cash Equivalents and Restricted Cash at Beginning of Period	61	244
Cash, Cash Equivalents and Restricted Cash at End of Period	\$ 61	\$ 43
Supplemental Disclosure of Cash Flow Information:		
Income Taxes Paid (Received)	\$ (82)	\$ 60
Interest Paid, Net of Amounts Capitalized	\$ 240	\$ 223
Accrued Property, Plant and Equipment Expenditures	\$ 348	\$ 375

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 STOCKHOLDER'S EQUITY
Millions
(Unaudited)

	Common Stock	Contributed Capital	Basis Adjustment	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance as of June 30, 2019	\$ 892	\$ 1,095	\$ 986	\$ 8,558	\$ 1	\$ 11,532
Net Income	—	—	—	344	—	344
Other Comprehensive Income (Loss), net of tax (expense) benefit of \$0	—	—	—	—	1	1
Comprehensive Income						345
Balance as of September 30, 2019	<u>\$ 892</u>	<u>\$ 1,095</u>	<u>\$ 986</u>	<u>\$ 8,902</u>	<u>\$ 2</u>	<u>\$ 11,877</u>
Balance as of June 30, 2018	\$ 892	\$ 1,095	\$ 986	\$ 7,411	\$ —	\$ 10,384
Net Income	—	—	—	278	—	278
Other Comprehensive Income (Loss), net of tax (expense) benefit of \$0	—	—	—	—	(1)	(1)
Comprehensive Income						277
Balance as of September 30, 2018	<u>\$ 892</u>	<u>\$ 1,095</u>	<u>\$ 986</u>	<u>\$ 7,689</u>	<u>\$ (1)</u>	<u>\$ 10,661</u>

	Common Stock	Contributed Capital	Basis Adjustment	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance as of December 31, 2018	\$ 892	\$ 1,095	\$ 986	\$ 7,928	\$ (1)	\$ 10,900
Net Income	—	—	—	974	—	974
Other Comprehensive Income (Loss), net of tax (expense) benefit of \$(1)	—	—	—	—	3	3
Comprehensive Income						977
Balance as of September 30, 2019	<u>\$ 892</u>	<u>\$ 1,095</u>	<u>\$ 986</u>	<u>\$ 8,902</u>	<u>\$ 2</u>	<u>\$ 11,877</u>
Balance as of December 31, 2017	\$ 892	\$ 1,095	\$ 986	\$ 6,861	\$ —	\$ 9,834
Net Income	—	—	—	828	—	828
Other Comprehensive Income (Loss), net of tax (expense) benefit of \$0	—	—	—	—	(1)	(1)
Comprehensive Income						827
Balance as of September 30, 2018	<u>\$ 892</u>	<u>\$ 1,095</u>	<u>\$ 986</u>	<u>\$ 7,689</u>	<u>\$ (1)</u>	<u>\$ 10,661</u>

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		Nine Months Ended	
	September 30,		September 30,	
	2019	2018	2019	2018
OPERATING REVENUES	\$ 771	\$ 868	\$ 3,270	\$ 3,038
OPERATING EXPENSES				
Energy Costs	359	431	1,556	1,550
Operation and Maintenance	233	231	736	745
Depreciation and Amortization	93	94	282	260
Loss on Asset Dispositions	7	—	402	—
Total Operating Expenses	692	756	2,976	2,555
OPERATING INCOME	79	112	294	483
Income from Equity Method Investments	3	5	10	12
Net Gains (Losses) on Trust Investments	(4)	44	160	30
Other Income (Deductions)	15	14	43	38
Non-Operating Pension and OPEB Credits (Costs)	8	4	14	11
Interest Expense	(34)	(29)	(85)	(47)
INCOME BEFORE INCOME TAXES	67	150	436	527
Income Tax Benefit (Expense)	(14)	(25)	(127)	(127)
NET INCOME	\$ 53	\$ 125	\$ 309	\$ 400

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
NET INCOME	\$ 53	\$ 125	\$ 309	\$ 400
Other Comprehensive Income (Loss), net of tax				
Unrealized Gains (Losses) on Available-for-Sale Securities, net of tax (expense) benefit of \$(4), \$2, \$(26) and \$13 for the three and nine months ended 2019 and 2018, respectively	7	(4)	38	(19)
Pension/OPEB adjustment, net of tax (expense) benefit of \$5, \$(3), \$0 and \$(8) for the three and nine months ended 2019 and 2018, respectively	(12)	7	(9)	19
Other Comprehensive Income (Loss), net of tax	(5)	3	29	—
COMPREHENSIVE INCOME	\$ 48	\$ 128	\$ 338	\$ 400

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

PSEG POWER LLC
CONDENSED CONSOLIDATED BALANCE SHEETS
Millions
(Unaudited)

	September 30, 2019	December 31, 2018
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 80	\$ 22
Accounts Receivable	279	477
Accounts Receivable—Affiliated Companies	233	274
Short-Term Loan to Affiliate	86	—
Fuel	346	331
Materials and Supplies, net	364	373
Prepayments	19	14
Derivative Contracts	18	11
Other	6	5
Total Current Assets	1,431	1,507
PROPERTY, PLANT AND EQUIPMENT	11,853	12,224
Less: Accumulated Depreciation and Amortization	(3,358)	(3,382)
Net Property, Plant and Equipment	8,495	8,842
NONCURRENT ASSETS		
Operating Lease Right-of-Use Assets	72	—
Long-Term Investments	67	86
NDT Fund	2,135	1,878
Rabbi Trust Fund	62	56
Goodwill	16	16
Other Intangibles	188	143
Derivative Contracts	27	1
Other	60	65
Total Noncurrent Assets	2,627	2,245
TOTAL ASSETS	\$ 12,553	\$ 12,594

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

PSEG POWER LLC
CONDENSED CONSOLIDATED BALANCE SHEETS
Millions
(Unaudited)

	September 30, 2019	December 31, 2018
LIABILITIES AND MEMBER'S EQUITY		
CURRENT LIABILITIES		
Long-Term Debt Due Within One Year	\$ 406	\$ 44
Accounts Payable	448	498
Accounts Payable—Affiliated Companies	20	16
Short-Term Loan from Affiliate	—	193
Derivative Contracts	26	11
Accrued Interest	49	21
Other	77	59
Total Current Liabilities	1,026	842
NONCURRENT LIABILITIES		
Deferred Income Taxes and ITC	1,803	1,619
Operating Leases	63	—
Asset Retirement Obligations	770	758
OPEB Costs	177	176
Accrued Pension Costs	252	246
Derivative Contracts	4	4
Long-Term Accrued Taxes	101	76
Other	151	122
Total Noncurrent Liabilities	3,321	3,001
COMMITMENTS AND CONTINGENT LIABILITIES (See Note 11)		
LONG-TERM DEBT	2,433	2,791
MEMBER'S EQUITY		
Contributed Capital	2,214	2,214
Basis Adjustment	(986)	(986)
Retained Earnings	4,904	5,051
Accumulated Other Comprehensive Loss	(359)	(319)
Total Member's Equity	5,773	5,960
TOTAL LIABILITIES AND MEMBER'S EQUITY	\$ 12,553	\$ 12,594

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

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

	Nine Months Ended September 30,	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	\$ 309	\$ 400
Adjustments to Reconcile Net Income to Net Cash Flows from Operating Activities:		
Depreciation and Amortization	282	260
Amortization of Nuclear Fuel	137	143
Loss on Asset Dispositions	402	—
Emission Allowances and REC Compliance Accrual	80	74
Provision for Deferred Income Taxes and ITC	157	177
Non-Cash Employee Benefit Plan (Credits) Costs	7	17
Interest Accretion on Asset Retirement Obligation	30	31
Net Realized and Unrealized (Gains) Losses on Energy Contracts and Other Derivatives	(201)	78
Net (Gains) Losses and (Income) Expense from NDT Fund	(195)	(62)
Net Change in Certain Current Assets and Liabilities:		
Fuel, Materials and Supplies	(29)	(50)
Margin Deposit	301	(77)
Accounts Receivable	48	42
Accounts Payable	(62)	(22)
Accounts Receivable/Payable—Affiliated Companies, net	80	65
Other Current Assets and Liabilities	20	(11)
Employee Benefit Plan Funding and Related Payments	(9)	(7)
Other	5	(53)
Net Cash Provided By (Used In) Operating Activities	1,362	1,005
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to Property, Plant and Equipment	(507)	(800)
Purchase of Emission Allowances and RECs	(73)	(111)
Proceeds from Sales of Trust Investments	1,277	1,024
Purchases of Trust Investments	(1,306)	(1,037)
Short-Term Loan to Affiliate	(86)	(119)
Other	110	33
Net Cash Provided By (Used In) Investing Activities	(585)	(1,010)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of Long-Term Debt	—	700
Cash Dividend Paid	(525)	(400)
Short-Term Loan from Affiliate	(193)	(281)
Other	(1)	(5)
Net Cash Provided By (Used In) Financing Activities	(719)	14
Net Increase (Decrease) in Cash, Cash Equivalents and Restricted Cash	58	9
Cash, Cash Equivalents and Restricted Cash at Beginning of Period	22	32
Cash, Cash Equivalents and Restricted Cash at End of Period	\$ 80	\$ 41
Supplemental Disclosure of Cash Flow Information:		
Income Taxes Paid (Received)	\$ (37)	\$ 31
Interest Paid, Net of Amounts Capitalized	\$ 60	\$ 32
Accrued Property, Plant and Equipment Expenditures	\$ 166	\$ 168

PSEG POWER LLC
CONDENSED CONSOLIDATED STATEMENTS OF MEMBER'S EQUITY
Millions
(Unaudited)

	Contributed Capital	Basis Adjustment	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance as of June 30, 2019	\$ 2,214	\$ (986)	\$ 5,126	\$ (354)	\$ 6,000
Net Income	—	—	53	—	53
Other Comprehensive Income (Loss), net of tax (expense) benefit of \$1	—	—	—	(5)	(5)
Comprehensive Income					48
Cash Dividends Paid	—	—	(275)	—	(275)
Balance as of September 30, 2019	<u>\$ 2,214</u>	<u>\$ (986)</u>	<u>\$ 4,904</u>	<u>\$ (359)</u>	<u>\$ 5,773</u>
Balance as of June 30, 2018	\$ 2,214	\$ (986)	\$ 5,161	\$ (350)	\$ 6,039
Net Income	—	—	125	—	125
Other Comprehensive Income (Loss), net of tax (expense) benefit of \$(1)	—	—	—	3	3
Comprehensive Income					128
Cash Dividends Paid	—	—	(200)	—	(200)
Balance as of September 30, 2018	<u>\$ 2,214</u>	<u>\$ (986)</u>	<u>\$ 5,086</u>	<u>\$ (347)</u>	<u>\$ 5,967</u>

	Contributed Capital	Basis Adjustment	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance as of December 31, 2018	\$ 2,214	\$ (986)	\$ 5,051	\$ (319)	\$ 5,960
Net Income	—	—	309	—	309
Cumulative Effect Adjustment to Reclassify Stranded Tax Effects Resulting from the Change in the Federal Corporate Income Tax Rate	—	—	69	(69)	—
Other Comprehensive Income (Loss), net of tax (expense) benefit of \$(26)	—	—	—	29	29
Comprehensive Income					338
Cash Dividends Paid	—	—	(525)	—	(525)
Balance as of September 30, 2019	<u>\$ 2,214</u>	<u>\$ (986)</u>	<u>\$ 4,904</u>	<u>\$ (359)</u>	<u>\$ 5,773</u>
Balance as of December 31, 2017	\$ 2,214	\$ (986)	\$ 4,911	\$ (172)	\$ 5,967
Net Income	—	—	400	—	400
Cumulative Effect Adjustment to Reclassify Unrealized Net Gains on Equity Investments	—	—	175	(175)	—
Other Comprehensive Income (Loss), net of tax (expense) benefit of \$5	—	—	—	—	—
Comprehensive Income					400
Cash Dividends Paid	—	—	(400)	—	(400)
Balance as of September 30, 2018	<u>\$ 2,214</u>	<u>\$ (986)</u>	<u>\$ 5,086</u>	<u>\$ (347)</u>	<u>\$ 5,967</u>

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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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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 regulated solar generation projects and energy efficiency and related programs in New Jersey, which are regulated by the BPU.
- **PSEG Power LLC (PSEG 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, PSEG Power owns and operates solar generation in various states. PSEG Power's subsidiaries are subject to regulation by FERC, the Nuclear Regulatory Commission, 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, 2018.

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, 2018.

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, 2018) and ending periods shown in the Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2019.

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)**

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	PSE&G	PSEG Power	Other (A)	Consolidated
	Millions			
As of December 31, 2018				
Cash and Cash Equivalents	\$ 39	\$ 22	\$ 116	\$ 177
Restricted Cash in Other Current Assets	8	—	—	8
Restricted Cash in Other Noncurrent Assets	14	—	—	14
Cash, Cash Equivalents and Restricted Cash	\$ 61	\$ 22	\$ 116	\$ 199
As of September 30, 2019				
Cash and Cash Equivalents	\$ 25	\$ 80	\$ 15	\$ 120
Restricted Cash in Other Current Assets	18	—	—	18
Restricted Cash in Other Noncurrent Assets	18	—	—	18
Cash, Cash Equivalents and Restricted Cash	\$ 61	\$ 80	\$ 15	\$ 156

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

Note 2. Recent Accounting Standards

New Standards Issued and Adopted

Leases—Accounting Standards Update (ASU) 2016-02, updated by ASUs 2018-01, 2018-10, 2018-11, 2018-20 and 2019-01

This accounting standard, and related updates, replace existing lease accounting guidance and require lessees to recognize 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 and a lessor will classify its leases as operating leases, direct financing leases, or sales-type leases. The standard requires additional disclosure of key information. Existing guidance related to leveraged leases does not change.

PSEG adopted the optional transition method on January 1, 2019. There was no cumulative effect adjustment required to be recorded to Retained Earnings at adoption. The optional transition method requires disclosure under Accounting Standards Codification (ASC) 840—Leases, the previously existing lease guidance for prior periods.

PSEG elected various practical expedients allowed by the standard, including the package of three practical expedients related to not reassessing existing or expired contracts and initial direct costs; and excluding evaluation of land easements that exist or expired before adoption that were not previously accounted for as leases.

The impact of adoption on PSEG's Consolidated Balance Sheet was to record Operating Lease Right-of-Use Assets of \$261 million and Operating Lease Liabilities of \$282 million. As part of that impact, PSEG reclassified deferred rent incentives and deferred rent liabilities of approximately \$21 million, which were previously classified as Other Noncurrent Liabilities, to Operating Lease Right-of-Use Assets in accordance with this standard. PSE&G's assets and liabilities each increased by \$91 million and PSEG Power's assets and liabilities each increased by \$46 million. PSEG's adoption of this standard did not have a material impact on the Consolidated Statements of Operations or Consolidated Statements of Cash Flows of PSEG, PSE&G and PSEG Power. See Note 7. Leases for additional information.

Derivatives and Hedging: Targeted Improvements to Accounting for Hedging Activities—ASU 2017-12, updated by ASU 2018-16 and 2019-04

This accounting standard's amendments more closely align hedge accounting with companies' risk management activities in the financial statements and ease the operational burden of applying hedge accounting.

PSEG adopted this standard on January 1, 2019. The standard requires using a modified retrospective method upon adoption. 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 did not 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.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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PSEG adopted this standard on January 1, 2019 on a modified retrospective basis through a cumulative effect adjustment directly to Retained Earnings as of the beginning of 2019. Adoption of this standard did not have a material impact on PSEG's financial statements.

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

This accounting standard affects any entity that is required to apply the provisions of the 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 allows entities to record a reclassification from Accumulated Other Comprehensive Income to Retained Earnings for stranded tax effects resulting from the recent decrease in the federal corporate income tax rate.

PSEG adopted this standard on January 1, 2019. The impact of adoption on PSEG's Consolidated Balance Sheet was to increase Retained Earnings and Accumulated Other Comprehensive Loss by approximately \$81 million. PSEG Power's Retained Earnings and Accumulated Other Comprehensive Loss increased by approximately \$69 million. The impact on PSE&G's Consolidated Balance Sheet was immaterial. PSEG's adoption of this standard did not have a material impact on the Consolidated Statements of Operations or Consolidated Statements of Cash Flows of PSEG, PSE&G and PSEG Power.

New Standards Issued But Not Yet Adopted

Measurement of Credit Losses on Financial Instruments—ASU 2016-13, updated by ASU 2018-19, 2019-04 and 2019-05

This accounting standard provides a new model for recognizing credit losses on financial assets. 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 debt securities will 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 the allowance for credit losses by financial asset type, including 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. Adoption of the standard will be applied using a modified retrospective approach through a cumulative-effect adjustment to Retained Earnings as of the effective date of January 1, 2020. PSEG is currently analyzing its financial statements and determining the appropriate methods for calculating credit losses on its various classes of assets, as well as evaluating the overall impact of this standard on its consolidated 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 will 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 will be applied retrospectively to all periods presented upon their effective date. Early adoption is permitted. PSEG is currently analyzing the impact of this standard on its financial statements.

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 Operation and Maintenance (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 will 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.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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Targeted Improvements to Related Party Guidance for Variable Interest Entities (VIE)-ASU 2018-17

This accounting standard improves the VIE guidance in the area of decision-making fees. Consistent with how indirect interests held through related parties under common control are considered for determining whether a reporting entity must consolidate a VIE, indirect interests held through related parties in common control arrangements will be considered on a proportional basis for determining whether fees paid to decision makers and service providers are variable interests.

This standard is effective for annual and interim periods beginning after December 15, 2019. The standard is required to be applied retrospectively with a cumulative effect adjustment to Retained Earnings at the beginning of the earliest period presented. Early adoption is permitted. 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.

This standard will be applied on a prospective basis and the entity 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. Amendments in this standard will be applied on a retrospective basis to all periods presented. PSEG is currently analyzing the impact of this standard on its disclosures.

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 PSEG 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 modified through the regulatory approval process as appropriate. 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 tariff using a FERC-approved annual formula rate mechanism. The performance obligation of transmission service is satisfied and revenue is recognized as it is provided to the customer. The formula rate mechanism provides for an annual filing of an estimated revenue requirement with rates effective January 1 of each year and a 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.

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.

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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.

PSEG 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 PSEG 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. PSEG 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. PSEG 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 Condensed Consolidated Statements of Operations. The classification depends on the net hourly activity.

PSEG Power enters into capacity sales and capacity purchases through the ISOs. The transactions are reported on a net basis dependent on PSEG 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, PSEG 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.

In April 2019, PSEG Power's Salem 1, Salem 2 and Hope Creek nuclear plants were awarded Zero Emission Certificates (ZECs) by the BPU. These nuclear plants are expected to receive ZEC revenue for approximately three years, through May 2022 from the electric distribution companies (EDCs) in New Jersey. PSEG Power recognizes revenue when the units generate electricity, which is when the performance obligation is satisfied. These revenues are included in PJM Sales in the tables below. See Note 4. Early Plant Retirements/Asset Dispositions for additional information.

Gas Contracts—PSEG 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 remains in effect 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, PSEG 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

PSEG 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.

PSEG 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

PSEG 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 13. Financial Risk Management Activities for further discussion. PSEG 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.

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Revenues Unrelated to Contracts with Customers

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

Disaggregation of Revenues

	PSE&G	PSEG Power	Other	Eliminations	Consolidated
Millions					
Three Months Ended September 30, 2019					
Revenues from Contracts with Customers					
Electric Distribution	\$ 1,096	\$ —	\$ —	\$ —	\$ 1,096
Gas Distribution	130	—	—	(5)	125
Transmission	295	—	—	—	295
Electricity and Related Product Sales					
PJM					
Third Party Sales	—	488	—	—	488
Sales to Affiliates	—	160	—	(160)	—
New York ISO	—	38	—	—	38
ISO New England	—	37	—	—	37
Gas Sales					
Third Party Sales	—	12	—	—	12
Sales to Affiliates	—	58	—	(58)	—
Other Revenues from Contracts with Customers (A)	64	13	141	(1)	217
Total Revenues from Contracts with Customers	1,585	806	141	(224)	2,308
Revenues Unrelated to Contracts with Customers (B)	19	(35)	10	—	(6)
Total Operating Revenues	\$ 1,604	\$ 771	\$ 151	\$ (224)	\$ 2,302

	PSE&G	PSEG Power	Other	Eliminations	Consolidated
Millions					
Nine Months Ended September 30, 2019					
Revenues from Contracts with Customers					
Electric Distribution	\$ 2,613	\$ —	\$ —	\$ —	\$ 2,613
Gas Distribution	1,272	—	—	(11)	1,261
Transmission	887	—	—	—	887
Electricity and Related Product Sales					
PJM					
Third Party Sales	—	1,426	—	—	1,426
Sales to Affiliates	—	416	—	(416)	—
New York ISO	—	108	—	—	108
ISO New England	—	85	—	—	85
Gas Sales					
Third Party Sales	—	70	—	—	70
Sales to Affiliates	—	639	—	(639)	—
Other Revenues from Contracts with Customers (A)	196	37	406	(3)	636
Total Revenues from Contracts with Customers	4,968	2,781	406	(1,069)	7,086
Revenues Unrelated to Contracts with Customers (B)	50	489	(27)	—	512
Total Operating Revenues	\$ 5,018	\$ 3,270	\$ 379	\$ (1,069)	\$ 7,598

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	PSE&G	PSEG Power	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&G	PSEG Power	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					
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

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

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- (B) Includes primarily alternative revenues at PSE&G, derivative contracts at PSEG Power, and lease contracts in Other. For the nine months ended September 30, 2019, Other includes a \$58 million pre-tax charge related to one of Energy Holdings' lease investments. See Note 8. Financing Receivables for additional information.

Contract Balances

PSE&G

PSE&G did 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, 2019 and December 31, 2018. Substantially all of PSE&G's accounts receivable result from contracts with customers that are priced at tariff rates. Allowances represented approximately seven percent of accounts receivable as of September 30, 2019 and December 31, 2018.

PSEG Power

PSEG Power generally collects consideration upon satisfaction of performance obligations, and therefore, PSEG Power had no material contract balances as of September 30, 2019 and December 31, 2018.

PSEG 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 PSEG 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 PSEG Power typically records no allowances.

Other

PSEG LI did not have any material contract balances as of September 30, 2019 and December 31, 2018.

Remaining Performance Obligations under Fixed Consideration Contracts

PSEG 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:

PSEG Power

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

Capacity Revenues from the PJM Annual Base Residual and Incremental Auctions—The Base Residual Auction is conducted annually three years in advance of the operating period. PSEG Power expects to realize the following average capacity prices resulting from the base and incremental auctions, including unit specific bilateral contracts for previously cleared capacity obligations. These numbers exclude cleared capacity associated with our ownership interests in the Keystone and Conemaugh generation plants that were sold in September 2019. For additional information see Note 4. Early Plant Retirements/Asset Dispositions.

Delivery Year	\$ per MW-Day	MW Cleared
June 2019 to May 2020	\$116	8,300
June 2020 to May 2021	\$179	7,300
June 2021 to May 2022	\$182	6,900

Capacity Payments from the New England ISO Forward Capacity Market—The Forward Capacity Market (FCM) Auction is conducted annually three years in advance of the operating period. The table below includes PSEG Power's cleared capacity in the FCM Auction for the Bridgeport Harbor Station 5 (BH5), which cleared the 2019/2020 auction at \$231/MW-day for seven years, and the planned retirement of Bridgeport Harbor Station 3 in 2021. PSEG Power expects to realize the following average capacity prices for capacity obligations to be satisfied resulting from the FCM auctions which have been completed:

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Delivery Year	\$ per MW-Day (A)	MW Cleared
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	\$179	950
June 2023 to May 2024	\$231	480
June 2024 to May 2025	\$231	480
June 2025 to May 2026	\$231	480

(A) Capacity cleared prices for BH5 through 2026 will be escalated based upon the Handy-Whitman Index. These adjustments are not included above.

Bilateral capacity contracts—Capacity obligations pursuant to contract terms through 2029 are anticipated to result in revenues totaling \$168 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 2019 is \$65 million and could increase each year based on the change in the Consumer Price Index (CPI). The incentive for 2019 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/Asset Dispositions

Nuclear

In April 2019, PSEG Power's Salem 1, Salem 2 and Hope Creek nuclear plants were awarded Zero Emission Certificates (ZECs) by the BPU. Pursuant to a process established by the BPU, ZECs are purchased from selected nuclear plants and recovered through a non-bypassable distribution charge in the amount of \$0.004 per kilowatt-hour (which is equivalent to approximately \$10 per megawatt hour (MWh) in payments to selected nuclear plants (ZEC payment)). These nuclear plants are expected to receive ZEC revenue for approximately three years, through May 2022, and will be obligated to maintain operations, subject to exceptions specified in the ZEC legislation. PSEG Power anticipates it will recognize revenue monthly as the nuclear plants generate electricity and satisfy their performance obligations. The ZEC legislation requires nuclear plants to reapply for any subsequent three year periods. The ZEC payment may be adjusted by the BPU (a) at any time to offset environmental or fuel diversity payments that a selected nuclear plant may receive from another source or (b) at certain times specified in the ZEC legislation if the BPU determines that the purposes of the ZEC legislation can be achieved through a reduced charge that will nonetheless be sufficient to achieve the state's air quality and other environmental objectives by preventing the retirement of nuclear plants. The BPU's decision awarding ZECs has been appealed by the Division of Rate Counsel. The financial condition of the plants may nonetheless be materially adversely impacted by potential changes to the capacity market construct being considered by FERC (absent sufficient capacity revenues provided under a program approved by the BPU in accordance with a FERC- authorized capacity mechanism), and, in the case of the Salem nuclear plants, decisions by the EPA and state environmental regulators regarding the implementation of Section 316(b) of the Clean Water Act and related state regulations, or other factors. Absent a material financial change, these adverse impacts could still result in PSEG Power taking all necessary steps to retire all of these plants following the end of the initial three year term of the ZECs program. Retirement of these plants would result in a material adverse impact on PSEG's and PSEG Power's financial results.

Fossil

In September 2019, PSEG Power completed the sale of its ownership interests in the Keystone and Conemaugh generation plants and related assets and liabilities. PSEG Power recorded a pre-tax loss on disposition of approximately \$400 million in the second quarter of 2019 as the sale price was less than book value.

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

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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 \$124 million and \$126 million for the three months and \$357 million and \$355 million for the nine months ended September 30, 2019 and 2018, 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 7. Regulatory Assets and Liabilities to the Consolidated Financial Statements in the Annual Report on Form 10-K for the year ended December 31, 2018.

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:

Transmission Formula Rate Filings—In October 2019, PSE&G filed its 2019 Annual Transmission Formula Rate update with FERC requesting approximately \$332 million in increased annual transmission revenue effective January 1, 2020, subject to true-up.

In June 2019, PSE&G filed its 2018 true-up adjustment pertaining to its transmission formula rates in effect for 2018. This filing resulted in an additional revenue requirement adjustment of \$52 million more than the 2018 originally filed revenue requirement. PSE&G had previously recognized the majority of the additional revenue requirement in its 2018 Consolidated Statement of Operations.

Tax Adjustment Credit (TAC)—In September 2019, PSE&G made its initial annual TAC filing following the implementation of the TAC as a result of the settlement of PSE&G's distribution base rate case in 2018. The TAC allows for the flowback 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. The 2019 TAC filing requests BPU approval to reduce electric and gas revenues by approximately \$15 million and \$10 million, respectively, on an annual basis starting January 1, 2020.

BGSS—In September 2019, the BPU provisionally approved PSE&G's request to decrease its BGSS rates which will decrease annual BGSS revenues by approximately \$13 million. The BGSS rate decreased from approximately 35 cents to 34 cents per therm for residential gas customers effective October 1, 2019.

In March 2019, the BPU approved the final BGSS rates which were effective October 1, 2018.

Gas System Modernization Program I (GSMP I)—In September 2019, the BPU approved PSE&G's final GSMP I cost recovery petition requesting approximately \$11 million in gas revenues, on an annual basis, which included GSMP I investments in service as of June 30, 2019. The increase was effective October 1, 2019.

Gas System Modernization Program II (GSMP II)—In September 2019, PSE&G updated its first GSMP II cost recovery petition to include GSMP II investments in service as of August 31, 2019. The updated petition seeks BPU approval to recover in gas base rates an estimated annual revenue increase of \$17 million effective December 1, 2019.

Green Program Recovery Charges (GPRC)—In September 2019, the BPU approved a one year extension of PSE&G's Energy Efficiency (EE) 2017 component of its GPRC programs, authorizing an additional \$27 million of EE Investments and \$6 million of additional administrative costs for recovery through its existing filing mechanism.

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In June 2019, PSE&G filed its 2019 GPRC cost recovery petition requesting recovery of approximately \$52 million and \$11 million in electric and gas revenues, respectively, on an annual basis. This matter is pending.

In May 2019, the BPU approved PSE&G's 2018 GPRC cost recovery petition requesting recovery of approximately \$65 million and \$6 million in electric and gas revenues, respectively, on an annual basis.

Weather Normalization Clause (WNC)—In September 2019, the BPU approved PSE&G's 2019-2020 WNC rates on a provisional basis allowing an approximate \$8 million of overcollections from the colder-than-normal 2018-2019 Winter Period, to be refunded to customers over the 2019-2020 Winter Period, with rates effective October 1, 2019.

In March 2019, the BPU approved the final 2018-2019 WNC rates which allowed a net recovery of \$14 million to be collected over the 2018-2019 Winter Period. The \$14 million net recovery was 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.

Remediation Adjustment Clause (RAC)—In August 2019, the BPU approved PSE&G's filing with respect to its RAC 26 petition allowing recovery of \$73 million effective September 1, 2019 related to Manufactured Gas Plant (MGP) remediation expenditures from August 1, 2017 through July 31, 2018.

ZEC Program—In April 2019, the BPU authorized the New Jersey EDCs, including PSE&G, to purchase ZECs from eligible nuclear plants selected by the BPU. In conjunction with this Order, the BPU authorized tariffs to collect a non-bypassable distribution charge in the amount of \$0.004 per kilowatt-hour from each EDC's retail distribution customers to be used to purchase ZECs from the selected plants. Each EDC purchases ZECs on a monthly basis with payment to be made annually following completion of each energy year. Under the program, any revenue collected in excess of the purchase price will be refunded to customers in the following year.

For the energy year ended May 31, 2019, PSE&G purchased approximately \$17 million in ZECs, including interest, from the eligible nuclear plants selected by the BPU. The payment for \$17 million was made in August 2019. In addition, there was approximately \$0.2 million, including interest, in overcollected revenues which will be refunded to customers pending BPU approval of the refunding mechanism.

Note 7. Leases

PSEG and its subsidiaries, when acting as lessee or lessor, determine if an arrangement is a lease at inception. PSEG assesses contracts to determine if the arrangement conveys (i) the right to control the use of the identified property, (ii) the right to obtain substantially all of the economic benefits from the use of the property, and (iii) the right to direct the use of the property.

As of September 30, 2019, PSEG and subsidiaries were both a lessee and a lessor in Operating Leases. PSEG and subsidiaries were neither the lessee nor the lessor in any material non-operating leases.

Lessee

The current portion of Operating Lease Liabilities is included in Other Current Liabilities. Operating Lease Right-of-Use Assets and noncurrent Operating Lease Liabilities are included as separate captions in Noncurrent Assets and Noncurrent Liabilities, respectively, on the Condensed Consolidated Balance Sheets of PSEG, PSE&G and PSEG Power. PSEG and its subsidiaries have elected an accounting policy to exclude the application of ASC 842 requirements to recognize Operating Lease Right-of-Use Assets and Operating Lease Liabilities for leases where the term is twelve months or less.

Operating Lease Right-of-Use Assets represent the right to use an underlying asset for the lease term and Operating Lease Liabilities represent the obligation to make lease payments arising from the lease. Operating Lease Right-of-Use Assets and Operating Lease Liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term.

PSEG and its subsidiaries recognize the lease payments in O&M Expense on a straight-line basis over the term of the leases and variable lease payments in the period in which the obligations for those payments are incurred.

As lessee, most of the Operating Leases of PSEG and its subsidiaries do not provide an implicit rate; therefore, incremental borrowing rates are used based on the information available at commencement date in determining the present value of lease payments. The implicit rate is used when readily determinable. PSE&G's incremental borrowing rates are based on secured borrowing rates. PSEG's and PSEG Power's borrowing rates are generally unsecured rates. Having calculated simulated secured rates for each of PSEG and PSEG Power, it was determined that the difference between the unsecured borrowing rates and the simulated secured rates had an immaterial effect on their recorded Operating Lease Right-of-Use Assets and Operating Lease Liabilities.

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Services, PSEG LI and other subsidiaries of PSEG that do not borrow funds or issue debt may enter into leases. Since these companies do not have credit ratings and related incremental borrowing rates, PSEG has determined that it is appropriate for these companies to use the incremental borrowing rate of PSEG, the parent company.

Lease terms may include options to extend or terminate the lease when it is reasonably certain that such options will be exercised.

PSEG and its subsidiaries have lease agreements with lease and non-lease components. For real estate, equipment and vehicle leases, the lease and non-lease components are accounted for as a single lease component.

PSE&G

PSE&G has Operating Leases for office space for customer service centers; rooftops and land for its Solar 4 All® facilities; equipment; vehicles; and land for certain electric substations. These leases have remaining lease terms through 2039, some of which include options to extend the leases for up to two five-year terms. Some leases have fixed rent payments that have escalations based on certain indices, such as the CPI. Certain leases contain variable payments.

PSEG Power

PSEG Power has Operating Leases for buildings; land leases for its solar generating facilities; merchant transmission; and equipment. These leases have remaining terms through 2052, some of which include options to extend the leases for up to seven 5-year terms and certain other leases which include options to extend the leases for 15 to 20 year terms. Some leases have fixed rent payments that have escalations based on certain indices, such as the CPI.

Other

Services has Operating Leases for real estate and office equipment. These leases have remaining terms through 2030. Services' lease for its headquarters, which ends in 2030, includes options to extend for two five-year terms. Energy Holdings has land leases with remaining lease terms through 2027, some of which include options to extend the leases for up to eight five-year terms. Some leases have fixed rent payments that have escalations based on certain indices, such as the CPI. Certain leases contain variable payments.

Operating Lease Costs

The following amounts relate to total Operating Lease costs, including both amounts recognized in the Condensed Consolidated Statements of Operations during the three and nine months ended September 30, 2019 and any amounts capitalized as part of the cost of another asset, and the cash flows arising from lease transactions.

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	PSE&G	PSEG Power	Other	Total
	Millions			
Operating Lease Costs				
Three Months Ended September 30, 2019				
Long-term Lease Costs	\$ 7	\$ 4	\$ 3	\$ 14
Short-term Lease Costs	3	2	—	5
Variable Lease Costs	—	5	2	7
Total Operating Lease Costs	\$ 10	\$ 11	\$ 5	\$ 26
Nine Months Ended September 30, 2019				
Long-term Lease Costs	\$ 16	\$ 9	\$ 11	\$ 36
Short-term Lease Costs	12	7	—	19
Variable Lease Costs	1	7	7	15
Total Operating Lease Costs	\$ 29	\$ 23	\$ 18	\$ 70
Three Months Ended September 30, 2019				
Cash Paid for Amounts Included in the Measurement of Operating Lease Liabilities	\$ 5	\$ 4	\$ 3	\$ 12
Nine Months Ended September 30, 2019				
Cash Paid for Amounts Included in the Measurement of Operating Lease Liabilities	\$ 12	\$ 8	\$ 11	\$ 31
Weighted Average Remaining Lease Term in Years	13	13	11	12
Weighted Average Discount Rate	3.6%	4.4%	4.2%	4.1%

Operating Lease commitments as of December 31, 2018 had the following maturities:

	PSE&G	PSEG Power	Other	Total
	Millions			
2019	\$ 15	\$ 11	\$ 15	\$ 41
2020	11	13	16	40
2021	10	13	16	39
2022	8	14	16	38
2023	8	8	15	31
Thereafter	66	51	105	222
Total Minimum Lease Payments	\$ 118	\$ 110	\$ 183	\$ 411

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Operating Lease Liabilities as of September 30, 2019 had the following maturities:

	PSE&G	PSEG Power	Other	Total
	Millions			
2019	\$ 4	\$ 3	\$ 4	\$ 11
2020	15	13	16	44
2021	12	13	16	41
2022	10	14	15	39
2023	8	8	15	31
2024	8	3	15	26
Thereafter	67	48	90	205
Total Minimum Lease Payments	\$ 124	\$ 102	\$ 171	\$ 397

The following is a reconciliation of the undiscounted cash flows to the discounted Operating Lease Liabilities recognized on the Condensed Consolidated Balance Sheets:

	As of September 30, 2019			
	PSE&G	PSEG Power	Other	Total
	Millions			
Undiscounted Cash Flows	\$ 124	\$ 102	\$ 171	\$ 397
Reconciling Amount due to Discount Rate	(27)	(29)	(33)	(89)
Total Discounted Operating Lease Liabilities	\$ 97	\$ 73	\$ 138	\$ 308

As of September 30, 2019, the current portions of Operating Lease Liabilities included in Other Current Liabilities were \$33 million, \$12 million and \$10 million for PSEG, PSE&G and PSEG Power, respectively.

Lessor

Property subject to Operating Leases, where PSEG or one of its subsidiaries is the lessor, is included in Property, Plant and Equipment and rental income from these leases is included in Operating Revenues.

PSEG and its subsidiaries, as lessors, have lease agreements with lease and non-lease components, which are primarily related to real estate assets and solar generating facilities. PSEG and subsidiaries account for the lease and non-lease components as a single lease component. Energy Holdings' leveraged leases are accounted for in Operating Revenues and in Noncurrent Long-Term Investments. See Note 8. Financing Receivables.

PSEG Power

Certain of PSEG Power's sales agreements related to its solar generating plants qualify as Operating Leases with remaining terms through 2043 with no extension terms. Lease income is based on solar energy generation; therefore, all rental income is variable under these leases. As of September 30, 2019, PSEG Power's solar generating plants subject to these leases had a total carrying value of \$333 million.

Other

Energy Holdings is the lessor in leveraged leases. Leveraged lease accounting guidance is grandfathered for existing leveraged leases. If modified after January 1, 2019, those leveraged leases will be accounted for as operating or financing leases. See Note 8. Financing Receivables.

Energy Holdings is the lessor in various Operating Leases for real estate with remaining terms through 2033. As of September 30, 2019, Energy Holdings' property subject to these leases had a total carrying value of \$24 million.

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The following is the Operating Lease Income for PSEG Power and Energy Holdings for the three and nine months ended September 30, 2019:

	PSEG Power	Energy Holdings	Total
	Millions		
Operating Lease Income			
Three Months Ended September 30, 2019			
Fixed Lease Income	\$ —	\$ 6	\$ 6
Variable Lease Income	7	—	7
Total Operating Lease Income	\$ 7	\$ 6	\$ 13
Nine Months Ended September 30, 2019			
Fixed Lease Income	\$ —	\$ 17	\$ 17
Variable Lease Income	19	—	19
Total Operating Lease Income	\$ 19	\$ 17	\$ 36

Energy Holdings' Operating Leases had the following minimum future fixed lease receipts as of September 30, 2019:

	Millions
2019	\$ 2
2020	20
2021	18
2022	17
2023	17
2024	16
Thereafter	171
Total Minimum Future Lease Receipts	\$ 261

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Note 8. 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 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 would be considered "non-performing."

Outstanding Loans by Class of Customer		
	As of September 30, 2019	As of December 31, 2018
Consumer Loans		
	Millions	
Commercial/Industrial	\$ 153	\$ 164
Residential	8	9
Total	\$ 161	\$ 173
Current Portion (included in Accounts Receivable)	(24)	(24)
Noncurrent Portion (included in Long-Term Investments)	\$ 137	\$ 149

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 second quarter of 2019, Energy Holdings completed its annual review of estimated residual values embedded in the leveraged leases. The outcome indicated that the updated residual value estimate of the coal-fired Powerton lease was lower than the recorded residual value and the decline was deemed to be other than temporary as a result of expected future adverse market conditions. As a result, a pre-tax write-down of \$58 million was reflected in Operating Revenues in the quarter ended June 30, 2019, calculated by comparing the gross investment in the leases before and after the revised residual estimates.

The following table shows Energy Holdings' gross and net lease investment as of September 30, 2019 and December 31, 2018.

	As of September 30, 2019	As of December 31, 2018
	Millions	
Lease Receivables (net of Non-Recourse Debt)	\$ 500	\$ 504
Estimated Residual Value of Leased Assets	201	326
Total Investment in Rental Receivables	701	830
Unearned and Deferred Income	(208)	(290)
Gross Investments in Leases	493	540
Deferred Tax Liabilities	(331)	(354)
Net Investments in Leases	\$ 162	\$ 186

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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 and Poor's (S&P) as of September 30, 2019	Lease Receivables, Net of Non-Recourse Debt	
	As of September 30, 2019	
	Millions	
AA	\$	12
A-		58
BBB+ — BBB-		258
BB		133
NR		39
Total	\$	500

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, 2019, the gross investment in the leases of such assets, net of non-recourse debt, was \$236 million (\$25 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	\$ 75	64%	1,538	Coal	BB	NRG Energy, Inc.
Joliet Station Units 7 and 8	IL	\$ 85	64%	1,036	Gas	BB	NRG Energy, Inc.
Shawville Station Units 1, 2, 3 and 4	PA	\$ 76	100%	596	Gas	NR	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 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.

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 9. Trust Investments

Nuclear Decommissioning Trust (NDT) Fund

PSEG 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 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 PSEG Power.

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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, 2019			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	Millions			
Equity Securities				
Domestic	\$ 444	\$ 195	\$ (7)	\$ 632
International	387	71	(18)	440
Total Equity Securities	831	266	(25)	1,072
Available-for Sale Debt Securities				
Government	544	22	—	566
Corporate	480	18	(2)	496
Total Available-for-Sale Debt Securities	1,024	40	(2)	1,062
Total NDT Fund Investments (A)	\$ 1,855	\$ 306	\$ (27)	\$ 2,134

(A) The NDT Fund Investments table excludes foreign currency of \$1 million as of September 30, 2019, which is part of the NDT Fund.

	As of December 31, 2018			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	Millions			
Equity Securities				
Domestic	\$ 447	\$ 153	\$ (29)	\$ 571
International	323	36	(30)	329
Total Equity Securities	770	189	(59)	900
Available-for Sale Debt Securities				
Government	498	2	(9)	491
Corporate	501	1	(15)	487
Total Available-for-Sale Debt Securities	999	3	(24)	978
Total NDT Fund Investments	\$ 1,769	\$ 192	\$ (83)	\$ 1,878

Net unrealized gains (losses) on debt securities of \$22 million (after-tax) were included in Accumulated Other Comprehensive Loss on PSEG's and PSEG Power's Condensed Consolidated Balance Sheets as of September 30, 2019. The portion of net unrealized gains (losses) recognized during the third quarter and first nine months of 2019 related to equity securities still held as of September 30, 2019 was \$(9) million and \$102 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, 2019	As of December 31, 2018
	Millions	
Accounts Receivable	\$ 14	\$ 17
Accounts Payable	\$ 13	\$ 5

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.

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	As of September 30, 2019				As of December 31, 2018			
	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	\$ 69	\$ (5)	\$ 6	\$ (2)	\$ 147	\$ (26)	\$ 5	\$ (3)
International	45	(4)	39	(14)	131	(28)	5	(2)
Total Equity Securities	114	(9)	45	(16)	278	(54)	10	(5)
Available-for Sale Debt Securities								
Government (B)	36	—	43	—	51	—	317	(9)
Corporate (C)	36	—	19	(2)	150	(5)	222	(10)
Total Available-for-Sale Debt Securities	72	—	62	(2)	201	(5)	539	(19)
NDT Trust Investments	\$ 186	\$ (9)	\$ 107	\$ (18)	\$ 479	\$ (59)	\$ 549	\$ (24)

- (A) Equity Securities—Investments in marketable equity securities within the NDT Fund are primarily in common stocks within a broad range of industries and sectors. 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 PSEG 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. PSEG 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 PSEG Power does not intend to sell these securities nor will it be more-likely-than-not required to sell, PSEG Power does not consider these debt securities to be other-than-temporarily impaired as of September 30, 2019.
- (C) Debt Securities (Corporate)—Unrealized gains and losses on these securities are recorded in Accumulated Other Comprehensive Income (Loss). PSEG Power's investments in corporate bonds are primarily in investment grade securities. It is not expected that these securities would settle for less than their amortized cost. Since PSEG Power does not intend to sell these securities nor will it be more-likely-than-not required to sell, PSEG Power does not consider these debt securities to be other-than-temporarily impaired as of September 30, 2019.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Millions				
Proceeds from NDT Fund Sales (A)	\$ 365	\$ 231	\$ 1,245	\$ 1,005
Net Realized Gains (Losses) on NDT Fund				
Gross Realized Gains	\$ 27	\$ 17	\$ 90	\$ 75
Gross Realized Losses	(11)	(7)	(43)	(29)
Net Realized Gains (Losses) on NDT Fund (B)	\$ 16	\$ 10	\$ 47	\$ 46
Unrealized Gains (Losses) on Equity Securities in NDT Fund	(21)	34	111	(16)
Net Gains (Losses) on NDT Fund Investments	\$ (5)	\$ 44	\$ 158	\$ 30

- (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.

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The NDT Fund debt securities held as of September 30, 2019 had the following maturities:

Time Frame	Fair Value
	Millions
Less than one year	\$ 26
1 - 5 years	267
6 - 10 years	192
11 - 15 years	55
16 - 20 years	74
Over 20 years	448
Total NDT Available-for-Sale Debt Securities	\$ 1,062

PSEG 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.”

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, 2019			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	Millions			
Domestic Equity Securities	\$ 20	\$ 5	\$ —	\$ 25
Available-for-Sale Debt Securities				
Government	101	8	—	109
Corporate	105	7	—	112
Total Available-for-Sale Debt Securities	206	15	—	221
Total Rabbi Trust Investments	\$ 226	\$ 20	\$ —	\$ 246

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	As of December 31, 2018			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	Millions			
Domestic Equity Securities	\$ 22	\$ 1	\$ —	\$ 23
Available-for-Sale Debt Securities				
Government	110	1	(2)	109
Corporate	96	—	(4)	92
Total Available-for-Sale Debt Securities	206	1	(6)	201
Total Rabbi Trust Investments	\$ 228	\$ 2	\$ (6)	\$ 224

Net unrealized gains (losses) on debt securities of \$11 million (after-tax) were included in Accumulated Other Comprehensive Loss on PSEG's Condensed Consolidated Balance Sheet as of September 30, 2019. The portion of net unrealized gains (losses) recognized during the third quarter and first nine months of 2019 related to equity securities still held as of September 30, 2019 was less than \$1 million and \$4 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 on the Condensed Consolidated Balance Sheets as shown in the following table.

	As of September 30, 2019	As of December 31, 2018
	Millions	
Accounts Receivable	\$ 2	\$ 2
Accounts Payable	\$ —	\$ —

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, 2019				As of December 31, 2018			
	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)	\$ 10	\$ —	\$ 5	\$ —	\$ 18	\$ —	\$ 59	\$ (2)
Corporate (B)	9	—	4	—	50	(3)	29	(1)
Total Available-for-Sale Debt Securities	19	—	9	—	68	(3)	88	(3)
Rabbi Trust Investments	\$ 19	\$ —	\$ 9	\$ —	\$ 68	\$ (3)	\$ 88	\$ (3)

- (A) 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 investments in municipal bonds that are primarily in investment grade securities. It is not expected that these securities will settle

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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, 2019.

- (B) 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 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, 2019.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
	Millions			
Proceeds from Rabbi Trust Sales (A)	\$ 43	\$ 33	\$ 129	\$ 80
Net Realized Gains (Losses) on Rabbi Trust:				
Gross Realized Gains	\$ 3	\$ —	\$ 5	\$ 2
Gross Realized Losses	(2)	(1)	(3)	(3)
Net Realized Gains (Losses) on Rabbi Trust (B)	1	(1)	2	(1)
Unrealized Gains (Losses) on Equity Securities in Rabbi Trust	1	2	4	2
Net Gains (Losses) on Rabbi Trust Investments	\$ 2	\$ 1	\$ 6	\$ 1

(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.

The Rabbi Trust debt securities held as of September 30, 2019 had the following maturities:

Time Frame	Fair Value
	Millions
Less than one year	\$ 4
1 - 5 years	30
6 - 10 years	33
11 - 15 years	12
16 - 20 years	27
Over 20 years	115
Total Rabbi Trust Available-for-Sale Debt Securities	\$ 221

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.

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

	As of September 30, 2019	As of December 31, 2018
	Millions	
PSE&G	\$ 48	\$ 45
PSEG Power	62	56
Other	136	123
Total Rabbi Trust Investments	\$ 246	\$ 224

Note 10. 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.

In late June 2019, PSEG approved a plan amendment to its qualified pension plan, effective July 1, 2019. The amendment involved the spin-off of predominantly active participants from the existing qualified pension plan into a new qualified pension plan. Benefits offered to the plan participants remain unchanged. As a result of the amendment, the existing plan's pension benefit obligations, as well as the asset values, were remeasured as of July 1, 2019. The weighted average discount rate for the combined plans decreased from 4.41% to 3.65%. The expected long-term rate of return on plan assets remains at 7.80%. Actuarial gains and losses associated with the existing plan will be amortized over the average remaining life expectancy of the inactive participants (as opposed to the average remaining service of active participants prior to the plan being split). Actuarial gains and losses associated with the new plan will be amortized over the average remaining service of active participants. The combined remeasured qualified pension plans' projected benefit obligation as of July 1, 2019 was \$6.4 billion.

In December 2018, PSEG amended certain provisions of its OPEB plans applicable to all current and future Medicare-eligible retirees and spouses who receive or will receive subsidized healthcare from PSEG. Effective January 1, 2021, the PSEG-sponsored Medicare-eligible plans will be replaced by a Medicare private exchange. For each Medicare-eligible retiree and spouse, PSEG will provide annual credits to a Health Reimbursement Arrangement, which can be used to pay for medical, prescription drug, and dental plan premiums, as well as certain out-of-pocket costs. The amendment resulted in a \$559 million reduction in PSEG's OPEB obligation as of December 31, 2018.

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. Only the service cost component is eligible for capitalization, when applicable.

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	Pension Benefits		OPEB		Pension Benefits		OPEB	
	Three Months Ended		Three Months Ended		Nine Months Ended		Nine Months Ended	
	September 30,		September 30,		September 30,		September 30,	
	2019	2018	2019	2018	2019	2018	2019	2018
	Millions							
Components of Net Periodic Benefit (Credits) Costs								
Service Cost (included in O&M Expense)	\$ 33	\$ 32	\$ 2	\$ 4	\$ 90	\$ 97	\$ 7	\$ 13
Non-Service Components of Pension and OPEB (Credits) Costs								
Interest Cost	51	52	12	16	167	156	34	49
Expected Return on Plan Assets	(108)	(111)	(9)	(9)	(301)	(331)	(27)	(30)
Amortization of Net								
Prior Service Credit	(4)	(4)	(32)	(1)	(13)	(13)	(96)	(1)
Actuarial Loss	21	22	13	16	75	64	38	48
Non-Service Components of Pension and OPEB (Credits) Costs	(40)	(41)	(16)	22	(72)	(124)	(51)	66
Total Benefit (Credits) Costs	\$ (7)	\$ (9)	\$ (14)	\$ 26	\$ 18	\$ (27)	\$ (44)	\$ 79

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

	Pension Benefits		OPEB		Pension Benefits		OPEB	
	Three Months Ended		Three Months Ended		Nine Months Ended		Nine Months Ended	
	September 30,		September 30,		September 30,		September 30,	
	2019	2018	2019	2018	2019	2018	2019	2018
	Millions							
PSE&G	\$ (6)	\$ (8)	\$ (14)	\$ 17	\$ 7	\$ (23)	\$ (46)	\$ 51
PSEG Power	(2)	(2)	—	8	5	(7)	2	24
Other	1	1	—	1	6	3	—	4
Total Benefit (Credits) Costs	\$ (7)	\$ (9)	\$ (14)	\$ 26	\$ 18	\$ (27)	\$ (44)	\$ 79

During the three months ended March 31, 2019, PSEG contributed its entire 2019 annual planned contribution of \$10 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's pension-related revenues and costs were \$14 million and \$28 million for the three months and nine months ended September 30, 2019, respectively. As of September 30, 2019, Servco completed its entire 2019 annual planned contribution into its pension plan. Servco's pension-related revenues and costs were \$20 million and \$40 million for the three months and nine months ended September 30, 2018, respectively. The OPEB-related revenues earned and costs incurred were \$1 million for each of the three months ended September 30, 2019 and 2018, and \$4 million for each of the nine months ended September 30, 2019 and 2018.

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Note 11. Commitments and Contingent Liabilities

Guaranteed Obligations

PSEG 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.

PSEG 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.

PSEG 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 PSEG 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 PSEG 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, PSEG Power would owe money to the counterparties).

PSEG Power believes the probability of this result is unlikely. For this reason, PSEG 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. PSEG 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, PSEG Power has also provided payment guarantees to third parties and regulatory authorities on behalf of its affiliated companies. These guarantees support various other non-commodity related obligations.

The following table shows the face value of PSEG Power's outstanding guarantees, current exposure and margin positions as of September 30, 2019 and December 31, 2018.

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	As of September 30, 2019		As of December 31, 2018	
	Millions			
Face Value of Outstanding Guarantees	\$	1,827	\$	1,772
Exposure under Current Guarantees	\$	134	\$	198
Letters of Credit Margin Posted	\$	137	\$	115
Letters of Credit Margin Received	\$	34	\$	26
Cash Deposited and Received:				
Counterparty Cash Margin Deposited	\$	—	\$	—
Counterparty Cash Margin Received	\$	(3)	\$	(10)
Net Broker Balance Deposited (Received)	\$	95	\$	403
Additional Amounts Posted:				
Other Letters of Credit	\$	53	\$	52

As part of determining credit exposure, PSEG Power nets receivables and payables with the corresponding net fair values of energy contracts. See Note 13. 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 PSEG Power have posted letters of credit to support PSEG Power's various other non-energy contractual and environmental obligations. See the preceding table.

Environmental Matters

Passaic River

Lower Passaic River Study Area

The U.S. Environmental Protection Agency (EPA) has determined that a 17-mile stretch of the Passaic River (Lower Passaic River Study Area (LPRSA)) in New Jersey is a "Superfund" site under the Federal Comprehensive Environmental Response, Compensation and Liability Act of 1980 (CERCLA). PSE&G and certain of its predecessors conducted operations at properties in this area, including at one site that was transferred to PSEG Power.

Certain Potentially Responsible Parties (PRPs), including PSE&G and PSEG Power, formed a Cooperating Parties Group (CPG) and agreed to conduct a Remedial Investigation and Feasibility Study of the LPRSA. The CPG allocated, on an interim basis, the associated costs among its members. The interim allocation is subject to change. In June 2019, the EPA conditionally approved the CPG's Remedial Investigation. In August 2019, the CPG submitted a draft Feasibility Study to the EPA which evaluated various adaptive management scenarios for the remediation of only the upper 9 miles of the LPRSA.

Separately, the EPA has released a Record of Decision (ROD) for the LPRSA's lower 8.3 miles that requires the removal of sediments at an estimated cost of \$2.3 billion (ROD Remedy). An EPA-commenced process to allocate the associated costs is underway and PSEG cannot predict the outcome. Occidental Chemical Corporation (OCC), one of the PRPs, has commenced the design of the ROD Remedy, but declined to participate in the allocation process. Instead, it filed suit against PSE&G and others seeking cost recovery and contribution under CERCLA. The litigation is ongoing and PSEG cannot predict the outcome.

Two PRPs, Tierra Solutions, Inc. (Tierra) and Maxus Energy Corporation (Maxus), have filed for Chapter 11 bankruptcy. The trust representing the creditors in this proceeding has filed a complaint asserting claims against Tierra's and Maxus' current and former parent entities, among others. Any damages awarded may be used to fund the remediation of the LPRSA.

As of September 30, 2019, PSEG has accrued approximately \$65 million for this matter. Of this amount, PSE&G has accrued \$52 million as an Environmental Costs Liability and a corresponding Regulatory Asset based on its continued ability to recover such costs in its rates. PSEG Power has accrued \$13 million as an Other Noncurrent Liability with the corresponding O&M Expense.

The outcome of this matter is uncertain, and until (i) a final remedy for the entire LPRSA is selected and an agreement reached by the PRPs to fund it, (ii) PSE&G's and PSEG Power's respective shares of the costs are determined, and (iii) 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

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PSEG's financial statements. It is possible that PSE&G and PSEG 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

New Jersey and certain federal regulators have alleged that PSE&G, PSEG Power and 56 other PRPs may be liable for natural resource damages within the LPRSA. PSE&G and PSEG Power are unable to estimate their respective portions of any possible loss or range of loss related to this matter.

Newark Bay Study Area

The EPA has established the Newark Bay Study Area, which is an extension of the LPRSA and includes Newark Bay and portions of surrounding waterways. The EPA has notified PSEG and 11 other PRPs of their potential liability. PSE&G and PSEG Power are unable to estimate their respective portions of any loss or possible range of loss related to this matter. In December 2018, PSEG Power completed the sale of the site of the Hudson electric generating station. PSEG Power contractually transferred all land rights and structures on the site to a third party purchaser, along with the assumption of the environmental liabilities for the site.

MGP Remediation Program

PSE&G is working with the New Jersey Department Environmental Protection (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 \$364 million and \$407 million on an undiscounted basis through 2023, including its \$52 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 \$364 million as of September 30, 2019. Of this amount, \$69 million was recorded in Other Current Liabilities and \$295 million was reflected as Environmental Costs in Noncurrent Liabilities. PSE&G has recorded a \$364 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. PSE&G has agreed to conduct sampling in the Passaic River to delineate coal tar from certain 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.

Clean Water Act (CWA) Section 316(b) Rule

The EPA's CWA Section 316(b) rule 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 requires that National Pollutant Discharge Elimination System permits be renewed every five years and that each state Permitting Director manage renewal permits for its respective power generation facilities on a case by case basis. 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 June 2016, the NJDEP issued a final NJPDES permit for Salem. In July 2016, the Delaware Riverkeeper Network (Riverkeeper) filed an administrative hearing request challenging certain conditions of the permit, including the NJDEP's application of the 316(b) rule. If the Riverkeeper's challenge is successful, PSEG Power may be required to incur additional costs to comply with the CWA. Potential cooling water and/or service water system modification costs could be material and could adversely impact the economic competitiveness of this facility. The NJDEP had granted the hearing request but no hearing date has been established.

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

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

To address compliance with the EPA's CWA Section 316(b) rule at Bridgeport Harbor Station Unit 3 (BH3), PSEG 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.

PSEG Power has entered into a Community Environmental Benefit Agreement (CEBA) with the City of Bridgeport, Connecticut and local community organizations. That CEBA provides that PSEG 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

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cooling water intake structure referred to above not being issued, PSEG 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 BH5. In June 2019, BH5 began commercial operations. PSEG Power's obligations under the CEBA are being monitored regularly and carried out as needed.

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, 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, 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 and PSE&G challenged FERC's decision. In September 2019, FERC denied PSE&G's challenge to the order dismissing the Complaint. 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.

Basic Generation Service (BGS), BGSS and ZECs

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 PSEG Power, to purchase BGS for PSE&G's load requirements. The winners of the auction (including PSEG 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, 2019 is \$281.78 per MW-day, replacing the BGS-CIEP auction year price ending May 31, 2019 of \$287.76 per MW-day. Energy for BGS-CIEP is priced at hourly PJM locational marginal prices for the contract period.

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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				
	2016	2017	2018	2019	
36-Month Terms Ending	May 2019	May 2020	May 2021	May 2022	(A)
Load (MW)	2,800	2,800	2,900	2,800	
\$ per MWh	\$96.38	\$90.78	\$91.77	\$98.04	

(A) Prices set in the 2019 BGS auction became effective on June 1, 2019 when the 2016 BGS auction agreements expired.

PSEG 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, PSEG 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 PSEG Power to meet the gas supply requirements of PSE&G's gas customers. PSEG 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 PSEG 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 20. Related-Party Transactions.

Pursuant to a process established by the BPU, New Jersey EDCs, including PSE&G, are required to purchase ZECs from eligible nuclear plants selected by the BPU. In April 2019, PSEG Power's Salem 1, Salem 2 and Hope Creek nuclear plants were selected to receive ZEC revenue for approximately three years, through May 2022. PSE&G has implemented a tariff to collect a non-bypassable distribution charge in the amount of \$0.004 per kilowatt-hour from its retail distribution customers to be used to purchase the ZECs from these plants. PSE&G will purchase the ZECs on a monthly basis with payment to be made annually following completion of each energy year. The legislation also requires nuclear plants to reapply for any subsequent three-year periods and allows the BPU to adjust prospective ZEC payments.

Minimum Fuel Purchase Requirements

PSEG 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. PSEG 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.

PSEG 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, PSEG Power can use the gas to supply its fossil generating stations in New Jersey.

In connection with the sale of its ownership interests in the Keystone and Conemaugh generation plants in September 2019, PSEG Power transferred the related coal purchase commitments to the buyers.

As of September 30, 2019, the total minimum purchase requirements included in these commitments were as follows:

Fuel Type	PSEG Power's Share of Commitments through 2023	
	Millions	
Nuclear Fuel		
Uranium	\$	203
Enrichment	\$	328
Fabrication	\$	141
Natural Gas	\$	1,082

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Pending FERC Matters

In June 2015, Hudson Power Transmission Developers, LLC (Hudson Power), formerly known as TranSource LLC, a merchant transmission developer, filed a complaint against PJM claiming that PJM wrongfully refused to provide data and a transparent process for evaluating transmission network upgrade requests that the transmission developer had submitted to PJM. Although not named as a respondent, the complaint identifies PSE&G as one of the companies claimed to have been involved. In January 2018, a FERC administrative law judge (ALJ) issued an order generally finding that PJM and transmission owners, including PSE&G, did not engage in wrongful conduct. In addition, the developer's assertion of an entitlement to monetary damages was expressly denied. However, in a determination disputed by PSE&G, the order found that the PJM process lacked transparency. In August 2019, FERC reversed the ALJ's decision on the transparency-related findings. FERC did find that PJM violated its Tariff and FERC orders, but found those errors were immaterial and ordered no remedies. Hudson Power filed comments alleging FERC erred in overturning the ALJ's decision, which was subsequently rejected by FERC. However, Hudson Power has the right to challenge this determination. We are unable to predict the outcome of these proceedings.

PSE&G has also received requests for information and a Notice of Investigation from FERC's Office of Enforcement concerning a transmission project. PSE&G retained outside counsel to assist with an internal investigation. PSE&G is fully cooperating with FERC's requests for information and the investigation. It is not possible at this time to predict the outcome of this matter.

Litigation

Sewaren 7 Construction

In June 2018, a complaint was filed in federal court in Newark, New Jersey against PSEG Fossil LLC, a wholly owned subsidiary of PSEG 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 PSEG Power withheld money owed to Durr and that PSEG Power's intentional conduct led to the inability of Durr to obtain prospective contracts. PSEG Power intends to vigorously defend against these allegations. In December 2018, Durr filed for Chapter 11 bankruptcy in the federal court in the Southern District of New York (SDNY). The SDNY bankruptcy court has allowed the New Jersey litigation to proceed. PSEG Power has accrued an amount related to outstanding invoices which does not reflect an assessment of claims and potential counterclaims in this matter. Due to its preliminary nature, PSEG Power cannot predict the outcome of this matter.

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 (EDNY) 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. The complaint alleges hundreds of millions of dollars of harm. The EDNY granted PSEG's and PSEG LI's motion to dismiss the complaint but gave Caithness an opportunity to file an amended claim. Caithness has represented to the court that it will no longer pursue its antitrust claims and is considering whether to file its claim of intentional interference of prospective business relations in state court. PSEG 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, 2019.

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Hudson Power

In January 2019, Hudson Power filed a complaint against PJM, PSE&G and three other transmission owners in Pennsylvania state court. Hudson Power has sued the transmission owner defendants for fraud and intentional misrepresentation relating to information provided to PJM and FERC regarding the costs of upgrades for Hudson Power's proposed project. These allegations appear to be based on alleged conduct that is the subject of the Hudson Power proceeding discussed under "Pending FERC Matters." This action was removed to federal court in the Eastern District of Pennsylvania in February 2019. In light of the FERC proceeding, the federal court granted a motion to stay the federal proceeding until the conclusion of the FERC proceeding. 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, 2019.

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 PSEG 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 PSEG 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 PSEG Power's results of operations or liquidity for any particular reporting period.

Note 12. Debt and Credit Facilities

Long-Term Debt Financing Transactions

The following long-term debt transactions occurred in the nine months ended September 30, 2019:

PSEG

- issued \$750 million of 2.875% Senior Notes due June 2024, and
- repaid a \$350 million term loan with an interest rate of 1 month LIBOR + 0.80%.

PSE&G

- issued \$400 million of 3.20% Secured Medium-Term Notes, Series M, due August 2049,
- issued \$375 million of 3.20% Secured Medium-Term Notes, Series M, due May 2029,
- issued \$375 million of 3.85% Secured Medium-Term Notes, Series M, due May 2049, and
- retired \$250 million of 1.80% Medium-Term Notes at maturity, and
- retired \$250 million of 2.00% Medium-Term Notes at maturity.

PSEG Power

PSEG Power executed an extension of the letter of credit backing \$44 million of Pennsylvania Economic Development Financing Authority Variable Rate Demand Bonds. The existing letter of credit, which was scheduled to expire in November 2019, was extended through March 2022.

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Short-Term Liquidity

PSEG meets its short-term liquidity requirements, as well as those of PSEG 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 \$4.2 billion credit facilities are provided by a diverse bank group. As of September 30, 2019, the total available credit capacity was \$3.6 billion.

As of September 30, 2019, no single institution represented more than 9% of the total commitments in the credit facilities.

As of September 30, 2019, total credit capacity was in excess of the total anticipated maximum liquidity requirements over PSEG's 12-month planning horizon.

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, 2019 were as follows:

Company/Facility	As of September 30, 2019			Expiration Date	Primary Purpose
	Total Facility	Usage (D)	Available Liquidity		
	Millions				
PSEG					
5-year Credit Facilities (A)	\$ 1,500	\$ 349	\$ 1,151	Mar 2023	Commercial Paper Support/Funding/Letters of Credit
Total PSEG	\$ 1,500	\$ 349	\$ 1,151		
PSE&G					
5-year Credit Facility (B)	\$ 600	\$ 26	\$ 574	Mar 2023	Commercial Paper Support/Funding/Letters of Credit
Total PSE&G	\$ 600	\$ 26	\$ 574		
PSEG Power					
3-year Letter of Credit Facilities	\$ 200	\$ 136	\$ 64	Sept 2021	Letters of Credit
5-year Credit Facilities (C)	1,900	40	1,860	Mar 2023	Funding/Letters of Credit
Total PSEG Power	\$ 2,100	\$ 176	\$ 1,924		
Total	\$ 4,200	\$ 551	\$ 3,649		

(A) PSEG facilities will be reduced by \$9 million in March 2022.

(B) PSE&G facility will be reduced by \$4 million in March 2022.

(C) PSEG Power facilities will be reduced by \$12 million in March 2022.

(D) 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, 2019, PSEG had \$336 million outstanding at a weighted average interest rate of 2.44%. PSE&G had \$10 million outstanding at a weighted average interest rate of 2.17% under its Commercial Paper Program as of September 30, 2019.

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Note 13. 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, 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. PSEG 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, PSEG Power has the most exposure to commodity price risk. PSEG 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. PSEG 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 PSEG Power's expected generation. PSEG Power also uses derivatives to hedge a portion of its anticipated BGSS obligations with PSE&G. For additional information see Note 11. Commitments and Contingent Liabilities. Changes in the fair market value of these derivative contracts are recorded in earnings.

Interest Rates

PSEG, 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, 2019 or December 31, 2018.

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. As of September 30, 2019, PSEG had interest rate hedges outstanding totaling \$700 million. These hedges convert PSEG's \$700 million variable-rate term loan due November 2020 into a fixed-rate loan. PSEG interest rate hedges totaling \$600 million were terminated during the second quarter and a loss of \$(12) million was recorded in Accumulated Other Comprehensive Income (Loss) (after tax) and will amortize to interest expense over the remaining life of PSEG's \$750 million of 2.875% Senior Notes due June 2024. For additional information see Note 12. Debt and Credit Facilities.

The fair value of these hedges was \$(7) million as of September 30, 2019 and there were no outstanding interest rate hedges as of December 31, 2018. The Accumulated Other Comprehensive Income (Loss) (after tax) related to outstanding and terminated interest rate derivatives designated as cash flow hedges was \$(17) million and \$(1) million as of September 30, 2019 and December 31, 2018, respectively. The after-tax unrealized losses on these hedges expected to be reclassified to earnings during the next 12 months are \$(2) million.

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 PSEG Power and PSEG. For additional information see Note 14. Fair Value Measurements. The following tabular disclosure does not include the offsetting of trade receivables and payables.

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Balance Sheet Location	As of September 30, 2019				
	PSEG Power (A)			PSEG (A)	Consolidated
	Not Designated			Cash Flow Hedges	
	Energy-Related Contracts	Netting (B)	Total PSEG Power	Interest Rate Swaps	Total Derivatives
	Millions				
Derivative Contracts					
Current Assets	\$ 361	\$ (343)	\$ 18	\$ —	\$ 18
Noncurrent Assets	228	(201)	27	—	27
Total Mark-to-Market Derivative Assets	\$ 589	\$ (544)	\$ 45	\$ —	\$ 45
Derivative Contracts					
Current Liabilities	\$ (369)	\$ 343	\$ (26)	\$ (6)	\$ (32)
Noncurrent Liabilities	(204)	200	(4)	(1)	(5)
Total Mark-to-Market Derivative (Liabilities)	\$ (573)	\$ 543	\$ (30)	\$ (7)	\$ (37)
Total Net Mark-to-Market Derivative Assets (Liabilities)	\$ 16	\$ (1)	\$ 15	\$ (7)	\$ 8

Balance Sheet Location	As of December 31, 2018			
	PSEG Power (A)			Consolidated
	Not Designated			
	Energy-Related Contracts	Netting (B)	Total PSEG Power	Total Derivatives
	Millions			
Derivative Contracts				
Current Assets	\$ 426	\$ (415)	\$ 11	\$ 11
Noncurrent Assets	137	(136)	1	1
Total Mark-to-Market Derivative Assets	\$ 563	\$ (551)	\$ 12	\$ 12
Derivative Contracts				
Current Liabilities	\$ (521)	\$ 510	\$ (11)	\$ (11)
Noncurrent Liabilities	(198)	194	(4)	(4)
Total Mark-to-Market Derivative (Liabilities)	\$ (719)	\$ 704	\$ (15)	\$ (15)
Total Net Mark-to-Market Derivative Assets (Liabilities)	\$ (156)	\$ 153	\$ (3)	\$ (3)

- (A) Substantially all of PSEG Power's and PSEG's derivative instruments are contracts subject to master netting agreements. Contracts not subject to master netting or similar agreements are immaterial and did not have any collateral posted or received as of September 30, 2019 and December 31, 2018.
- (B) Represents the netting of fair value balances with the same counterparty (where the right of offset exists) and the application of collateral. All cash collateral received or posted that has been allocated to derivative positions, where the right of offset exists, has been offset on the Condensed Consolidated Balance Sheets. As of September 30, 2019 and December 31, 2018, PSEG Power had net cash collateral/margin payments to counterparties of \$92 million and \$393 million, respectively. Of these net cash/collateral margin payments, \$(1) million as of September 30, 2019 and \$153 million as December 31, 2018 were netted against the corresponding net derivative contract positions. The \$(1) million as of September 30, 2019 was netted against noncurrent assets. Of the \$153 million as of December 31, 2018, \$(2) million was netted against current assets, \$(3) million was netted against noncurrent assets, \$96 million was netted against current liabilities and \$62 million was netted against noncurrent liabilities.

Certain of PSEG Power's derivative instruments contain provisions that require PSEG Power to post collateral. This collateral may be posted in the form of cash or credit support with thresholds contingent upon PSEG Power's credit rating from each of

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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 PSEG 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 PSEG 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. PSEG 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 \$35 million and \$22 million as of September 30, 2019 and December 31, 2018, respectively. As of September 30, 2019 and December 31, 2018, PSEG Power had the contractual right of offset of \$6 million and \$7 million, respectively, related to derivative instruments that are assets with the same counterparty under master agreements and net of margin posted. If PSEG Power had been downgraded to a below investment grade rating, it would have had additional collateral obligations of \$29 million and \$15 million as of September 30, 2019 and December 31, 2018, respectively, related to its derivatives, net of the contractual right of offset under master agreements and the application of collateral.

The following shows the effect on the Condensed Consolidated Statements of Operations and on Accumulated Other Comprehensive Income (AOCI) of derivative instruments designated as cash flow hedges for the three months and nine months ended September 30, 2019 and 2018:

Derivatives in Cash Flow Hedging Relationships	Amount of Pre-Tax Gain (Loss) Recognized in AOCI on Derivatives		Location of Pre-Tax Gain (Loss) Reclassified from AOCI into Income	Amount of Pre-Tax Gain (Loss) Reclassified from AOCI into Income	
	Three Months Ended			Three Months Ended	
	September 30,			September 30,	
	2019	2018		2019	2018
	Millions			Millions	
PSEG					
Interest Rate Swaps	\$	—	\$	—	—
Total PSEG	\$	—	\$	—	—

Derivatives in Cash Flow Hedging Relationships	Amount of Pre-Tax Gain (Loss) Recognized in AOCI on Derivatives		Location of Pre-Tax Gain (Loss) Reclassified from AOCI into Income	Amount of Pre-Tax Gain (Loss) Reclassified from AOCI into Income	
	Nine Months Ended			Nine Months Ended	
	September 30,			September 30,	
	2019	2018		2019	2018
	Millions			Millions	
PSEG					
Interest Rate Swaps	\$ (24)	\$ —	Interest Expense	\$ (2)	\$ —
Total PSEG	\$ (24)	\$ —		\$ (2)	\$ —

The effect of interest rate cash flow hedges is recorded in Interest Expense in PSEG's Condensed Consolidated Statement of Operations. For the three months and nine months ended September 30, 2019, the amount of gain or loss on interest rate hedges reclassified from Accumulated Other Comprehensive Income (Loss) into income was \$(1) million after-tax. The amount of gain or loss on interest rate hedges reclassified from Accumulated Other Comprehensive Income (Loss) into income for 2018 was immaterial.

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.

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Accumulated Other Comprehensive Income (Loss)	Pre-Tax		After-Tax	
	Millions			
Balance as of December 31, 2017	\$	—	\$	—
Loss Recognized in AOCI		(2)		(1)
Less: Loss Reclassified into Income		—		—
Balance as of December 31, 2018	\$	(2)	\$	(1)
Loss Recognized in AOCI		(24)		(17)
Less: Loss Reclassified into Income		2		1
Balance as of September 30, 2019	\$	(24)	\$	(17)

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, 2019 and 2018, respectively. PSEG 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 PSEG 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		Nine Months Ended	
		September 30,		September 30,	
		2019	2018	2019	2018
Millions					
PSEG and PSEG Power					
Energy-Related Contracts	Operating Revenues	\$ (76)	\$ (130)	\$ 385	\$ (154)
Energy-Related Contracts	Energy Costs	(3)	5	(77)	12
Total PSEG and PSEG Power		\$ (79)	\$ (125)	\$ 308	\$ (142)

The following table summarizes the net notional volume purchases/(sales) of open derivative transactions by commodity as of September 30, 2019 and December 31, 2018.

Type	Notional	Total	PSEG	PSEG Power	PSE&G
Millions					
As of September 30, 2019					
Natural Gas	Dekatherm (Dth)	405	—	405	—
Electricity	MWh	(61)	—	(61)	—
Financial Transmission Rights (FTRs)	MWh	13	—	13	—
Interest Rate Swaps	U.S. Dollars	700	700	—	—
As of December 31, 2018					
Natural Gas	Dth	358	—	358	—
Electricity	MWh	(74)	—	(74)	—
FTRs	MWh	18	—	18	—

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Credit Risk

Credit risk relates to the risk of loss that PSEG 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 PSEG Power's and PSEG's financial condition, results of operations or net cash flows.

The following table provides information on PSEG Power's credit risk from wholesale counterparties, net of collateral, as of September 30, 2019. 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 PSEG Power's credit risk by credit rating of the counterparties.

As of September 30, 2019, 99% of the net credit exposure for PSEG 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	\$ 226	\$ 22	\$ 204	2	\$ 100	(A)
Non-Investment Grade	2	—	2	—	—	
Total	\$ 228	\$ 22	\$ 206	2	\$ 100	

(A) Represents net exposure of \$67 million with PSE&G and \$33 million with a non-affiliated counterparty.

As of September 30, 2019, collateral held from counterparties where PSEG Power had credit exposure included \$3 million in cash collateral and \$19 million in letters of credit.

As of September 30, 2019, PSEG Power had 127 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, 2019, primarily all of the posted collateral was in the form of parental guarantees. The unsecured credit used by the suppliers represents PSE&G's net credit exposure. PSE&G's BGS suppliers' credit exposure is calculated each business day. As of September 30, 2019, PSE&G had no net credit exposure with suppliers, including PSEG 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.

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Note 14. 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 PSEG 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. These consist 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 PSEG Power's respective assets and (liabilities) measured at fair value on a recurring basis as of September 30, 2019 and December 31, 2018, 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 PSEG Power.

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Description	Recurring Fair Value Measurements as of September 30, 2019				
	Total	Netting (D)	Quoted Market Prices for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	Millions				
PSEG					
Assets:					
Derivative Contracts:					
Energy-Related Contracts (A)	\$ 45	\$ (544)	\$ 10	\$ 576	\$ 3
NDT Fund (B)					
Equity Securities	\$ 1,072	\$ —	\$ 1,071	\$ 1	\$ —
Debt Securities—U.S. Treasury	\$ 219	\$ —	\$ —	\$ 219	\$ —
Debt Securities—Govt Other	\$ 347	\$ —	\$ —	\$ 347	\$ —
Debt Securities—Corporate	\$ 496	\$ —	\$ —	\$ 496	\$ —
Rabbi Trust (B)					
Equity Securities	\$ 25	\$ —	\$ 25	\$ —	\$ —
Debt Securities—U.S. Treasury	\$ 68	\$ —	\$ —	\$ 68	\$ —
Debt Securities—Govt Other	\$ 41	\$ —	\$ —	\$ 41	\$ —
Debt Securities—Corporate	\$ 112	\$ —	\$ —	\$ 112	\$ —
Liabilities:					
Derivative Contracts:					
Energy-Related Contracts (A)	\$ (30)	\$ 543	\$ (37)	\$ (534)	\$ (2)
Interest Rate Swaps (C)	\$ (7)	\$ —	\$ —	\$ (7)	\$ —
PSE&G					
Assets:					
Rabbi Trust (B)					
Equity Securities	\$ 5	\$ —	\$ 5	\$ —	\$ —
Debt Securities—U.S. Treasury	\$ 13	\$ —	\$ —	\$ 13	\$ —
Debt Securities—Govt Other	\$ 8	\$ —	\$ —	\$ 8	\$ —
Debt Securities—Corporate	\$ 22	\$ —	\$ —	\$ 22	\$ —
PSEG Power					
Assets:					
Derivative Contracts:					
Energy-Related Contracts (A)	\$ 45	\$ (544)	\$ 10	\$ 576	\$ 3
NDT Fund (B)					
Equity Securities	\$ 1,072	\$ —	\$ 1,071	\$ 1	\$ —
Debt Securities—U.S. Treasury	\$ 219	\$ —	\$ —	\$ 219	\$ —
Debt Securities—Govt Other	\$ 347	\$ —	\$ —	\$ 347	\$ —
Debt Securities—Corporate	\$ 496	\$ —	\$ —	\$ 496	\$ —
Rabbi Trust (B)					
Equity Securities	\$ 7	\$ —	\$ 7	\$ —	\$ —
Debt Securities—U.S. Treasury	\$ 17	\$ —	\$ —	\$ 17	\$ —
Debt Securities—Govt Other	\$ 10	\$ —	\$ —	\$ 10	\$ —
Debt Securities—Corporate	\$ 28	\$ —	\$ —	\$ 28	\$ —
Liabilities:					
Derivative Contracts:					
Energy-Related Contracts (A)	\$ (30)	\$ 543	\$ (37)	\$ (534)	\$ (2)

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Description	Recurring Fair Value Measurements as of December 31, 2018				
	Total	Netting (D)	Quoted Market Prices for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Millions					
PSEG					
Assets:					
Cash Equivalents (E)	\$ 100	\$ —	\$ 100	\$ —	\$ —
Derivative Contracts:					
Energy-Related Contracts (A)	\$ 12	\$ (551)	\$ 29	\$ 527	\$ 7
NDT Fund (B)					
Equity Securities	\$ 900	\$ —	\$ 898	\$ 2	\$ —
Debt Securities—U.S. Treasury	\$ 171	\$ —	\$ —	\$ 171	\$ —
Debt Securities—Govt Other	\$ 320	\$ —	\$ —	\$ 320	\$ —
Debt Securities—Corporate	\$ 487	\$ —	\$ —	\$ 487	\$ —
Rabbi Trust (B)					
Equity Securities	\$ 23	\$ —	\$ 23	\$ —	\$ —
Debt Securities—U.S. Treasury	\$ 69	\$ —	\$ —	\$ 69	\$ —
Debt Securities—Govt Other	\$ 40	\$ —	\$ —	\$ 40	\$ —
Debt Securities—Corporate	\$ 92	\$ —	\$ —	\$ 92	\$ —
Liabilities:					
Derivative Contracts:					
Energy-Related Contracts (A)	\$ (15)	\$ 704	\$ (36)	\$ (677)	\$ (6)
PSE&G					
Assets:					
Rabbi Trust (B)					
Equity Securities	\$ 5	\$ —	\$ 5	\$ —	\$ —
Debt Securities—U.S. Treasury	\$ 14	\$ —	\$ —	\$ 14	\$ —
Debt Securities—Govt Other	\$ 8	\$ —	\$ —	\$ 8	\$ —
Debt Securities—Corporate	\$ 18	\$ —	\$ —	\$ 18	\$ —
PSEG Power					
Assets:					
Derivative Contracts:					
Energy-Related Contracts (A)	\$ 12	\$ (551)	\$ 29	\$ 527	\$ 7
NDT Fund (B)					
Equity Securities	\$ 900	\$ —	\$ 898	\$ 2	\$ —
Debt Securities—U.S. Treasury	\$ 171	\$ —	\$ —	\$ 171	\$ —
Debt Securities—Govt Other	\$ 320	\$ —	\$ —	\$ 320	\$ —
Debt Securities—Corporate	\$ 487	\$ —	\$ —	\$ 487	\$ —
Rabbi Trust (B)					
Equity Securities	\$ 6	\$ —	\$ 6	\$ —	\$ —
Debt Securities—U.S. Treasury	\$ 17	\$ —	\$ —	\$ 17	\$ —
Debt Securities—Govt Other	\$ 10	\$ —	\$ —	\$ 10	\$ —
Debt Securities—Corporate	\$ 23	\$ —	\$ —	\$ 23	\$ —
Liabilities:					
Derivative Contracts:					
Energy-Related Contracts (A)	\$ (15)	\$ 704	\$ (36)	\$ (677)	\$ (6)

(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

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based on market prices, basis adjustments and other premiums where adjustments and premiums are not considered 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.

- (B) As of September 30, 2019, the fair value measurement table excludes foreign currency of \$1 million. The NDT Fund maintains investments in various equity and fixed income securities. The Rabbi Trust maintains investments in a Russell 3000 index fund and various fixed income securities. 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 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’s Russell 3000 index fund is valued based on quoted prices in an active market and can be redeemed daily without restriction.

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) Interest rate swaps are valued using quoted prices on commonly quoted intervals, which are interpolated for periods different than the quoted intervals, as inputs to a market valuation model. Market inputs can generally be verified and model selection does not involve significant management judgment.
- (D) Represents the netting of fair value balances with the same counterparty (where the right of offset exists) and the application of collateral. See Note 13. Financial Risk Management Activities for additional detail.
- (E) 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 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 PSEG 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 PSEG 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 PSEG 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 physical gas contracts have an unobservable component in their

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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, 2019 and December 31, 2018.

Quantitative Information About Level 3 Fair Value Measurements						
Commodity	Level 3 Position	Fair Value as of September 30, 2019		Valuation Technique(s)	Significant Unobservable Input	Range
		Assets	(Liabilities)			
		Millions				
PSEG Power						
Electricity	Electric Load Contracts	\$ 3	\$ (1)	Discounted Cash flow	Historic Load Variability	0% to 10%
Gas	Gas Physical Contracts	—	—	Discounted Cash flow	Average Historical Basis	-40% to 0%
Electricity	Electric Options	\$ —	\$ (1)	Discounted Cash flow	Implied Volatilities	45% to 190%
Total PSEG Power		\$ 3	\$ (2)			
Total PSEG		\$ 3	\$ (2)			

Quantitative Information About Level 3 Fair Value Measurements						
Commodity	Level 3 Position	Fair Value as of December 31, 2018		Valuation Technique(s)	Significant Unobservable Input	Range
		Assets	(Liabilities)			
Millions						
PSEG Power						
Electricity	Electric Load Contracts	\$ 2	\$ (5)	Discounted Cash flow	Historic Load Variability	0% to 15%
Gas	Gas Physical Contracts	5	(1)	Discounted Cash flow	Average Historical Basis	-40% to 0%
Total PSEG Power		\$ 7	\$ (6)			
Total PSEG		\$ 7	\$ (6)			

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

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A reconciliation of the beginning and ending balances of Level 3 derivative contracts and securities for the three months and nine months ended September 30, 2019 and September 30, 2018, 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, 2019**

Three Months Ended September 30, 2019						
Description	Balance as of June 30, 2019	Total Gains or (Losses) Realized/Unrealized Included in Income (A)	Purchases (Sales)	Issuances/Settlements (B)	Transfers In/Out (C)	Balance as of September 30, 2019
Millions						
PSEG and PSEG Power						
Net Derivative Assets (Liabilities)	\$ 4	\$ 1	\$ —	\$ (4)	\$ —	\$ 1
Nine Months Ended September 30, 2019						
Description	Balance as of December 31, 2018	Total Gains or (Losses) Realized/Unrealized Included in Income (A)	Purchases (Sales)	Issuances/Settlements (B)	Transfers In/Out (C)	Balance as of September 30, 2019
Millions						
PSEG and PSEG Power						
Net Derivative Assets (Liabilities)	\$ 1	\$ 10	\$ —	\$ (10)	\$ —	\$ 1

**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**

Three Months Ended September 30, 2018						
Description	Balance as of June 30, 2018	Total Gains or (Losses) Realized/Unrealized Included in Income (A)	Purchases (Sales)	Issuances/Settlements (B)	Transfers In/Out (C)	Balance as of September 30, 2018
Millions						
PSEG and PSEG Power						
Net Derivative Assets (Liabilities)	\$ 4	\$ (4)	\$ —	\$ (1)	\$ —	\$ (1)
Nine Months Ended September 30, 2018						
Description	Balance as of December 31, 2017	Total Gains or (Losses) Realized/Unrealized Included in Income (A)	Purchases (Sales)	Issuances/Settlements (B)	Transfers In/Out (C)	Balance as of September 30, 2018
Millions						
PSEG and PSEG Power						
Net Derivative Assets (Liabilities)	\$ 7	\$ (8)	\$ —	\$ —	\$ —	\$ (1)

(A) Unrealized gains (losses) in the following table represent the change in derivative assets and liabilities still held as of September 30, 2019 and 2018.

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	Three Months Ended September 30,				Nine Months Ended September 30,			
	2019		2018		2019		2018	
	Total Gains (Losses)	Unrealized Gains (Losses)	Total Gains (Losses)	Unrealized Gains (Losses)	Total Gains (Losses)	Unrealized Gains (Losses)	Total Gains (Losses)	Unrealized Gains (Losses)
Millions								
PSEG and PSEG Power								
Operating Revenues	\$ (2)	\$ (4)	\$ (8)	\$ (8)	\$ 14	\$ 5	\$ (7)	\$ (7)
Energy Costs	4	2	4	5	(4)	(4)	(1)	(1)
Total	<u>\$ 2</u>	<u>\$ (2)</u>	<u>\$ (4)</u>	<u>\$ (3)</u>	<u>\$ 10</u>	<u>\$ 1</u>	<u>\$ (8)</u>	<u>\$ (8)</u>

(B) Includes settlements of \$(3) million and \$(9) million for the three months and nine months ended September 30, 2019 and \$(1) million for the three months ended September 30, 2018.

(C) There were no transfers into or out of Level 3 during the three months and nine months ended September 30, 2019 and 2018.

As of September 30, 2019, PSEG carried \$2.4 billion of net assets that are measured at fair value on a recurring basis, of which \$1 million of net assets was measured using unobservable inputs and classified as Level 3 within the fair value hierarchy.

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 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, 2019 and December 31, 2018.

	As of September 30, 2019		As of December 31, 2018	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Millions				
Long-Term Debt:				
PSEG (A) (B)	\$ 2,839	\$ 2,879	\$ 2,443	\$ 2,397
PSE&G (B)	9,826	11,253	9,184	9,374
PSEG Power (B)	2,839	3,162	2,835	2,996
Total Long-Term Debt	<u>\$ 15,504</u>	<u>\$ 17,294</u>	<u>\$ 14,462</u>	<u>\$ 14,767</u>

(A) As of September 30, 2019 and December 31, 2018, includes floating-rate term loans of \$700 million and \$1,050 million, respectively. The fair values of the term loan debt (Level 2 measurement) approximate the carrying value 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 (i.e. U.S. Treasury rate plus credit spread) is 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. The fair value amounts above do not represent the price at which the outstanding debt may be called for redemption by each issuer under their respective debt agreements.

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Note 15. Other Income (Deductions)

	PSE&G	PSEG Power	Other (A)	Consolidated
	Millions			
Three Months Ended September 30, 2019				
NDT Fund Interest and Dividends	\$ —	\$ 14	\$ —	\$ 14
Allowance for Funds Used During Construction	14	—	—	14
Solar Loan Interest	4	—	—	4
Other	4	1	(2)	3
Total Other Income (Deductions)	\$ 22	\$ 15	\$ (2)	\$ 35
Nine Months Ended September 30, 2019				
NDT Fund Interest and Dividends	\$ —	\$ 44	\$ —	\$ 44
Allowance for Funds Used During Construction	41	—	—	41
Solar Loan Interest	12	—	—	12
Other	7	(1)	(2)	4
Total Other Income (Deductions)	\$ 60	\$ 43	\$ (2)	\$ 101
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

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

Note 16. Income Taxes

PSEG's, PSE&G's and PSEG Power's effective tax rates for the three months and nine months ended September 30, 2019 and 2018 were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
PSEG	6.9%	22.1%	11.2%	25.1%
PSE&G	6.5%	25.5%	6.1%	26.1%
PSEG Power	20.9%	16.7%	29.1%	24.1%

For the three months and nine months ended September 30, 2019, the differences in PSEG's and PSE&G's effective tax rates as compared to the same periods in the prior year and the statutory tax rate of 28.11% were due primarily to the flowback of PSE&G's excess deferred income tax liabilities as a result of the Tax Act and tax repair-related accumulated deferred income taxes as a result of PSE&G's 2018 settled distribution base rate case and the FERC- approved Section 205 filing, where applicable.

For the three months and nine months ended September 30, 2019, the differences in PSEG Power's effective tax rates as compared to the same periods in the prior year were due primarily to the benefits associated with the remeasurement of uncertain tax positions and associated interest in connection with the nuclear carryback claim and the 2011 and 2012 federal income tax audit recorded in the third quarter of 2018. For the three months ended September 30, 2019, the difference in PSEG

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Power's effective tax rate as compared to the statutory rate of 28.11% was due primarily to the impact of tax credits on lower pre-tax income.

Tax Act

Effective January 1, 2018, the U.S. federal corporate tax rate was reduced from a maximum of 35% to 21% resulting in a decrease in PSEG's, PSE&G's and PSEG Power's effective income tax rates. To the extent allowed under the Tax Act, PSEG Power's operating cash flows reflect the full expensing of capital investments for income tax purposes. The Tax Act has led to lower customer rates due to lower income tax expense recoveries and the BPU and FERC have approved PSEG's proposals to refund excess deferred income tax Regulatory Liabilities. The impact of the lower federal income tax rate on PSE&G was reflected in PSE&G's distribution base rate proceeding and its 2018 transmission formula rate filings. The Tax Act is generally expected to result in lower operating cash flows for PSE&G resulting from the elimination of bonus depreciation, partially offset by higher revenues due to the higher rate base.

In November 2018, the IRS issued proposed regulations addressing the interest disallowance rules contained in the Tax Act. For non-regulated businesses, these rules set a cap on the amount of interest that can be deducted in a given year. Any amount that is disallowed can be carried forward indefinitely. For 2019, PSEG and PSEG Power expect that a portion of the interest will be disallowed in the current period but realized in future periods. However, certain aspects of the proposed regulations are unclear. Therefore, PSEG recorded taxes based on its interpretation of the relevant statutes.

In September 2019, the IRS released final and additional proposed regulations regarding the application of tax depreciation rules as amended by the Tax Act. We do not believe the final or proposed regulations materially impact our application of the rules.

Amounts recorded under the Tax Act, including but not limited to depreciation and interest disallowance, are subject to change based on several factors, including but not limited to, the IRS and state taxing authorities issuing additional guidance and/or further clarification. Any further guidance or clarification could impact PSEG's, PSE&G's and PSEG Power's financial statements.

New Jersey State Tax Reform

In 2018, the State of New Jersey made significant changes to its income tax laws, including imposing a temporary surtax 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. 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.

In 2019, the State of New Jersey issued further guidance regarding the temporary surtax and clarified that New Jersey net operating loss carryovers can be deducted in computing a taxpayer's entire net income. This guidance has the effect of lowering or eliminating the temporary surtax.

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Note 17. Accumulated Other Comprehensive Income (Loss), Net of Tax

PSEG	Three Months Ended September 30, 2019			
	Cash Flow Hedges	Pension and OPEB Plans	Available-for-Sale Securities	Total
Accumulated Other Comprehensive Income (Loss)				
	Millions			
Balance as of June 30, 2019	\$ (18)	\$ (437)	\$ 23	\$ (432)
Other Comprehensive Income before Reclassifications	—	(20)	13	(7)
Amounts Reclassified from Accumulated Other Comprehensive Income (Loss)	1	3	(3)	1
Net Current Period Other Comprehensive Income (Loss)	1	(17)	10	(6)
Balance as of September 30, 2019	\$ (17)	\$ (454)	\$ 33	\$ (438)

PSEG	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	Nine Months Ended September 30, 2019			
	Cash Flow Hedges	Pension and OPEB Plans	Available-for-Sale Securities	Total
Accumulated Other Comprehensive Income (Loss)				
	Millions			
Balance as of December 31, 2018	\$ (1)	\$ (360)	\$ (16)	\$ (377)
Cumulative Effect Adjustment to Reclassify Stranded Tax Effects Resulting from the Change in the Federal Corporate Income Tax Rate to Retained Earnings	—	(81)	—	(81)
Current Period Other Comprehensive Income (Loss)				
Other Comprehensive Income before Reclassifications	(17)	(23)	54	14
Amounts Reclassified from Accumulated Other Comprehensive Income (Loss)	1	10	(5)	6
Net Current Period Other Comprehensive Income (Loss)	(16)	(13)	49	20
Net Change in Accumulated Other Comprehensive Income (Loss)	(16)	(94)	49	(61)
Balance as of September 30, 2019	\$ (17)	\$ (454)	\$ 33	\$ (438)

PSEG	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)
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 Accumulated Other Comprehensive Income (Loss)	(1)	22	(199)	(178)

Balance as of September 30, 2018	\$	(1)	\$	(384)	\$	(22)	\$	(407)
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PSEG Power	Three Months Ended September 30, 2019				
Accumulated Other Comprehensive Income (Loss)	Cash Flow Hedges	Pension and OPEB Plans	Available-for-Sale Securities	Total	
	Millions				
Balance as of June 30, 2019	\$ —	\$ (372)	\$ 18	\$ (354)	
Other Comprehensive Income before Reclassifications	—	(14)	10	(4)	
Amounts Reclassified from Accumulated Other Comprehensive Income (Loss)	—	2	(3)	(1)	
Net Current Period Other Comprehensive Income (Loss)	—	(12)	7	(5)	
Balance as of September 30, 2019	\$ —	\$ (384)	\$ 25	\$ (359)	

PSEG Power	Three Months Ended September 30, 2018				
Accumulated Other Comprehensive Income (Loss)	Cash 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)	

PSEG Power	Nine Months Ended September 30, 2019				
Accumulated Other Comprehensive Income (Loss)	Cash Flow Hedges	Pension and OPEB Plans	Available-for-Sale Securities	Total	
	Millions				
Balance as of December 31, 2018	\$ —	\$ (306)	\$ (13)	\$ (319)	
Cumulative Effect Adjustment to Reclassify Stranded Tax Effects Resulting from the Change in the Federal Corporate Income Tax Rate to Retained Earnings	—	(69)	—	(69)	
Current Period Other Comprehensive Income (Loss)					
Other Comprehensive Income before Reclassifications	—	(17)	42	25	
Amounts Reclassified from Accumulated Other Comprehensive Income (Loss)	—	8	(4)	4	
Net Current Period Other Comprehensive Income (Loss)	—	(9)	38	29	
Net Change in Accumulated Other Comprehensive Income (Loss)	—	(78)	38	(40)	
Balance as of September 30, 2019	\$ —	\$ (384)	\$ 25	\$ (359)	

PSEG Power	Nine Months Ended September 30, 2018				
Accumulated Other Comprehensive Income (Loss)	Cash Flow Hedges	Pension and OPEB Plans	Available-for-Sale Securities	Total	
	Millions				
Balance as of December 31, 2017	\$ —	\$ (347)	\$ 175	\$ (172)	
Cumulative Effect Adjustment to Reclassify Unrealized Net Gains on Equity Investments to Retained Earnings	—	—	(175)	(175)	
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 Accumulated Other Comprehensive Income (Loss)	—	19	(194)	(175)	
Balance as of September 30, 2018	\$ —	\$ (328)	\$ (19)	\$ (347)	

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PSEG		Amounts Reclassified from Accumulated Other Comprehensive Income (Loss) to Income Statement					
		Three Months Ended September 30, 2019			Nine Months Ended September 30, 2019		
		Pre-Tax Amount	Tax (Expense) Benefit	After-Tax Amount	Pre-Tax Amount	Tax (Expense) Benefit	After-Tax Amount
Millions							
Cash Flow Hedges							
Interest Rate Swaps	Interest Expense	\$ (1)	\$ —	\$ (1)	\$ (2)	\$ 1	\$ (1)
Total Cash Flow Hedges		(1)	—	(1)	(2)	1	(1)
Pension and OPEB Plans							
Amortization of Prior Service (Cost) Credit	Non-Operating Pension and OPEB Credits (Costs)	\$ 7	\$ (2)	\$ 5	\$ 20	\$ (6)	\$ 14
Amortization of Actuarial Loss	Non-Operating Pension and OPEB Credits (Costs)	(10)	2	(8)	(33)	9	(24)
Total Pension and OPEB Plans		(3)	—	(3)	(13)	3	(10)
Available-for-Sale Debt Securities							
Realized Gains (Losses)	Net Gains (Losses) on Trust Investments	6	(3)	3	9	(4)	5
Total Available-for-Sale Debt Securities		6	(3)	3	9	(4)	5
Total		\$ 2	\$ (3)	\$ (1)	\$ (6)	\$ —	\$ (6)

PSEG		Amounts Reclassified from Accumulated Other Comprehensive Income (Loss) to Income Statement					
		Three Months Ended September 30, 2018			Nine Months Ended September 30, 2018		
		Pre-Tax Amount	Tax (Expense) Benefit	After-Tax Amount	Pre-Tax Amount	Tax (Expense) Benefit	After-Tax 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		(10)	3	(7)	(31)	9	(22)
Available-for-Sale Debt Securities							
Realized Gains (Losses)	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)

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PSEG Power		Amounts Reclassified from Accumulated Other Comprehensive Income (Loss) to Income Statement					
		Three Months Ended September 30, 2019			Nine Months Ended September 30, 2019		
Description of Amounts Reclassified from Accumulated Other Comprehensive Income (Loss)	Location of Pre-Tax Amount In Statement of Operations	Pre-Tax Amount	Tax (Expense) Benefit	After-Tax Amount	Pre-Tax Amount	Tax (Expense) Benefit	After-Tax Amount
Millions							
Pension and OPEB Plans							
Amortization of Prior Service (Cost) Credit	Non-Operating Pension and OPEB Credits (Costs)	\$ 6	\$ (2)	\$ 4	\$ 17	\$ (5)	\$ 12
Amortization of Actuarial Loss	Non-Operating Pension and OPEB Credits (Costs)	(9)	3	(6)	(28)	8	(20)
Total Pension and OPEB Plans		(3)	1	(2)	(11)	3	(8)
Available-for-Sale Debt Securities							
	Net Gains (Losses) on Trust Investments	5	(2)	3	7	(3)	4
Total Available-for-Sale Debt Securities		5	(2)	3	7	(3)	4
Total		\$ 2	\$ (1)	\$ 1	\$ (4)	\$ —	\$ (4)

PSEG Power		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 Amount	Tax (Expense) Benefit	After-Tax Amount	Pre-Tax Amount	Tax (Expense) Benefit	After-Tax 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)	(30)	8	(22)
Total Pension and OPEB Plans		(10)	3	(7)	(27)	8	(19)
Available-for-Sale Debt Securities							
	Net Gains (Losses) on Trust Investments	(1)	—	(1)	(7)	3	(4)
Total Available-for-Sale Debt Securities		(1)	—	(1)	(7)	3	(4)
Total		\$ (11)	\$ 3	\$ (8)	\$ (34)	\$ 11	\$ (23)

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Note 18. Earnings Per Share (EPS) and Dividends

EPS

Diluted EPS is calculated by dividing Net Income by the weighted average number of shares of common stock outstanding, including shares issuable upon exercise of stock options outstanding or vesting of restricted stock awards granted under PSEG's stock compensation plans and upon payment of performance units or restricted stock units. The following table shows the effect of these stock options, performance units and restricted stock units on the weighted average number of shares outstanding used in calculating diluted EPS:

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2019		2018		2019		2018	
	Basic	Diluted	Basic	Diluted	Basic	Diluted	Basic	Diluted
EPS Numerator (Millions):								
Net Income	\$ 403	\$ 403	\$ 412	\$ 412	\$ 1,256	\$ 1,256	\$ 1,239	\$ 1,239
EPS Denominator (Millions):								
Weighted Average Common Shares Outstanding	504	504	504	504	504	504	504	504
Effect of Stock Based Compensation Awards	—	3	—	3	—	3	—	3
Total Shares	504	507	504	507	504	507	504	507
EPS								
Net Income	\$ 0.80	\$ 0.79	\$ 0.82	\$ 0.81	\$ 2.49	\$ 2.47	\$ 2.46	\$ 2.44

Dividends

Dividend Payments on Common Stock	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Per Share	\$ 0.47	\$ 0.45	\$ 1.41	\$ 1.35
In Millions	\$ 238	\$ 227	\$ 713	\$ 682

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Note 19. Financial Information by Business Segment

	PSE&G	PSEG Power	Other (A)	Eliminations (B)	Consolidated Total
Millions					
Three Months Ended September 30, 2019					
Total Operating Revenues	\$ 1,604	\$ 771	\$ 151	\$ (224)	\$ 2,302
Net Income (Loss)	344	53	6	—	403
Gross Additions to Long-Lived Assets	608	168	3	—	779
Nine Months Ended September 30, 2019					
Operating Revenues	\$ 5,018	\$ 3,270	\$ 379	\$ (1,069)	\$ 7,598
Net Income (Loss) (C)	974	309	(27)	—	1,256
Gross Additions to Long-Lived Assets	1,866	507	10	—	2,383
Three Months Ended September 30, 2018					
Total Operating Revenues	\$ 1,595	\$ 868	\$ 151	\$ (220)	\$ 2,394
Net Income (Loss)	278	125	9	—	412
Gross Additions to Long-Lived Assets	766	253	4	—	1,023
Nine Months Ended September 30, 2018					
Operating Revenues	\$ 4,826	\$ 3,038	\$ 421	\$ (1,057)	\$ 7,228
Net Income (Loss)	828	400	11	—	1,239
Gross Additions to Long-Lived Assets	2,213	800	15	—	3,028
As of September 30, 2019					
Total Assets	\$ 32,652	\$ 12,553	\$ 2,384	\$ (774)	\$ 46,815
Investments in Equity Method Subsidiaries	\$ —	\$ 67	\$ —	\$ —	\$ 67
As of December 31, 2018					
Total Assets	\$ 31,109	\$ 12,594	\$ 2,604	\$ (981)	\$ 45,326
Investments in Equity Method Subsidiaries	\$ —	\$ 86	\$ —	\$ —	\$ 86

- (A) Includes amounts applicable to Energy Holdings and PSEG LI, which are below the quantitative threshold for separate disclosure as reportable segments. Other also includes amounts applicable to PSEG (parent company) and Services.
- (B) Intercompany eliminations primarily relate to intercompany transactions between PSE&G and PSEG Power. For a further discussion of the intercompany transactions between PSE&G and PSEG Power, see Note 20. Related-Party Transactions.
- (C) Includes an after-tax loss of \$286 million in the nine months ended September 30, 2019 related to the sale of PSEG Power's ownership interests in the Keystone and Conemaugh generation plants. See Note 4. Early Plant Retirements/Asset Dispositions for additional information.

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Note 20. Related-Party Transactions

The following discussion relates to intercompany transactions, which are eliminated during the PSEG consolidation process in accordance with GAAP.

PSE&G

The financial statements for PSE&G include transactions with related parties presented as follows:

<u>Related-Party Transactions</u>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
	Millions			
Billings from Affiliates:				
Net Billings from PSEG Power (A)	\$ 220	\$ 229	\$ 1,099	\$ 1,079
Administrative Billings from Services (B)	72	78	227	246
Total Billings from Affiliates	\$ 292	\$ 307	\$ 1,326	\$ 1,325

<u>Related-Party Transactions</u>	As of September 30, 2019	As of December 31, 2018
	Millions	
Receivable from PSEG (C)	\$ 12	\$ 123
Payable to PSEG Power (A)	\$ 152	\$ 245
Payable to Services (B)	56	76
Accounts Payable—Affiliated Companies	\$ 208	\$ 321
Working Capital Advances to Services (D)	\$ 33	\$ 33
Long-Term Accrued Taxes Payable	\$ 103	\$ 69

PSEG Power

The financial statements for PSEG Power include transactions with related parties presented as follows:

<u>Related-Party Transactions</u>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
	Millions			
Billings to Affiliates:				
Net Billings to PSE&G (A)	\$ 220	\$ 229	\$ 1,099	\$ 1,079
Billings from Affiliates:				
Administrative Billings from Services (B)	\$ 41	\$ 38	\$ 132	\$ 113

<u>Related-Party Transactions</u>	As of September 30, 2019	As of December 31, 2018
	Millions	
Receivable from PSE&G (A)	\$ 152	\$ 245
Receivable from PSEG (C)	81	29
Accounts Receivable—Affiliated Companies	\$ 233	\$ 274
Payable to Services (B)	\$ 20	\$ 16
Accounts Payable—Affiliated Companies	\$ 20	\$ 16
Short-Term Loan to (from) Affiliate (E)	\$ 86	\$ (193)
Working Capital Advances to Services (D)	\$ 17	\$ 17

Long-Term Accrued Taxes Payable		
	\$ 101	\$ 76

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- (A) PSE&G has entered into a requirements contract with PSEG Power under which PSEG Power provides the gas supply services needed to meet PSE&G's BGSS and other contractual requirements. PSEG Power has also entered into contracts to supply energy, capacity and ancillary services to PSE&G through the BGS auction process and sells ZECs to PSE&G under the ZEC program. The rates in the BGS and BGSS contracts and for the ZEC sales are prescribed by the BPU. BGS and BGSS sales are billed and settled on a monthly basis. ZEC sales are billed on a monthly basis and settled annually following completion of each energy year. In addition, PSEG Power and PSE&G provide certain technical services for each other generally at cost in compliance with FERC and BPU affiliate rules.
- (B) Services provides and bills administrative services to PSE&G and PSEG Power at cost. In addition, PSE&G and PSEG Power have other payables to Services, including amounts related to certain common costs, such as pension and OPEB costs, which Services pays on behalf of each of the operating companies.
- (C) PSEG files a consolidated federal income tax return with its affiliated companies. A tax allocation agreement exists between PSEG and each of its affiliated companies. The general operation of these agreements is that the subsidiary company will compute its taxable income on a stand-alone basis. If the result is a net tax liability, such amount shall be paid to PSEG. If there are net operating losses and/or tax credits, the subsidiary shall receive payment for the tax savings from PSEG to the extent that PSEG is able to utilize those benefits.
- (D) PSE&G and PSEG Power have advanced working capital to Services. The amounts are included in Other Noncurrent Assets on PSE&G's and PSEG Power's Condensed Consolidated Balance Sheets.
- (E) PSEG Power's short-term loans with PSEG are for working capital and other short-term needs. Interest Income and Interest Expense relating to these short-term funding activities were immaterial.

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Note 21. Guarantees of Debt

PSEG Power's Senior Notes are fully and unconditionally and jointly and severally guaranteed by its subsidiaries, PSEG Fossil LLC, PSEG Nuclear LLC and PSEG Energy Resources & Trade LLC. The following tables present condensed financial information for the guarantor subsidiaries, as well as PSEG Power's non-guarantor subsidiaries, as of September 30, 2019 and December 31, 2018 and for the three months and nine months ended September 30, 2019 and 2018.

	PSEG Power	Guarantor Subsidiaries	Other Subsidiaries	Consolidating Adjustments	Total
Millions					
Three Months Ended September 30, 2019					
Operating Revenues	\$ —	\$ 748	\$ 78	\$ (55)	\$ 771
Operating Expenses	—	672	75	(55)	692
Operating Income (Loss)	—	76	3	—	79
Equity Earnings (Losses) of Subsidiaries	69	(10)	3	(59)	3
Net Gains (Losses) on Trust Investments	1	(5)	—	—	(4)
Other Income (Deductions)	42	53	—	(80)	15
Non-Operating Pension and OPEB Credits (Costs)	—	7	1	—	8
Interest Expense	(71)	(27)	(16)	80	(34)
Income Tax Benefit (Expense)	12	(30)	4	—	(14)
Net Income (Loss)	\$ 53	\$ 64	\$ (5)	\$ (59)	\$ 53
Comprehensive Income (Loss)	\$ 48	\$ 70	\$ (5)	\$ (65)	\$ 48
Nine Months Ended September 30, 2019					
Operating Revenues	\$ —	\$ 3,212	\$ 200	\$ (142)	\$ 3,270
Operating Expenses	3	2,914	201	(142)	2,976
Operating Income (Loss)	(3)	298	(1)	—	294
Equity Earnings (Losses) of Subsidiaries	363	(28)	10	(335)	10
Net Gains (Losses) on Trust Investments	2	158	—	—	160
Other Income (Deductions)	134	166	—	(257)	43
Non-Operating Pension and OPEB Credits (Costs)	—	13	1	—	14
Interest Expense	(224)	(82)	(36)	257	(85)
Income Tax Benefit (Expense)	37	(175)	11	—	(127)
Net Income (Loss)	\$ 309	\$ 350	\$ (15)	\$ (335)	\$ 309
Comprehensive Income (Loss)	\$ 338	\$ 384	\$ (15)	\$ (369)	\$ 338
Nine Months Ended September 30, 2019					
Net Cash Provided By (Used In)					
Operating Activities	\$ 171	\$ 1,345	\$ 75	\$ (229)	\$ 1,362
Net Cash Provided By (Used In)					
Investing Activities	\$ 154	\$ (708)	\$ (253)	\$ 222	\$ (585)
Net Cash Provided By (Used In)					
Financing Activities	\$ (256)	\$ (640)	\$ 170	\$ 7	\$ (719)

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	PSEG Power	Guarantor Subsidiaries	Other Subsidiaries	Consolidating Adjustments	Total
Millions					
Three Months Ended September 30, 2018					
Operating Revenues	\$ —	\$ 849	\$ 59	\$ (40)	\$ 868
Operating Expenses	2	733	61	(40)	756
Operating Income (Loss)	(2)	116	(2)	—	112
Equity Earnings (Losses) of Subsidiaries	117	(7)	5	(110)	5
Net Gains (Losses) on Trust Investments	—	45	(1)	—	44
Other Income (Deductions)	40	45	—	(71)	14
Non-Operating Pension and OPEB Credits (Costs)	—	4	—	—	4
Interest Expense	(65)	(28)	(7)	71	(29)
Income Tax Benefit (Expense)	35	(64)	4	—	(25)
Net Income (Loss)	\$ 125	\$ 111	\$ (1)	\$ (110)	\$ 125
Comprehensive Income (Loss)	\$ 128	\$ 107	\$ (1)	\$ (106)	\$ 128
Nine Months Ended September 30, 2018					
Operating Revenues	\$ —	\$ 2,982	\$ 161	\$ (105)	\$ 3,038
Operating Expenses	5	2,493	162	(105)	2,555
Operating Income (Loss)	(5)	489	(1)	—	483
Equity Earnings (Losses) of Subsidiaries	406	(14)	12	(392)	12
Net Gains (Losses) on Trust Investments	—	31	(1)	—	30
Other Income (Deductions)	116	118	—	(196)	38
Non-Operating Pension and OPEB Credits (Costs)	—	10	1	—	11
Interest Expense	(161)	(64)	(18)	196	(47)
Income Tax Benefit (Expense)	44	(179)	8	—	(127)
Net Income (Loss)	\$ 400	\$ 391	\$ 1	\$ (392)	\$ 400
Comprehensive Income (Loss)	\$ 400	\$ 374	\$ 1	\$ (375)	\$ 400
Nine Months Ended September 30, 2018					
Net Cash Provided By (Used In) Operating Activities	\$ (255)	\$ 1,169	\$ (26)	\$ 117	\$ 1,005
Net Cash Provided By (Used In) Investing Activities	\$ (417)	\$ (1,132)	\$ (290)	\$ 829	\$ (1,010)
Net Cash Provided By (Used In) Financing Activities	\$ 672	\$ (32)	\$ 320	\$ (946)	\$ 14

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	PSEG Power	Guarantor Subsidiaries	Other Subsidiaries	Consolidating Adjustments	Total
	Millions				
As of September 30, 2019					
Current Assets	\$ 4,142	\$ 1,459	\$ 327	\$ (4,497)	\$ 1,431
Property, Plant and Equipment, net	44	4,484	3,967	—	8,495
Investment in Subsidiaries	5,184	1,078	—	(6,262)	—
Noncurrent Assets	289	2,526	116	(304)	2,627
Total Assets	\$ 9,659	\$ 9,547	\$ 4,410	\$ (11,063)	\$ 12,553
Current Liabilities	\$ 903	\$ 2,467	\$ 2,153	\$ (4,497)	\$ 1,026
Noncurrent Liabilities	550	2,216	859	(304)	3,321
Long-Term Debt	2,433	—	—	—	2,433
Member's Equity	5,773	4,864	1,398	(6,262)	5,773
Total Liabilities and Member's Equity	\$ 9,659	\$ 9,547	\$ 4,410	\$ (11,063)	\$ 12,553
As of December 31, 2018					
Current Assets	\$ 4,317	\$ 1,479	\$ 304	\$ (4,593)	\$ 1,507
Property, Plant and Equipment, net	49	4,971	3,822	—	8,842
Investment in Subsidiaries	5,062	1,107	—	(6,169)	—
Noncurrent Assets	273	2,109	101	(238)	2,245
Total Assets	\$ 9,701	\$ 9,666	\$ 4,227	\$ (11,000)	\$ 12,594
Current Liabilities	\$ 437	\$ 2,971	\$ 2,027	\$ (4,593)	\$ 842
Noncurrent Liabilities	513	1,996	730	(238)	3,001
Long-Term Debt	2,791	—	—	—	2,791
Member's Equity	5,960	4,699	1,470	(6,169)	5,960
Total Liabilities and Member's Equity	\$ 9,701	\$ 9,666	\$ 4,227	\$ (11,000)	\$ 12,594

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (MD&A)

This combined MD&A is separately filed by Public Service Enterprise Group Incorporated (PSEG), Public Service Electric and Gas Company (PSE&G) and PSEG Power LLC (PSEG Power). Information contained herein relating to any individual company is filed by such company on its own behalf. PSE&G and PSEG Power each make representations only as to itself and make no representations whatsoever as to any other company.

PSEG's business consists of two reportable segments, our principal direct wholly owned subsidiaries, which are:

- **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 regulated solar generation projects and energy efficiency and related programs in New Jersey, which are regulated by the BPU, and
- **PSEG 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, PSEG Power owns and operates solar generation in various states. PSEG Power's subsidiaries are subject to regulation by FERC, the Nuclear Regulatory Commission, 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) transmission and distribution (T&D) system under an Operations Services Agreement; 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.

Our business discussion in Part I, Item 1. Business of our 2018 Annual Report on 10-K (Form 10-K) provides a review of the regions and markets where we operate and compete, as well as our strategy for conducting our businesses within these markets, focusing on operational excellence, financial strength and making disciplined investments. Our risk factor discussion in Part I, Item 1A. Risk Factors of Form 10-K provides information about factors that could have a material adverse impact on our businesses. The following supplements that discussion and the discussion included in the Executive Overview of 2018 and Future Outlook provided in Item 7 in our Form 10-K by describing significant events and business developments that have occurred during 2019 and changes to the key factors that we expect may drive our future performance. The following discussion refers to the Condensed Consolidated Financial Statements (Statements) and the Related Notes to Condensed Consolidated Financial Statements (Notes). This discussion should be read in conjunction with such Statements, Notes and the Form 10-K.

EXECUTIVE OVERVIEW OF 2019 AND FUTURE OUTLOOK

Our business plan is designed to achieve growth while managing the risks associated with fluctuating commodity prices and changes in customer demand.

PSE&G

At PSE&G, our focus is on enhancing reliability and resiliency of our T&D system, meeting customer expectations and supporting public policy objectives by investing capital in T&D infrastructure and clean energy programs. Over the past few years, our investments have altered our business mix to reflect a higher percentage of earnings contribution by PSE&G. Based upon the settlement of the Energy Strong Program II (ES II) noted below, PSE&G has narrowed its five-year capital expenditure range to \$12 billion to \$14.5 billion, resulting in an expected annual rate base growth of 7.5% to 8.5%.

In 2019, we commenced our BPU-approved Gas System Modernization Program II (GSMP II), an expanded, five-year program to invest \$1.9 billion beginning in 2019 to replace approximately 875 miles of cast iron and unprotected steel mains in addition to other improvements to the gas system. Approximately \$1.6 billion will be recovered through periodic rate roll-ins, with the remaining \$300 million to be recovered through a future base rate proceeding. As part of the settlement approved by the BPU, PSE&G agreed to file a base rate proceeding no later than December 2023, to maintain a base level of gas distribution capital expenditures of \$155 million per year and to achieve certain leak reduction targets.

In June 2018, we filed for our ES II, a proposed five-year \$2.5 billion program to harden, modernize and improve the resiliency of our electric and gas distribution systems. In September 2019, the BPU approved an \$842 million program for gas and electric projects which will begin in the fourth quarter of 2019 and is expected to be completed at the end of 2023. As part of the settlement agreement, approximately \$692 million of the program will be recovered through periodic rate recovery filings,

with the balance to be recovered in our next distribution base rate case, which is required to be filed no later than December 2023.

In October 2018, we filed our proposed Clean Energy Future (CEF) program with the BPU, a six-year estimated \$3.5 billion investment covering four programs; (i) an Energy Efficiency (EE) program totaling \$2.5 billion of investment designed to achieve energy efficiency targets required under New Jersey's Clean Energy law; (ii) an Electric Vehicle (EV) infrastructure program; (iii) an Energy Storage (ES) program and (iv) an Energy Cloud (EC) program which will include installing approximately two million electric smart meters and associated infrastructure. The BPU is reviewing the CEF-EE program concurrently with its efforts related to implementing provisions of the Clean Energy Act related to energy efficiency. The BPU is also addressing stakeholder input as it works to finalize New Jersey's Energy Master Plan, currently scheduled to be released in December 2019. As a result, the CEF-EE filing remains pending before the BPU. In September 2019, the BPU approved a settlement reached with the parties in the CEF-EE that extends the matter into March 2020, and that authorizes, in the interim, an additional \$27 million investment for PSE&G to continue delivering four of its existing EE programs for an additional year.

In November 2018, the New Jersey Division of Rate Counsel (Rate Counsel) filed a motion to dismiss the CEF-EC filing on the basis that the BPU announced a moratorium on electric distribution companies' advanced meter infrastructure programs. In December 2018, Rate Counsel filed a motion to stay the CEF-EV/ES filing, arguing that the BPU should conclude other regulatory proceedings addressing EVs and ES, including the new Energy Master Plan and initiatives required by the Clean Energy Act, before it rules on PSE&G's program. We opposed Rate Counsel's motions, asking for the BPU to permit these filings to proceed. There is no timetable for the BPU to decide on Rate Counsel's motions. We continue to pursue procedural schedules to initiate the BPU's review of our proposed CEF-EV/ES and CEF-EC programs.

We also continue to invest in transmission infrastructure in order to (i) maintain and enhance system integrity and grid reliability, grid security and safety, (ii) address an aging transmission infrastructure, (iii) leverage technology to improve the operation of the system, (iv) reduce transmission constraints, (v) meet growing demand and (vi) meet environmental requirements and standards set by various regulatory bodies. Our planned capital spending for transmission in 2019-2021 is \$3.6 billion.

PSEG Power

At PSEG Power, we strive to improve performance and reduce costs in order to optimize cash flow generation from our fleet in light of low wholesale power and gas prices, environmental considerations and competitive market forces that reward efficiency and reliability. PSEG Power continues to move its fleet toward improved efficiency and believes that its recently completed investment program enhances its competitive position with the addition of efficient, clean, reliable combined cycle gas turbine capacity. Our commitments for load, such as basic generation service (BGS) in New Jersey and other bilateral supply contracts, are backed by this generation or may be combined with the use of physical commodity purchases and financial instruments from the market to optimize the economic efficiency of serving our obligations. PSEG Power's hedging practices and ability to capitalize on market opportunities help it to balance some of the volatility of the merchant power business. Approximately 75% of PSEG Power's expected gross margin in 2019 relates to hedging of our energy margin, our expected revenues from the capacity market mechanisms, Zero Emission Certificate revenues that commenced in April 2019 and certain ancillary service payments such as reactive power.

We commenced commercial operations of Keys Energy Center (Keys) and Sewaren 7 in mid-2018. Upon the start of commercial operation of Bridgeport Harbor Station Unit 5 (BH5) in June 2019, PSEG Power completed its 1,800 MW combined cycle gas turbine construction program. These additions to our fleet both expand our geographic diversity and adjust our fuel mix and enhance the environmental profile and overall efficiency of PSEG Power's generation fleet.

Operational Excellence

We emphasize operational performance while developing opportunities in both our competitive and regulated businesses. Flexibility in our generating fleet has allowed us to take advantage of opportunities in a rapidly evolving market as we remain diligent in managing costs. In the first nine months of 2019, our

- utility continued its efforts to control costs while maintaining strong operational performance, including ranking in the top quartile among large utilities in the East in JD Power's 2019 Electric Utility Residential Customer Satisfaction Study,
- diverse fuel mix and dispatch flexibility allowed us to generate approximately 43 terawatt hours while addressing fuel availability and price volatility, and
- total nuclear fleet achieved a capacity factor of 91.0%.

Financial Strength

Our financial strength is predicated on a solid balance sheet, positive operating cash flow and reasonable risk-adjusted returns on increased investment. Our financial position remained strong during the first nine months of 2019 as we

- maintained sufficient liquidity,
- maintained solid investment grade credit ratings, and
- increased our indicative annual dividend for 2019 to \$1.88 per share.

We expect to be able to fund our planned capital requirements, as described in Liquidity and Capital Resources, and the impacts of the Tax Cuts and Jobs Act of 2017 (Tax Act) without the issuance of new equity. For additional information on the impacts of the Tax Act, see Tax Legislation below.

Financial Results

As a result of the settlement of PSE&G's distribution base rate proceeding in October 2018, with new rates effective November 1, 2018, PSE&G's overall annual revenues were reduced by 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 flowback to customers of excess accumulated deferred income taxes resulting from the reduction of the federal income tax rates provided in the 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.

PSE&G also filed a revised 2019 Annual Transmission Formula Rate Update to include the refund of the approved excess deferred income tax benefits. The revised 2019 Annual Transmission Formula Rate, as filed with FERC in January 2019, decreases overall annual transmission revenues by approximately \$54 million, subject to true-up.

The results for PSEG, PSE&G and PSEG Power for the three months and nine months ended September 30, 2019 and 2018 are presented as follows:

Earnings (Losses)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
	Millions			
PSE&G	\$ 344	\$ 278	\$ 974	\$ 828
PSEG Power (A)	53	125	309	400
Other (B)	6	9	(27)	11
PSEG Net Income	\$ 403	\$ 412	\$ 1,256	\$ 1,239
PSEG Net Income Per Share (Diluted)	\$ 0.79	\$ 0.81	\$ 2.47	\$ 2.44

(A) Includes an after-tax loss of \$286 million in the nine months ended September 30, 2019 related to the sale of PSEG Power's ownership interests in the Keystone and Conemaugh fossil generation plants. See Item 1. Note 4. Early Plant Retirements/Asset Dispositions for additional information.

(B) Other includes after-tax activities at the parent company, PSEG LI, and Energy Holdings as well as intercompany eliminations. Energy Holdings recorded after-tax charges related to its investments in leveraged leases of \$32 million and \$14 million in the nine months ended September 30, 2019 and 2018, respectively. See Item 1. Note 8. Financing Receivables for additional information.

PSEG Power's results above include the Nuclear Decommissioning Trust (NDT) Fund activity and the impacts of non-trading commodity mark-to-market (MTM) activity, which consist of the financial impact from positions with future delivery dates.

The variances in our Net Income attributable to changes related to the NDT Fund and MTM are shown in the following table:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
	Millions, after tax			
NDT Fund Income (Expense) (A) (B)	\$ (4)	\$ 27	\$ 97	\$ 16
Non-Trading MTM Gains (Losses) (C)	\$ (88)	\$ (96)	\$ 140	\$ (59)

- (A) NDT Fund Income (Expense) includes gains and losses on NDT securities which are recorded in Net Gains (Losses) on Trust Investments. See Item 1. Note 9. Trust Investments for additional information. NDT Fund Income (Expense) also includes interest and dividend income and other costs related to the NDT Fund recorded in Other Income (Deductions), interest accretion expense on PSEG Power's nuclear Asset Retirement Obligation (ARO) recorded in Operation and Maintenance (O&M) Expense and the depreciation related to the ARO asset recorded in Depreciation and Amortization (D&A) Expense.
- (B) Net of tax (expense) benefit of \$0 million and \$(16) million for the three months and \$(67) million and \$(12) million for the nine months ended September 30, 2019 and 2018, respectively.
- (C) Net of tax (expense) benefit of \$33 million and \$37 million for the three months and \$(55) million and \$23 million for the nine months ended September 30, 2019 and 2018, respectively.

Our \$9 million decrease in Net Income for the three months ended September 30, 2019 was driven largely by

- unrealized losses in 2019 as compared to unrealized gains in 2018 on equity securities on the NDT Fund at PSEG Power,
- lower volumes of electricity sold at lower average prices in the PJM region and under the BGS contracts as well as a decrease in capacity revenue at PSEG Power, and
- an income tax benefit in 2018 resulting from the reserve for uncertain tax positions in connection with a nuclear carryback claim and closure of the 2011 and 2012 federal tax audit at PSEG Power, partially offset by
- higher earnings due to investments in T&D programs and the favorable impact of new rates effective November 1, 2018 as a result of the BPU's approval of our distribution base rate proceeding at PSE&G,
- the favorable impact of retiree medical plan benefit changes implemented in 2019, and
- revenue from Zero Emissions Certificates (ZECs) starting in mid-April 2019 at PSEG Power.

Our \$17 million increase in Net Income for the nine months ended September 30, 2019 was driven primarily by

- MTM gains in 2019 as compared to MTM losses in 2018 at PSEG Power,
- net gains in 2019 on equity securities in the NDT Fund at PSEG Power,
- the favorable impact of retiree medical plan benefit changes implemented in 2019,
- higher earnings due to investments in T&D programs and the favorable impact of new rates effective November 1, 2018 as a result of the BPU's approval of our distribution base rate proceeding at PSE&G, and
- revenue from ZECs starting in mid-April 2019 at PSEG Power, largely offset by
- a loss related to the sale of PSEG Power's ownership interests in the Keystone and Conemaugh generation plants in 2019.

The greater emphasis on capital spending in recent years for projects on which we receive contemporaneous returns at PSE&G has yielded strong results, which when combined with the cash flow generated by PSEG Power, has allowed us to increase our dividend annually. These actions to meet customer needs, market conditions and investor expectations reflect our long-term approach to managing our company. We continue our focus on operational excellence, financial strength and disciplined investment. These guiding principles have provided the base from which we have been able to execute our strategic initiatives.

Disciplined Investment

We utilize rigorous criteria when deploying capital and seek to invest in areas that complement our existing business and provide reasonable risk-adjusted returns. These areas include upgrading our energy infrastructure and improving our environmental footprint to align with public policy objectives. In the first nine months of 2019, we

- made additional investments in T&D infrastructure projects,
- continued to execute our Energy Efficiency and other existing BPU-approved utility programs, and
- completed construction and placed into service our BH5 generation project, the final stage of our investment program in combined cycle gas turbines.

Regulatory, Legislative and Other Developments

In our pursuit of operational excellence, financial strength and disciplined investment, we closely monitor and engage with stakeholders on significant regulatory and legislative developments. Transmission planning rules and wholesale power market

design are of particular importance to our results and we continue to advocate for policies and rules that promote fair and efficient electricity markets. For additional information about regulatory, legislative and other developments that may affect us, see Part I, Item 1. Business—Regulatory Issues in our Form 10-K and Item 5. Other Information in our Quarterly Reports on Form 10-Q for the periods ending March 31, 2019 and June 30, 2019 (first and second quarter 2019 10-Qs) and this Quarterly Report on Form 10-Q.

Transmission Planning

There are several matters pending before FERC that may impact the allocation of costs associated with transmission projects, including those being constructed by PSE&G. Regardless of how these proceedings are resolved, PSE&G's ability to recover the costs of these projects will not be affected. However, the result of these proceedings could ultimately impact the amount of costs borne by customers in New Jersey. In addition, as a BGS supplier, PSEG Power provides services that include specified transmission costs. If the allocation of the costs associated with the transmission projects were to increase these BGS-related transmission costs, BGS suppliers would be entitled to recovery, subject to BPU approval. We do not believe that these matters will have a material effect on PSEG Power's business or results of operations.

Several complaints have been filed and several remain pending at FERC against transmission owners around the country, challenging those transmission owners' base return on equity (ROE). Certain of those complaints have resulted in decisions and others have been settled, resulting in reductions of those transmission owners' base ROEs. The results of these other proceedings could set precedents for other transmission owners with formula rates in place, including PSE&G.

In October 2018, FERC issued an order establishing a new framework for determining whether a company's ROE is unjust and unreasonable. FERC proposes to rely on financial models to establish a composite zone of reasonableness that will be used to determine whether an ROE complaint should be dismissed. If FERC determines that an ROE for a company is not just and reasonable, it intends to reset the ROE based on averaging the results of various financial models. We continue to analyze the potential impact of these methodologies and cannot predict the outcome of ongoing ROE proceedings.

In March 2019, FERC issued two Notices of Inquiry (NOI) that could affect a company's ROE: (i) an NOI seeking comment on improvements to FERC's electric transmission incentives policy to ensure that it appropriately encourages the development of the infrastructure needed to ensure grid reliability and reduce congestion to lower the cost of power for consumers (Incentive NOI), and (ii) an NOI seeking comments whether, and if so how, FERC should change its policies for establishing just and reasonable ROEs. The Incentive NOI is intended to examine whether existing incentives, such as the 50 basis point adder for Regional Transmission Organization membership, should continue to be granted and whether new incentives should be established.

Wholesale Power Market Design

In June 2018, FERC issued an order finding that PJM's current capacity market is not just and reasonable because it enabled state-supported resources to bid below their costs which resulted in suppressed clearing prices. In particular, FERC found that nuclear generating units that receive zero emission certificate payments were of concern. Depending on the outcome of this matter, our generating stations could be impacted.

In late July 2019, FERC issued an order directing PJM to delay its capacity auction until it can approve replacement auction rules and provide greater certainty to the market than conducting the auction under existing rules. FERC also denied PJM's request to clarify that any just and reasonable replacement auction rules ultimately adopted would operate prospectively. FERC held that it would not rule prematurely on the issue of an appropriate remedy prior to rendering a determination on the merits of the replacement auction rules. Since one of the Commissioners is recused from this matter, FERC does not have a quorum to issue an order. We do not anticipate an order in this matter until the earlier of either the end of Commissioner Glick's recusal on November 29, 2019 or when James Danly is confirmed by the Senate and sworn in as a Commissioner. We cannot predict when FERC will issue replacement auction rules and what impact those rules will have on the capacity market or our generating stations.

In October 2018, PJM filed with FERC to revise the shape of the Variable Resource Requirement (VRR) curve that will be implemented in the next capacity auction. The VRR curve is the administratively determined demand curve that serves as one of the key elements for establishing the amount of generation capacity to be procured in the auction. PJM's proposed tariff revisions will result in lower Cost of New Entry values as compared to the currently effective VRR curve. PSEG protested PJM's proposal on the grounds that it would result in understated prices for capacity relative to the cost of constructing a new reference generating unit and will result in prices that are unjust and unreasonable. In April 2019, FERC issued an Order approving PJM's filing without modification and these changes are expected to be in place for the 2022/2023 PJM capacity auction, which has been delayed until FERC approves new auction rules. In mid-May 2019, PSEG filed a request for rehearing which remains pending before FERC.

Environmental Regulation

We are subject to liability under environmental laws for the costs of remediating environmental contamination of property now

or formerly owned by us and of property contaminated by hazardous substances that we generated. In particular, the historic operations of PSEG companies and the operations of numerous 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. We are also currently involved in a number of proceedings relating to sites where other hazardous substances may have been discharged and may be subject to additional proceedings in the future, and the costs of any such remediation efforts could be material.

For further information regarding the matters described above, as well as other matters that may impact our financial condition and results of operations, see Item 1. Note 11. Commitments and Contingent Liabilities.

Nuclear

In April 2019, PSEG Power's Salem 1, Salem 2 and Hope Creek nuclear plants were awarded ZECs by the BPU. Pursuant to a process established by the BPU, ZECs are purchased from selected nuclear plants and recovered through a non-bypassable distribution charge in the amount of \$0.004 per kilowatt-hour (which is equivalent to approximately \$10 per megawatt hour (MWh) in payments to selected nuclear plants (ZEC payment)). These nuclear plants are expected to receive ZEC revenue for approximately three years, through May 2022, and will be obligated to maintain operations, subject to exceptions specified in the ZEC legislation. PSEG Power anticipates it will recognize revenue monthly as the nuclear plants generate electricity and satisfy their performance obligations. The ZEC legislation requires nuclear plants to reapply for any subsequent three year periods. The ZEC payment may be adjusted by the BPU (a) at any time to offset environmental or fuel diversity payments that a selected nuclear plant may receive from another source or (b) at certain times specified in the ZEC legislation if the BPU determines that the purposes of the ZEC legislation can be achieved through a reduced charge that will nonetheless be sufficient to achieve the state's air quality and other environmental objectives by preventing the retirement of nuclear plants. The BPU's decision awarding ZECs has been appealed by Rate Counsel. The financial condition of the plants may nonetheless be materially adversely impacted by potential changes to the capacity market construct being considered by FERC (absent sufficient capacity revenues provided under a program approved by the BPU in accordance with a FERC authorized capacity mechanism), and, in the case of the Salem nuclear plants, decisions by the EPA and state environmental regulators regarding the implementation of Section 316(b) of the Clean Water Act and related state regulations, or other factors. Absent a material financial change, these adverse impacts could still result in PSEG Power taking all necessary steps to retire all of these plants following the end of the initial three year term of the ZECs program. Retirement of these plants would result in a material adverse impact on PSEG's and PSEG Power's financial results.

Fossil

In September 2019, PSEG Power completed the sale of its ownership interests in the Keystone and Conemaugh generation plants and related assets and liabilities. PSEG Power recorded a pre-tax loss on disposition of approximately \$400 million in the second quarter of 2019 as the sale price was less than book value.

California Solar Facilities

As part of its solar production portfolio, PSEG Power owns and operates two California-based solar facilities with an aggregate capacity of approximately 30 MW direct current whose output is sold to Pacific Gas and Electric Company (PG&E) under power purchase agreements (PPAs) with twenty year terms. The net book value of these solar facilities was approximately \$56 million as of September 30, 2019. In January 2019, PG&E and its parent company PG&E Corporation filed for Chapter 11 bankruptcy protection. PSEG Power cannot predict the ultimate outcome that this bankruptcy proceeding will have on our ability to collect all of the revenues from these facilities due under the PPAs; however, any adverse changes to the terms of PSEG Power's PPAs as a result of this bankruptcy proceeding could result in the future impairment of these assets in amounts up to their current net book value.

Offshore Wind

In June 2019, the BPU selected Ørsted US Offshore Wind's Ocean Wind project as the winning bid in New Jersey's initial solicitation for 1,100 MW of offshore wind generation. In connection with the Ocean Wind bid, PSEG agreed to provide energy management services and the potential lease of land for use in project development. In October 2019, PSEG exercised its option on Ørsted's Ocean Wind project, resulting in a period of exclusive negotiation for PSEG to potentially acquire a 25% equity interest in the project, subject to negotiations toward a joint venture agreement, advanced due diligence and any required regulatory approvals.

Leveraged Leases

In December 2018, NRG REMA, LLC emerged from its in-court proceeding under Chapter 11 of the Bankruptcy Code. As a result of the restructuring, the remaining deferred tax liabilities related to the Keystone and Conemaugh lease investments were reclassified to current tax liabilities. PSEG will realize the remaining tax liability related to the restructuring of approximately \$85 million with the filing of the consolidated federal income tax return by the end of 2019.

Additional facilities in our leveraged lease portfolio include the Shawville, Joliet and Powerton generating facilities. Converted natural gas units such as Shawville and Joliet may have higher operating costs and fuel consumption, as well as longer start-up times, compared to newer combined cycle gas units. Powerton is a coal-fired generating facility in Illinois. Each of these three facilities may not be as economically competitive as newer combined cycle gas units and could continue to be adversely impacted by the same economic conditions experienced by other less efficient natural gas and coal generation facilities, which could require Energy Holdings to write down the residual value of the leveraged lease receivables associated with these facilities.

During the second quarter of 2019, Energy Holdings completed its annual review of estimated residual values embedded in the leveraged leases. The outcome indicated that the updated residual value estimate of the coal-fired Powerton lease was lower than the recorded residual value and the decline was deemed to be other than temporary as a result of expected future adverse market conditions. As a result, a pre-tax write-down of \$58 million was reflected in Operating Revenues in the quarter ended June 30, 2019, calculated by comparing the gross investment in the leases before and after the revised residual estimates.

Tax Legislation

The Tax Act, among other things, decreased the statutory U.S. corporate income tax rate from a maximum of 35% to 21%, effective January 1, 2018, and made certain changes to the bonus depreciation and interest disallowance rules.

In November 2018, the IRS issued proposed regulations addressing the interest disallowance rules contained in the Tax Act. For non-regulated businesses, these rules set a cap on the amount of interest that can be deducted in a given year. Any amount that is disallowed can be carried forward indefinitely. For 2019, PSEG and PSEG Power expect that a portion of their interest will be disallowed in the current period but realized in future periods. However, certain aspects of the proposed regulations are unclear. Therefore, we recorded taxes based on our interpretation of the relevant statute. Amounts recorded under the Tax Act, including but not limited to depreciation and interest disallowance, are subject to change based on several factors, including but not limited to, the IRS and state taxing authorities issuing additional guidance and/or further clarification. Any further guidance or clarification could impact PSEG's, PSE&G's and PSEG Power's financial statements. For additional information, see Item 1. Note 16. Income Taxes.

In September 2019 the IRS released final and additional proposed regulations regarding the application of tax depreciation rules as amended by the Tax Act. We do not believe the final or proposed regulations materially impact our application of the rules.

In July 2018, the State of New Jersey made changes to its income tax laws, including imposing a temporary surtax 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. We believe 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. We expect these new provisions to unfavorably affect our non-utility business. In accordance with accounting principles generally accepted in the United States for income taxes, deferred taxes are required to be measured at the enacted tax rate expected to apply to taxable income in the periods in which the deferred taxes are expected to settle. The newly enacted New Jersey tax legislation did not have a material impact on PSEG's deferred income tax balance.

Future Outlook

For more than a century, our mission has been to provide universal access to an around-the-clock supply of reliable, affordable power. Building on this mission, we believe in a future where customers universally use less energy, the energy they use is cleaner, and its delivery is more reliable and more resilient. In July 2019, we announced that we expect to cut carbon emissions at PSEG Power's generation fleet by 80% by 2046, from 2005 levels. We have also announced our vision of attaining net-zero CO₂ emissions by 2050, assuming advances in technology and public policy.

Our future success will depend on our ability to continue to maintain strong operational and financial performance in an environment with low gas prices, to capitalize on or otherwise address regulatory and legislative developments that impact our business and to respond to the issues and challenges described below. In order to do this, we must continue to:

- focus on controlling costs while maintaining safety, reliability and customer satisfaction and complying with applicable standards and requirements,
- successfully manage our energy obligations and re-contract our open supply positions in response to changes in prices and demand,
- obtain approval of and execute our utility capital investment program, including ES II, GSMP II, our CEF program and transmission and other investments that yield contemporaneous and reasonable risk-adjusted returns, while enhancing the resiliency of our infrastructure and maintaining the reliability of the service we provide to our customers,

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- advocate for the continuation of the ZEC program and measures to ensure the implementation by PJM and FERC of market design and transmission planning rules that continue to promote fair and efficient electricity markets, including recognition of the cost of emissions,
- engage multiple stakeholders, including regulators, government officials, customers and investors, and
- successfully operate the LIPA T&D system and manage LIPA's fuel supply and generation dispatch obligations.

In addition to the risks described elsewhere in this Form 10-Q, the first and second quarter 2019 10-Qs and in our Form 10-K, for 2019 and beyond, the key issues and challenges we expect our business to confront include:

- regulatory and political uncertainty, both with regard to future energy policy, design of energy and capacity markets, transmission policy and environmental regulation, as well as with respect to the outcome of any legal, regulatory or other proceedings,
- the continuing impacts of the Tax Act and changes in state tax laws, and
- the impact of reductions in demand and lower natural gas and electricity prices and increasing environmental compliance costs.

We continually assess a broad range of strategic options to maximize long-term stockholder value. In assessing our options, we consider a wide variety of factors, including the performance and prospects of our businesses; the views of investors, regulators, customers and rating agencies; our existing indebtedness and restrictions it imposes; and tax considerations, among other things. Strategic options available to us include:

- the acquisition, construction or disposition of T&D facilities, clean energy investments and/or generation projects, including offshore wind opportunities,
- the disposition or reorganization of our merchant generation business or other existing businesses or the acquisition or development of new businesses,
- the expansion of our geographic footprint, including the operation of T&D facilities outside of our traditional service territory, and
- investments in capital improvements and additions, including the installation of environmental upgrades and retrofits, improvements to system resiliency, modernizing existing infrastructure and participation in transmission projects through FERC's "open window" solicitation process.

There can be no assurance, however, that we will successfully develop and execute any of the strategic options noted above, or any additional options we may consider in the future. The execution of any such strategic plan may not have the expected benefits or may have unexpected adverse consequences.

RESULTS OF OPERATIONS

PSEG

Our results of operations are primarily comprised of the results of operations of our principal operating subsidiaries, PSE&G and PSEG Power, excluding charges related to intercompany transactions, which are eliminated in consolidation. For additional information on intercompany transactions, see Item 1. Note 20. Related-Party Transactions.

	Three Months Ended September 30,		Increase/ (Decrease)		Nine Months Ended September 30,		Increase/ (Decrease)	
	2019	2018	2019 vs. 2018		2019	2018	2019 vs. 2018	
	Millions		Millions	%	Millions		Millions	%
Operating Revenues	\$ 2,302	\$ 2,394	\$ (92)	(4)	\$ 7,598	\$ 7,228	\$ 370	5
Energy Costs	753	804	(51)	(6)	2,581	2,356	225	10
Operation and Maintenance	745	742	3	—	2,251	2,221	30	1
Depreciation and Amortization	307	294	13	4	928	854	74	9
Loss on Asset Dispositions	7	—	7	N/A	402	—	402	N/A
Income from Equity Method Investments	3	5	(2)	(40)	10	12	(2)	(17)
Net Gains (Losses) on Trust Investments	(3)	45	(48)	N/A	164	31	133	N/A
Other Income (Deductions)	35	33	2	6	101	99	2	2
Non-Operating Pension and OPEB Credits (Costs)	55	19	36	N/A	121	57	64	N/A
Interest Expense	147	127	20	16	417	341	76	22
Income Tax (Benefit) Expense	30	117	(87)	(74)	159	416	(257)	(62)

The following discussions for PSE&G and PSEG Power provide a detailed explanation of their respective variances.

PSE&G

	Three Months Ended September 30,		Increase/ (Decrease)		Nine Months Ended September 30,		Increase/ (Decrease)	
	2019	2018	2019 vs. 2018		2019	2018	2019 vs. 2018	
	Millions		Millions	%	Millions		Millions	%
Operating Revenues	\$ 1,604	\$ 1,595	\$ 9	1	\$ 5,018	\$ 4,826	\$ 192	4
Energy Costs	618	593	25	4	2,094	1,863	231	12
Operation and Maintenance	388	389	(1)	—	1,165	1,133	32	3
Depreciation and Amortization	206	192	14	7	620	569	51	9
Net Gains (Losses) on Trust Investments	—	—	—	—	1	—	1	N/A
Other Income (Deductions)	22	21	1	5	60	61	(1)	(2)
Non-Operating Pension and OPEB Credits (Costs)	46	14	32	N/A	105	44	61	N/A
Interest Expense	92	83	9	11	268	246	22	9
Income Tax Expense (Benefit)	24	95	(71)	(75)	63	292	(229)	(78)

Three Months Ended September 30, 2019 as Compared to 2018

Operating Revenues increased \$9 million due to changes in delivery, commodity, clause and other operating revenues.

Delivery Revenues increased \$8 million due to

- Transmission revenues were \$32 million higher due to increased 2019 revenue requirements primarily attributable to higher rate base investment.
- Electric distribution revenues increased \$26 million due to a \$26 million increase resulting from the favorable impact of the distribution base rate tariff and a \$6 million increase in Green Program Recovery Charge (GPRC) revenues, partially offset by a \$6 million decrease due to lower sales volumes.
- Gas distribution revenues increased \$22 million due primarily to a \$19 million increase from the favorable impact of the distribution base rate tariff effective November 2018 and a \$2 million increase in revenues from GSMP I.
- Gas, Electric and Transmission revenue requirements were reduced by \$72 million due to the flowback of excess deferred tax liabilities and tax repair-related accumulated deferred income tax benefits as a result of settlements with the BPU and FERC. This reduction is offset in Income Tax Expense.

Commodity Revenues decreased \$23 million as a result of lower Electric revenues, partly offset by higher Gas revenues. The changes in Commodity revenues for both electric and gas are entirely offset by changes in Energy Costs. PSE&G earns no margin on the provision of BGS and basic gas supply service (BGSS) to retail customers.

- Electric commodity revenues decreased \$26 million due primarily to a \$205 million decrease in BGS prices, partially offset by \$178 million in higher sales volumes.
- Gas commodity revenues increased \$3 million due primarily to higher BGSS prices.

Clause Revenues decreased \$31 million due primarily to \$22 million of lower Tax Adjustment Credit (TAC) deferrals, a \$5 million reduction in GPRC deferrals and lower Societal Benefit Charge (SBC) revenues of \$3 million. The changes in TAC and GPRC deferrals and SBC revenues are entirely offset by changes in the amortization of Regulatory Assets and Regulatory Liabilities and related costs in O&M, D&A and Interest Expenses. PSE&G does not earn margin on TAC or GPRC deferrals or on SBC revenues.

Other Operating Revenues increased \$55 million due primarily to ZEC revenues billed after the ZEC program was approved by the BPU in April 2019. See Item 1. Note 11. Commitments and Contingent Liabilities. These revenues are entirely offset by changes to Energy Costs.

Operating Expenses

Energy Costs increased \$25 million. This is entirely offset by changes in Commodity Revenues and Other Operating Revenues.

Operation and Maintenance decreased \$1 million due primarily to a \$5 million reduction in distribution preventative and corrective maintenance expenditures, a \$3 million reduction in transmission expenditures, a \$3 million decrease in injuries and damages and a \$5 million net reduction in other operating expenses. These decreases were partially offset by a net \$11 million increase in clause and renewable-related expenditures and a \$5 million increase in storm costs.

Depreciation and Amortization increased \$14 million due primarily to additional plant and software placed into service.

Non-Operating Pension and OPEB Credits (Costs) increased \$32 million due primarily to a \$26 million increase in the amortization of the prior service credit mainly related to the December 2018 OPEB plan amendment, a \$4 million decrease in interest cost and a \$3 million decrease in the amortization of the net unrecognized loss, partially offset by a reduction of \$2 million in the long-term expected return on plan assets.

Interest Expense increased \$9 million due primarily to increases of \$7 million from net debt issuances in the second and third quarters of 2019 and \$2 million from net debt issuances in 2018.

Income Tax Expense decreased \$71 million due primarily to the flowback to ratepayers of excess deferred income tax liabilities and tax repair-related accumulated deferred income taxes.

Nine Months Ended September 30, 2019 as Compared to 2018

Operating Revenues increased \$192 million due to changes in delivery, commodity, clause and other operating revenues.

Delivery Revenues decreased \$30 million due primarily to

- Gas, Electric and Transmission revenue requirements were reduced by \$277 million due to the flowback of excess deferred tax liabilities and tax repair-related accumulated deferred income tax benefits as a result of settlements with the BPU and FERC. This reduction is offset in Income Tax Expense.

- Gas distribution revenues increased \$92 million due primarily to an \$89 million increase from the favorable impact of the distribution base rate tariff effective November 2018.
- Transmission revenues were \$90 million higher due to increased 2019 revenue requirements primarily attributable to higher rate base investment.
- Electric distribution revenues increased \$65 million due to a \$67 million increase resulting from the favorable impact of the distribution base rate tariff and a \$14 million increase in GPRC revenues. These increases were partially offset by a \$16 million decrease due to lower sales volumes.

Commodity Revenues increased \$153 million as a result of higher Gas and Electric revenues. The changes in Commodity revenues for both gas and electric are entirely offset by the changes in Energy Costs. PSE&G earns no margin on the provision of BGSS and BGS to retail customers.

- Gas commodity revenues increased \$129 million due to higher BGSS prices of \$106 million and higher BGSS sales volumes of \$23 million.
- Electric commodity revenues increased \$24 million due primarily to \$47 million in higher BGS sales volumes, partially offset by \$24 million in lower BGS prices.

Clause Revenues decreased \$11 million due primarily to a \$15 million reduction for TAC deferrals and a \$6 million decrease for GPRC deferrals. These decreases were partially offset by a \$7 million increase in Margin Adjustment Clause (MAC) revenues, a \$2 million increase in Solar Pilot Recovery Charges (SPRC) and higher SBC revenues of \$1 million. The changes in the MAC, SPRC and SBC revenues and TAC and GPRC deferral amounts are entirely offset by changes in the amortization of Regulatory Assets and Regulatory Liabilities and related costs in O&M, D&A and Interest Expenses. PSE&G does not earn margin on MAC, SPRC or SBC revenues or on TAC or GPRC deferrals.

Other Operating Revenues increased by \$80 million due primarily to ZEC revenues billed since mid-April 2019. See Item 1. Note 11. Commitments and Contingent Liabilities. These revenues are entirely offset by changes to Energy Costs.

Operating Expenses

Energy Costs increased \$231 million. This is entirely offset by changes in Commodity Revenues and Other Operating Revenues.

Operation and Maintenance increased \$32 million due primarily to a net \$45 million increase in clause and renewable-related expenditures and a \$4 million increase in injuries and damages. These increases were partially offset by an \$8 million decrease in distribution preventative and corrective maintenance expenditures, a \$6 million reduction in seasonal storm costs and a \$1 million decrease in transmission-related expenditures.

Depreciation and Amortization increased \$51 million due to a \$44 million increase related to additional plant and software placed into service and a \$7 million increase due to updated depreciation rates put into effect in November 2018.

Non-Operating Pension and OPEB Credits (Costs) increased \$61 million due primarily to a \$77 million increase in the amortization of prior service credit mainly related to the December 2018 OPEB plan amendment and a \$3 million decrease in interest cost, partially offset by a \$16 million reduction in the long-term expected return on plan assets and a \$4 million increase in the amortization of the net unrecognized loss.

Interest Expense increased \$22 million due primarily to a \$12 million increase from net debt issuances in May and September 2018 and a \$10 million increase from net debt issuances in 2019.

Income Tax Expense decreased \$229 million due primarily to the flowback to ratepayers of excess deferred income tax liabilities and tax repair-related accumulated deferred income taxes.

PSEG Power

	Three Months Ended September 30,				Increase/ (Decrease)		Nine Months Ended September 30,				Increase/ (Decrease)			
	2019		2018		2019 vs. 2018		2019		2018		2019 vs. 2018			
	Millions		Millions		%		Millions		Millions		%			
Operating Revenues	\$	771	\$	868	\$	(97)	(11)	\$	3,270	\$	3,038	\$	232	8
Energy Costs		359		431		(72)	(17)		1,556		1,550		6	—
Operation and Maintenance		233		231		2	1		736		745		(9)	(1)
Depreciation and Amortization		93		94		(1)	(1)		282		260		22	8
Loss on Asset Dispositions		7		—		7	N/A		402		—		402	N/A
Income from Equity Method Investments		3		5		(2)	(40)		10		12		(2)	(17)
Net Gains (Losses) on Trust Investments		(4)		44		(48)	N/A		160		30		130	N/A
Other Income (Deductions)		15		14		1	7		43		38		5	13
Non-Operating Pension and OPEB Credits (Costs)		8		4		4	100		14		11		3	27
Interest Expense		34		29		5	17		85		47		38	81
Income Tax Expense (Benefit)		14		25		(11)	(44)		127		127		—	—

Three Months Ended September 30, 2019 as Compared to 2018

Operating Revenues decreased \$97 million due primarily to changes in generation and gas supply revenues.

Generation Revenues decreased \$59 million due primarily to

- a net decrease of \$50 million due primarily to lower volumes of electricity sold in the PJM and New York (NY) regions, coupled with lower average realized prices in the PJM, NY, and New England (NE) regions, partially offset by higher volumes of electricity sold in the NE region,
- a decrease of \$25 million in electricity sold under our BGS contracts primarily due to lower volumes coupled with lower prices,
- a net decrease of \$20 million due to higher MTM losses in 2019 as compared to 2018. Of this amount, there was a \$57 million decrease due to more losses on positions reclassified to realized upon settlement, partially offset by a \$37 million increase from changes in forward prices in 2019 as compared to 2018, and
- a net decrease of \$19 million in capacity revenues due primarily to decreases in auction prices for cleared capacity in the PJM region, partially offset by increased capacity payments in the NE region due to BH5 beginning commercial operations in June 2019,
- partially offset by an increase of \$51 million due to ZEC revenues earned since mid-April 2019.

Gas Supply Revenues decreased \$39 million due primarily to

- a net decrease of \$45 million related to sales to third parties, of which \$48 million was due to lower volumes sold, modestly offset by a \$3 million increase due to higher average sales prices,
- partially offset by a net increase of \$5 million in sales under the BGSS contract, of which \$3 million was due to higher sales volumes and \$2 million to higher average sales prices during 2019.

Operating Expenses

Energy Costs represent the cost of generation, which includes fuel costs for generation as well as purchased energy in the market, and gas purchases to meet PSEG Power's obligation under its BGSS contract with PSE&G. Energy Costs decreased \$72 million due to

Generation costs decreased \$39 million due primarily to

- a net decrease of \$30 million due to MTM gains in 2019, as compared to MTM losses in 2018, due primarily to positions reclassified as realized upon settlement, and
- a net decrease of \$10 million primarily due to decreases in energy purchases in the NE region due to BH5 beginning commercial operations in June 2019.

Gas costs decreased \$33 million due primarily to

- a decrease of \$42 million related to sales to third parties due primarily to lower volumes sold,
- partially offset by a net increase of \$10 million related to sales under the BGSS contract, of which \$5 million was due to higher volumes and \$5 million to higher average gas costs.

Depreciation and Amortization decreased \$1 million due primarily to the sale of PSEG Power's ownership interests in the Keystone and Conemaugh generation plants, largely offset by the BH5 station being placed into service in June 2019.

Net Gains (Losses) on Trust Investments decreased \$48 million due primarily to a \$55 million decrease resulting from net unrealized losses in 2019 as compared to net unrealized gains in 2018 on equity investments in the NDT Fund, partially offset by a \$6 million increase in net realized gains on NDT Fund investments.

Non-Operating Pension and OPEB Credits (Costs) increased \$4 million due to a \$5 million increase in the amortization of prior service credit mainly related to the December 2018 OPEB plan amendment, a \$2 million decrease in the amortization of the net unrecognized loss and a \$1 million decrease in interest cost, largely offset by a \$4 million reduction in the long-term expected return on plan assets.

Interest Expense increased \$5 million due primarily to lower capitalized interest as a result of BH5 being placed into service in June 2019.

Income Tax Expense (Benefit) decreased \$11 million due primarily to lower pre-tax income in 2019, partially offset by benefits associated with the remeasurement of uncertain tax positions recorded in 2018.

Nine Months Ended September 30, 2019 as Compared to 2018

Operating Revenues increased \$232 million due primarily to changes in generation and gas supply revenues.

Generation Revenues increased \$277 million due primarily to

- a net increase of \$272 million due to MTM gains in 2019 as compared to MTM losses in 2018. Of this amount, there was a \$268 million increase from changes in forward prices in 2019 as compared to 2018, coupled with a \$4 million increase due to more gains on positions reclassified to realized upon settlement,
- an increase of \$85 million due to ZEC revenues earned since mid-April 2019,
- a net increase of \$12 million in capacity revenues due primarily to the commencement of commercial operations of Keys and Sewaren 7 in mid-2018 and BH5 in June 2019, partially offset by a decrease in auction prices in the PJM region, and
- a net increase of \$5 million due primarily to higher volumes of electricity sold in the PJM and NE regions, somewhat offset by lower volumes sold in the NY region and lower average realized prices in the PJM, NE and NY regions,
- partially offset by a decrease of \$93 million in electricity sold under our BGS contracts due to lower volumes and lower prices.

Gas Supply Revenues decreased \$47 million due primarily to

- a decrease of \$93 million related to sales to third parties, primarily due to lower volumes sold,
- partially offset by an increase of \$41 million in sales under the BGSS contract, primarily due to higher average sales prices.

Operating Expenses

Energy Costs represent the cost of generation, which includes fuel costs for generation as well as purchased energy in the market, and gas purchases to meet PSEG Power's obligation under its BGSS contract with PSE&G. Energy Costs increased \$6 million due to

Generation costs increased \$33 million due primarily to higher fuel costs reflecting utilization of higher volumes of gas at the new Keys and Sewaren 7 fossil stations and BH5, coupled with higher prices of gas in the PJM region, partially offset by

utilization of lower volumes and prices of gas in the NY region, lower prices of gas in the NE region, utilization of lower volumes of oil in the PJM region, and lower coal costs in the PJM and NE regions.

Gas costs decreased \$27 million due mainly to

- a net decrease of \$76 million related to sales to third parties due primarily to lower volumes sold,
- partially offset by a net increase of \$51 million related to sales under the BGSS contract primarily resulting from an increase in the average cost of gas.

Operation and Maintenance decreased \$9 million due primarily to a net decrease related to our nuclear plants due to planned outage costs incurred in 2019 for our 57%-owned Salem Unit 1 as compared to planned outage costs at our 100%-owned Hope Creek nuclear plant in 2018.

Depreciation and Amortization increased \$22 million due primarily to the new Keys and Sewaren 7 fossil stations and BH5 station, partially offset by the sale of PSEG Power's ownership interests in the Keystone and Conemaugh generation plants.

Loss on Asset Dispositions is a \$402 million loss in 2019 related to the sale of PSEG Power's ownership interests in the Keystone and Conemaugh generation plants.

Net Gains (Losses) on Trust Investments increased \$130 million due primarily to a \$127 million increase resulting from net unrealized gains in 2019 as compared to net unrealized losses in 2018 on equity investments in the NDT Fund.

Other Income (Deductions) increased \$5 million primarily due to higher interest and dividend income on NDT Fund investments.

Non-Operating Pension and OPEB Credits (Costs) increased \$3 million due to a \$14 million increase in the amortization of prior service credit mainly related to the December 2018 OPEB plan amendment, a \$4 million decrease in interest cost and a \$1 million decrease in the amortization of the net unrecognized loss, largely offset by a \$16 million decrease in the long-term expected return on plan assets.

Interest Expense increased \$38 million due primarily to lower capitalized interest as a result of Keys and Sewaren 7 fossil stations being placed into service in mid-2018.

LIQUIDITY AND CAPITAL RESOURCES

The following discussion of our liquidity and capital resources is on a consolidated basis, noting the uses and contributions, where material, of our two direct major operating subsidiaries.

Operating Cash Flows

We expect our operating cash flows combined with cash on hand and financing activities to be sufficient to fund capital expenditures and shareholder dividend payments.

For the nine months ended September 30, 2019, our operating cash flow increased \$217 million as compared to the same period in 2018. The net changes were primarily due to the net changes from our subsidiaries as discussed below, partially offset by tax payments at PSEG and its other subsidiaries in 2019 compared to tax refunds in 2018.

PSE&G

PSE&G's operating cash flow increased \$84 million from \$1,397 million to \$1,481 million for the nine months ended September 30, 2019, as compared to the same period in 2018, due primarily to tax refunds in 2019 as compared to tax payments in 2018, and an increase of \$89 million from a change in regulatory deferrals, partially offset by a decrease of \$79 million relating to a lower reduction in accounts receivable and unbilled revenues in 2019, and \$70 million in increased vendor payments.

PSEG Power

PSEG Power's operating cash flow increased \$357 million from \$1,005 million to \$1,362 million for the nine months ended September 30, 2019, as compared to the same period in 2018, due to a \$378 million higher reduction in margin deposit requirements, and tax refunds in 2019 compared to tax payments in 2018, partially offset by an increase of \$40 million in payments to counterparties.

Short-Term Liquidity

PSEG meets its short-term liquidity requirements, as well as those of PSEG 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.

We continually monitor our liquidity and seek to add capacity as needed to meet our liquidity requirements. Each of our credit facilities is restricted as to availability and use to the specific companies as listed below; however, if necessary, the PSEG facilities can also be used to support our subsidiaries' liquidity needs.

Our total credit facilities and available liquidity as of September 30, 2019 were as follows:

Company/Facility	As of September 30, 2019		
	Total Facility	Usage	Available Liquidity
	Millions		
PSEG	\$ 1,500	\$ 349	\$ 1,151
PSE&G	600	26	574
PSEG Power	2,100	176	1,924
Total	\$ 4,200	\$ 551	\$ 3,649

As of September 30, 2019, our credit facility capacity was in excess of our projected maximum liquidity requirements over our 12 month planning horizon. Our maximum liquidity requirements are based on stress scenarios that incorporate changes in commodity prices and the potential impact of PSEG Power losing its investment grade credit rating from S&P or Moody's, which would represent a three level downgrade from its current S&P or Moody's ratings. In the event of a deterioration of PSEG Power's credit rating certain of PSEG Power's agreements allow the counterparty to demand further performance assurance. The potential additional collateral that we would be required to post under these agreements if PSEG Power were to lose its investment grade credit rating was approximately \$872 million and \$857 million as of September 30, 2019 and December 31, 2018, respectively.

For additional information, see Item 1. Note 12. Debt and Credit Facilities.

Long-Term Debt Financing

During the next twelve months, PSEG has \$400 million of 1.60% Senior Notes maturing in November 2019. PSE&G has \$250 million of 3.50% Medium Term Notes maturing in August 2020 and PSEG Power has \$406 million of 5.13% Senior Notes maturing in April 2020.

For additional information see Item 1. Note 12. Debt and Credit Facilities.

Common Stock Dividends

On July 16, 2019, our Board of Directors declared a \$0.47 dividend per share of common stock for the third quarter of 2019. This reflects an indicative annual dividend rate of \$1.88 per share. We expect to continue to pay cash dividends on our common stock; however, the declaration and payment of future dividends to holders of our common stock will be at the discretion of the Board of Directors and will depend upon many factors, including our financial condition, earnings, capital requirements of our businesses, alternate investment opportunities, legal requirements, regulatory constraints, industry practice and other factors that the Board of Directors deems relevant. For additional information related to cash dividends on our common stock, see Item 1. Note 18. Earnings Per Share (EPS) and Dividends.

Credit Ratings

If the rating agencies lower or withdraw our credit ratings, such revisions may adversely affect the market price of our securities and serve to materially increase our cost of capital and limit access to capital. Credit Ratings shown are for securities that we typically issue. Outlooks are shown for Issuer Credit Ratings (Moody's) and Corporate Credit Ratings (S&P) and can be Stable, Negative, or Positive. There is no assurance that the ratings will continue for any given period of time or that they will not be revised by the rating agencies, if in their respective judgments, circumstances warrant. Each rating given by an agency should be evaluated independently of the other agencies' ratings. The ratings should not be construed as an indication to buy, hold or sell any security.

	<u>Moody's (A)</u>	<u>S&P (B)</u>
PSEG		
Outlook	Stable	Stable
Senior Notes	Baa1	BBB
Commercial Paper	P2	A2
PSE&G		
Outlook	Stable	Stable
Mortgage Bonds	Aa3	A
Commercial Paper	P1	A2
PSEG Power		
Outlook	Stable	Stable
Senior Notes	Baa1	BBB+

- (A) Moody's ratings range from Aaa (highest) to C (lowest) for long-term securities and P1 (highest) to NP (lowest) for short-term securities.
 (B) S&P ratings range from AAA (highest) to D (lowest) for long-term securities and A1 (highest) to D (lowest) for short-term securities.

CAPITAL REQUIREMENTS

We expect that all of our capital requirements over the next three years will come from a combination of internally generated funds and external debt financing. There were no material changes to our projected capital expenditures as compared to amounts disclosed in our Form 10-K. See Executive Overview of 2019 and Future Outlook for additional information.

PSE&G

During the nine months ended September 30, 2019, PSE&G made capital expenditures of \$1,866 million, primarily for T&D system reliability. This does not include expenditures for cost of removal, net of salvage, of \$87 million, which are included in operating cash flows.

PSEG Power

During the nine months ended September 30, 2019, PSEG Power made capital expenditures of \$406 million, excluding \$101 million for nuclear fuel, primarily related to our BH5 and other generation projects.

ACCOUNTING MATTERS

For information related to recent accounting matters, see Item 1. Note 2. Recent Accounting Standards.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The risk inherent in our market-risk sensitive instruments and positions is the potential loss arising from adverse changes in commodity prices, equity security prices and interest rates as discussed in the Notes. It is our policy to use derivatives to manage risk consistent with business plans and prudent practices. We have a Risk Management Committee comprised of executive officers who utilize a risk oversight function to ensure compliance with our corporate policies and risk management practices.

Additionally, we are exposed to counterparty credit losses in the event of non-performance or non-payment. We have a credit management process, which is used to assess, monitor and mitigate counterparty exposure. In the event of non-performance or non-payment by a major counterparty, there may be a material adverse impact on our financial condition, results of operations or net cash flows.

Commodity Contracts

The availability and price of energy-related commodities are subject to fluctuations from factors such as weather, environmental policies, changes in supply and demand, state and federal regulatory policies, market rules and other events. To reduce price

risk caused by market fluctuations, we enter into supply contracts and derivative contracts, including forwards, futures, swaps and options with approved counterparties. These contracts, in conjunction with physical sales and other services, help reduce risk and optimize the value of owned electric generation capacity.

Value-at-Risk (VaR) Models

VaR represents the potential losses, under normal market conditions, for instruments or portfolios due to changes in market factors, for a specified time period and confidence level. We estimate VaR across our commodity businesses.

MTM VaR consists of MTM derivatives that are economic hedges. The MTM VaR calculation does not include market risks associated with activities that are subject to accrual accounting, primarily our generating facilities and some load serving activities.

The VaR models used are variance/covariance models adjusted for the change of positions with 95% and 99.5% confidence levels and a one-day holding period for the MTM activities. The models assume no new positions throughout the holding periods; however, we actively manage our portfolio.

From July through September 2019, MTM VaR was relatively stable between a low of \$10 million and a high of \$26 million at the 95% confidence level. The range of VaR was narrower for the three months ended September 30, 2019 as compared with the year ended December 31, 2018.

	MTM VaR	
	Three Months Ended September 30, 2019	Year Ended December 31, 2018
	Millions	
<i>95% Confidence Level, Loss could exceed VaR one day in 20 days</i>		
Period End	\$ 10	\$ 21
Average for the Period	\$ 16	\$ 14
High	\$ 26	\$ 46
Low	\$ 10	\$ 6
<i>99.5% Confidence Level, Loss could exceed VaR one day in 200 days</i>		
Period End	\$ 16	\$ 32
Average for the Period	\$ 25	\$ 22
High	\$ 41	\$ 72
Low	\$ 15	\$ 9

See Item 1. Note 13. Financial Risk Management Activities for a discussion of credit risk.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

PSEG, PSE&G and PSEG Power

We have established and maintain disclosure controls and procedures as defined under Rule 13a-15(e) and 15d-15(e) promulgated under the Securities Exchange Act of 1934, as amended (the “Exchange Act”) that are designed to provide reasonable assurance that information required to be disclosed in the reports that are filed or submitted under the Exchange Act is recorded, processed, summarized and reported and is accumulated and communicated to the Chief Executive Officer (CEO) and Chief Financial Officer (CFO) of each respective company, as appropriate, by others within the entities to allow timely decisions regarding required disclosure. We have established a disclosure committee which includes several key management employees and which reports directly to the CFO and CEO of each of PSEG, PSE&G and PSEG Power. The committee monitors and evaluates the effectiveness of these disclosure controls and procedures. The CFO and CEO of each of PSEG, PSE&G and PSEG Power have evaluated the effectiveness of the disclosure controls and procedures and, based on this evaluation, have concluded that disclosure controls and procedures at each respective company were effective at a reasonable assurance level as of the end of the period covered by the report.

Internal Controls

PSEG, PSE&G and PSEG Power

There have been no changes in internal control over financial reporting that occurred during the third quarter of 2019 that have materially affected, or are reasonably likely to materially affect, each registrant’s internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We are party to various lawsuits and environmental and regulatory matters, including in the ordinary course of business. For information regarding material legal proceedings, including updates to information reported in Item 3 of Part I of the Form 10-K, see Part I, Item 1. Note 11. Commitments and Contingent Liabilities and Item 5. Other Information in the first and second quarter 2019 10-Qs and in this Quarterly Form 10-Q.

ITEM 1A. RISK FACTORS

The discussion of our business and operations in this Quarterly Report on Form 10-Q should be read together with the risk factors contained in Part I, Item 1A of our Form 10-K, which describes various risks and uncertainties that could have a material adverse impact on our business, prospects, financial position, results of operations or cash flows and could cause results to differ materially from those expressed elsewhere in this report. There have been no material changes to the risk factors set forth in the above-referenced filing as of September 30, 2019.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

In December 2018, we entered into a share repurchase plan that complies with Rule 10b5-1 of the Exchange Act, as amended, solely with respect to the repurchase of shares to satisfy obligations under equity compensation awards that are expected to vest or be exercised in 2019. There were no common share repurchases in the open market during the third quarter of 2019.

ITEM 5. OTHER INFORMATION

Certain information reported in the Form 10-K is updated below. Additionally, certain information is provided for new matters that have arisen subsequent to the filing of the Form 10-K and first and second quarter 2019 10-Qs. References are to the related pages on the Form 10-K and the first and second quarter 2019 10-Qs.

Federal Regulation

Energy Clearing Prices

December 31, 2018 Form 10-K page 16 and March 31, 2019 Form 10-Q page 83. In April 2019, FERC issued an order directing PJM and New York Independent System Operator, Inc. (NYISO) to change their rules governing pricing for fast-start resources. In its Order FERC found that current fast-start pricing practices are unjust and unreasonable because they do not allow prices to reflect the marginal cost of serving load. FERC required PJM and NYISO to make various changes to their respective tariffs to allow the start-up costs of fast-start resources to be reflected in prices, among other things. In August 2019, PJM stated that new tariff provisions would apply fast-start pricing to all eligible fast-start resources; however, the new rules would not be implemented until FERC issues an order approving them. We will continue to participate in this process before FERC.

Environmental Matters

Climate Change—CO₂ Regulation under the Clean Air Act

December 31, 2018 Form 10-K page 21 and June 30, 2019 Form 10-Q page 89. In June 2019, the EPA issued its final Affordable Clean Energy (ACE) rule as a replacement for the repealed Clean Power Plan, a greenhouse gas emission regulation for existing power plants. The ACE rule narrowly defines the “best system of emissions reductions” (BSER) as heat improvements to be applied only to an individual unit, excluding other potential mechanisms to address climate change. In September 2019, a coalition of power companies, including PSEG, filed a Petition for Review of the ACE Rule with the United States Court of Appeals for the District of Columbia Circuit challenging the EPA’s narrow interpretation of BSER. We cannot estimate the impact of this action on our business or results of operations.

ITEM 6. EXHIBITS

A listing of exhibits being filed with this document is as follows:

a. PSEG:

Exhibit 10.1:	Supplemental Executive Retirement Income Plan, amended effective July 1, 2019
Exhibit 10.2:	Retirement Income Reinstatement Plan for Non-Represented Employees, amended effective July 1, 2019
Exhibit 10.3:	Key Executive Severance Plan of Public Service Enterprise Group Incorporated, amended effective July 1, 2019
Exhibit 31:	Certification by Ralph Izzo Pursuant to Rules 13a-14 and 15d-14 of the 1934 Act
Exhibit 31.1:	Certification by Daniel J. Cregg Pursuant to Rules 13a-14 and 15d-14 of the 1934 Act
Exhibit 32:	Certification by Ralph Izzo Pursuant to Section 1350 of Chapter 63 of Title 18 of the U.S. Code
Exhibit 32.1:	Certification by Daniel J. Cregg Pursuant to Section 1350 of Chapter 63 of Title 18 of the U.S. Code
Exhibit 101.INS:	Inline XBRL Instance Document - The Instance Document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
Exhibit 101.SCH:	Inline XBRL Taxonomy Extension Schema
Exhibit 101.CAL:	Inline XBRL Taxonomy Extension Calculation Linkbase
Exhibit 101.LAB:	Inline XBRL Taxonomy Extension Labels Linkbase
Exhibit 101.PRE:	Inline XBRL Taxonomy Extension Presentation Linkbase
Exhibit 101.DEF:	Inline XBRL Taxonomy Extension Definition Document
Exhibit 104:	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

b. PSE&G:

Exhibit 10.1:	Supplemental Executive Retirement Income Plan, amended effective July 1, 2019
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c. PSEG Power:

Exhibit 10.1:	Supplemental Executive Retirement Income Plan, amended effective July 1, 2019
Exhibit 10.2:	Retirement Income Reinstatement Plan for Non-Represented Employees, amended effective July 1, 2019
Exhibit 10.3:	Key Executive Severance Plan of Public Service Enterprise Group Incorporated, amended effective July 1, 2019
Exhibit 31.4:	Certification by Ralph Izzo Pursuant to Rules 13a-14 and 15d-14 of the 1934 Act
Exhibit 31.5:	Certification by Daniel J. Cregg Pursuant to Rules 13a-14 and 15d-14 of the 1934 Act
Exhibit 32.4:	Certification by Ralph Izzo Pursuant to Section 1350 of Chapter 63 of Title 18 of the U.S. Code
Exhibit 32.5:	Certification by Daniel J. Cregg Pursuant to Section 1350 of Chapter 63 of Title 18 of the U.S. Code

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SIGNATURE

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized. The signature of the undersigned company shall be deemed to relate only to matters having reference to such company and any subsidiaries thereof.

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED

(Registrant)

By: /s/ ROSE M. CHERNICK

Rose M. Chernick
Vice President and Controller
(Principal Accounting Officer)

Date: October 31, 2019

SIGNATURE

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized. The signature of the undersigned company shall be deemed to relate only to matters having reference to such company and any subsidiaries thereof.

PUBLIC SERVICE ELECTRIC AND GAS COMPANY

(Registrant)

By: /s/ ROSE M. CHERNICK

Rose M. Chernick
Vice President and Controller
(Principal Accounting Officer)

Date: October 31, 2019

SIGNATURE

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized. The signature of the undersigned company shall be deemed to relate only to matters having reference to such company and any subsidiaries thereof.

PSEG POWER LLC

(Registrant)

By: /s/ ROSE M. CHERNICK

Rose M. Chernick
Vice President and Controller
(Principal Accounting Officer)

Date: October 31, 2019

**SUPPLEMENTAL EXECUTIVE RETIREMENT INCOME PLAN
FOR NON-REPRESENTED EMPLOYEES OF
PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
AND ITS AFFILIATES**

Amended September 23, 2019 and effective as of July 1, 2019

**SUPPLEMENTAL EXECUTIVE RETIREMENT INCOME PLAN
FOR NON-REPRESENTED EMPLOYEES OF
PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
AND ITS AFFILIATES**

Public Service Enterprise Group Incorporated (“PSEG”) had established two supplemental executive retirement plans for certain of its and its affiliates’ non-represented employees: the Limited Supplemental Benefits Plan for Certain Employees of Public Service Enterprise Group Incorporated and its Subsidiaries (the “Limited Plan”) and the Mid-Career Hire Supplemental Retirement Income Plan for Selected Employees of Public Service Enterprise Group Incorporated and its Affiliates (the “Mid-Career Plan”). These plans were established for the purpose of assisting in attracting and retaining a stable pool of key managerial and professional talent and developing long-term key employee commitment by providing specified supplemental retirement income benefits for certain employees who participate in a Qualified Plan.

The Limited Plan and the Mid-Career Plan were each intended to constitute an unfunded plan of deferred compensation for a select group of management or highly compensated employees for purposes of Title 1 of ERISA. Effective as of December 1, 2009, the Limited Plan and the Mid-Career Plan (together, the “Prior Plans”) were merged into a single plan, this Supplemental Executive Retirement Income Plan for Non-Represented Employees of Public Service Enterprise Group Incorporated and Its Affiliates (“SERP”). The merger of these plans was not intended to change the eligibility of or benefits payable to the participants in the Prior Plans.

The SERP was amended effective January 1, 2011 to reflect that participation as to the Mid-Career Hire benefit was frozen.

Effective as of January 1, 2012, the benefit formula under the Final Average Pay Component changed from a 5-year final average pay formula to a 7-year final average pay formula. The change in the benefit formula under the Final Average Pay Component affected the benefits provided under the SERP. Accordingly, the SERP was amended effective January 1, 2012 to reflect these changes. Notwithstanding anything in the SERP to the contrary, the foregoing change shall not apply to Robert Braun, Thomas Joyce and John Perry.

The SERP was amended effective January 1, 2017 to make certain administrative clarifications.

The Plan is being amended effective July 1, 2019 to provide that definition of “Pension Plan” includes Pension Plan of Public Service Enterprise Group Incorporated II.

Section 1. Definitions

When used herein, the words and phrases hereinafter defined shall have the following meanings unless a different meaning is clearly required by the context of the SERP:

1.1 “Affiliate” shall mean (a) any organization while it is a member of a controlled group of corporations (as defined in Section 414(b) of the Code) which includes PSEG ; or (b) any trades or businesses (whether or not incorporated) while they are under common control (as defined in Section 414(c) of the Code, as modified by Section 415(h) of the Code) with PSEG.

1.2 “Beneficiary” shall mean any person or persons designated by a Participant who may become eligible to receive the benefits provided under the SERP in the event of such Participant’s death.

1.3 “Benefit Commencement Date” shall mean the date that is the Participant’s last day worked plus one day.

1.4 “Board” or “Board of Directors” shall mean the Board of Directors of Public Service Enterprise Group Incorporated.

1.5 “Cash Balance Component” shall mean the Cash Balance Component of the Pension Plan.

1.6 “CEO” shall mean the Chief Executive Officer of PSEG. If PSEG has no designated Chief Executive Officer, “CEO” shall mean the President of PSEG.

1.7 “Change in Control” shall mean the occurrence of any of the following events:

- (a) Any “person” (within the meaning of Section 13(d) of the Securities Exchange Act of 1934, as amended from time to time (the “Act”)) is or becomes the beneficial owner within the meaning of Rule 13d-3 under the Act (a “Beneficial Owner”), directly or indirectly, of PSEG’s securities of (not including in the securities beneficially owned by such person any securities acquired directly from PSEG or its Affiliates) representing 25% or more of the combined voting power of PSEG then outstanding securities, excluding any person who becomes such a Beneficial Owner in connection with a transaction described in clause (i) of paragraph (c) below; or
 - (b) The following individuals cease for any reason to constitute a majority of the number of directors then serving: individuals who, on December 15, 1998, constitute the Board of Directors and any new director (other than a director whose initial assumption of office is in connection with an actual or threatened election contest, including but not limited to a consent solicitation, relating to the election of directors of PSEG) whose appointment or election by the Board or nomination for election by PSEG’s stockholders was approved or recommended by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors on December 15, 1998 or whose appointment, election or
-

nomination for election was previously so approved or recommended; or

- (c) There is consummated a merger or consolidation of PSEG or any direct or indirect wholly owned subsidiary of PSEG with any other corporation, other than (i) a merger or consolidation which would result in the voting securities of PSEG outstanding immediately prior to such merger or consolidation continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or any parent thereof), in combination with the ownership of any trustee or other fiduciary holding securities under an employee benefit plan of PSEG or any subsidiary of PSEG, at least 75% of the combined voting power of the securities of PSEG or such surviving entity or any parent thereof outstanding immediately after such merger or consolidation, or (ii) a merger or consolidation effected to implement a recapitalization of PSEG (or similar transaction) in which no person is or becomes the Beneficial Owner, directly or indirectly, of securities of PSEG representing 25% or more of the combined voting power of PSEG's then outstanding securities; or
- (d) The stockholders of PSEG approve a plan of complete liquidation or dissolution of PSEG or there is consummated an agreement for the sale or disposition by PSEG of all or substantially all of PSEG's assets, other than a sale or disposition by PSEG of all or substantially all of PSEG's assets to an entity, at least 75% of the combined voting power of the voting securities of which are owned by stockholders of PSEG in substantially the same proportions as their ownership of PSEG immediately prior to such sale.

Notwithstanding the foregoing subsection (a) through (d), a "Change in Control" shall not be deemed to have occurred by virtue of the consummation of any transaction or series of integrated transactions immediately following which the record holders of the common stock of PSEG immediately prior to such transaction or series of transactions continue to have substantially the same proportionate ownership in an entity which owns all or substantially all of the assets of PSEG immediately following such transaction or series of transactions.

1.8 "Code" shall mean the Internal Revenue Code of 1986, as amended. A reference to a section of the Code shall also refer to any regulations and other guidance issued under that section.

1.9 "Company" shall mean Public Service Enterprise Group Incorporated and each Participating Affiliate.

1.10 “Compensation” with respect to any Participant shall mean base salary, bonuses (as described below) and overtime up to 20% of base salary. Compensation shall include amounts deferred to the Deferred Compensation Plan for Certain Employees of Public Service Enterprise Group Incorporated and its Affiliates (“Deferred Compensation Plan”). For the period prior to March 5, 2010, refer to the prior SERP document for the definition Compensation.

For purposes of calculating the Mid-Career Hire Benefit for a Participant who is a participant in the Cash Balance Component, Compensation shall not include amounts paid prior in 2006 under the MICP or the SMICP.

For clarification purposes, all bonuses paid under the PSEG Power LLC Incentive Compensation Program for PSEG Energy Resources & Trade LLC Employees (“ER&T Plan”), as limited hereunder, the Performance Incentive Plans (“PIPs”) and the PSEG Power LLC Incentive Compensation Program for Certain Employees of PSEG Energy Solutions LLC (“Energy Solutions Plan”) are included, except those paid under the Long Island Electric Utility ServCo LLC Performance Incentive Plan.

For Participants who are participants in the Cash Balance Component, Compensation for any such year shall not exceed 150 percent of the Participant’s annual base salary in effect as of January 1 of that year. For Participants who are first hired during the Plan Year, for that year, the base salary in effect as of the date of hire shall be used. For Participants who are rehired, the base salary as of the date of rehire shall be used for determining Compensation of the year of the rehire.

For purpose of calculating the Limited Benefit, bonuses paid under the PIP, Energy Solutions Plan, MICP, SMICP and the ER&T Plan are included in Compensation for all years (including those paid prior to 2006).

For purposes of calculating SERP Benefits, bonuses paid under the PIP, Energy Solutions Plan, MICP, SMICP and the ER&T plan are included in Compensation only if the bonus is paid prior to the date of the Participant’s Separation from Service.

1.11 “Credited Service” shall mean the aggregate of all periods of employment with PSEG, an Affiliate or former Affiliate and all periods of additional Credited Service granted to Participants listed on Schedule A by PSEG for which a Participant will be given credit in computing their SERP Benefit. Service with Long Island Electric Utility ServCo LLC, LIPA and/or National Grid shall be taken into account under the SERP to the extent such service is taken into account under the Qualified Plan.

1.12 “Employee” shall mean any individual in the employ of the Company who is not included within a unit of employees covered by a collective bargaining agreement. The term “Employee” shall not include a director of the Company who serves in no capacity other than as a director, a consultant or independent contractor doing work for the Company or a person employed by a consultant or independent contractor doing work for the Company (regardless of whether a determination is made by the Internal Revenue Service or other governmental agency

or court after the individual is engaged to perform such services that the individual is an employee of the Company for the purposes of the Code or otherwise).

1.13 “Employee Benefits Committee” shall mean the Employee Benefits Committee of PSEG.

1.14 “Employee Benefits Policy Committee” shall mean the Employee Benefits Policy Committee of PSEG.

1.15 “ERISA” shall mean the Employee Retirement Income Security Act of 1974, as amended. A reference to a section of ERISA shall also refer to any regulations and other guidance issued under that section.

1.16 “Final Average Earnings” with respect to a Participant who is entitled to a Limited Benefit:

- (a) And who incurs a Separation from Service before January 1, 2012, shall mean the annual average of the sum of:
 - (1) The Participant’s last five years of Compensation, excluding any amounts received as an award under the MICP or the SMICP, without the application of the base pay cap in Section 1.10, and
 - (2) The MICP or SMICP awards for the five **most recent** bonus eligible years (including \$0 awards) prior to the Participant’s Separation from Service. If a Participant does not have at least five MICP/SMICP awards, the average shall be determined by using the number of bonus (including PIP bonuses, ER&T Plan bonuses and Energy Solutions Plan bonuses) eligible periods during the five most recent years.

Notwithstanding the foregoing, Final Average Earnings shall not exceed 150 percent of the average of the Participant’s annual base salary in effect as of January 1 for the five years prior to and including the year in which the Participant’s Separation from Service occurs. For the year in which the Participant is hired, the base salary in effect as of the date of hire shall be used. For Participants who are rehired, the base salary as of the date of rehire shall be used for determining Compensation of the year of the rehire.

Bonuses paid under the PIP, Energy Solutions Plan, MICP, SMICP and the ER&T Plan are included in Compensation only if the bonus is paid prior to the date of the Participant’s Separation from Service.

- (b) With respect to a Participant who incurs a Separation from Service on or after January 1, 2012, Final Average Earnings shall mean:
 - (1) With respect to periods of service prior to January 1, 2012, Final Average Earnings shall be determined in accordance with subsection (a) above,
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except that Separation from Service shall be replaced with December 31, 2011.

- (2) With respect to periods of service after December 31, 2011, the annual average of the sum, (i) the Participant's last seven years of Compensation beginning after December 31, 2011, excluding any MICP and SMICP awards, without the application of the base pay cap in Section 1.8, and (ii) the MICP or SMICP awards for the seven most recent years (including \$0 awards) beginning after December 31, 2011 and prior to the Participant's Separation from Service. If a Participant does not have at least seven MICP/SMICP awards during the seven most recent years after 2011, the average shall be determined by using the number of bonus (including PIP bonuses, ER&T Plan bonuses and Energy Solutions Plan bonuses) eligible periods after 2011 during the seven most recent years.

Notwithstanding the foregoing, Final Average Earnings shall not exceed 150 percent of the average of the Participant's annual base salary in effect as of January 1 for the seven years prior to and including the year in which the Participant's Separation from Service occurs (the annual base salary prior to January 1, 2012 shall not be used in such determination). For the year in which the Participant is hired, the base salary in effect as of the date of hire shall be used. For Participants who are rehired, the base salary as of the date of rehire shall be used for determining Compensation of the year of the rehire.

Bonuses paid under the PIP, Energy Solutions Plan, MICP, SMICP and the ER&T Program are included in Compensation only if the bonus is paid prior to the date of the Participant's Separation from Service.

- 1.17 "Final Average Pay Component" shall mean the Final Average Pay Component of the Pension Plan.
- 1.18 "Limited Benefit" shall mean the benefit payable to a Participant pursuant to Section 3 of the SERP.
- 1.19 "Mid-Career Hire Benefit" shall mean the benefit payable to a Participant pursuant to Section 2 of the SERP.
- 1.20 "Mid-Career Hire Surviving Spouse Benefit" shall mean the benefit payable to a Surviving Spouse pursuant to the SERP.
- 1.21 "Normal Retirement Date" shall mean the first day of the month coinciding with or next following a Participant's attainment of age 65. In the case of a Participant who is still employed beyond age 65, Normal Retirement Date shall mean the first day of the month coinciding with or next following the date on which the Participant's Separation from Service occurs.
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1.22 “Participant” shall mean any Employee or former Employee who meets the requirements of Sections 2 or 3 of the SERP.

1.23 “Participating Affiliate” shall mean any Affiliate of PSEG which (a) is the sponsor or a Participating Affiliate of the Qualified Plan; (b) adopts the SERP with the approval of the Board of Directors; (c) authorizes the Board of Directors and the Employee Benefits Committee to act for it in all matters arising under or with respect to the SERP; and (d) complies with such other terms and conditions relating to the SERP as may be imposed by the Board of Directors. Participating Affiliate shall not include Long Island Electric Utility ServCo LLC.

1.24 “Pension Plan” shall mean the Pension Plan of Public Service Enterprise Group Incorporated and each predecessor, successor or replacement plan and the Pension Plan of Public Service Enterprise Group Incorporated II and each successor or replacement plan.

1.25 “Qualified Benefit” shall mean the aggregate annual benefit payable to a Participant pursuant to the Qualified Plan by reason of the Participant’s termination of employment with PSEG and all Affiliates for any reason other than death.

1.26 “Qualified Plan” shall mean the Final Average Pay Component or the Cash Balance Component.

1.27 “Qualified Surviving Spouse Benefit” shall mean the aggregate annual benefit payable to the Surviving Spouse of a Participant pursuant to the Qualified Plan, in the event of the death of the Participant at any time prior to commencement of payment of the Participant’s Qualified Benefit.

1.28 “Plan Year” shall mean the calendar year.

1.29 “Reinstatement Plan” shall mean the Retirement Income Reinstatement Plan for Non-Represented Employees of Public Service Enterprise Group Incorporated and its Affiliates.

1.230 “Reinstatement Benefit” shall mean the annual benefit payable to a Participant pursuant to the Reinstatement Plan for any reason other than death.

1.31 “Reinstatement Surviving Spouse Benefit” shall mean the annual benefit payable to the Surviving Spouse of a Participant pursuant to the Reinstatement Plan in the event of the death of the Participant at any time prior to commencement of payment of their Reinstatement Benefit.

1.32 “Retirement” shall mean:

- (a) In the case of a Participant who is a participant in the Final Average Pay Component, a Separation from Service either (1) after attaining age 65, (2) following the date when the sum of the Participant’s age and credited service (as defined in the Final Average Pay Component) equals or exceeds 80, or (3) a disability determination under the Final Average Pay Component.
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- (b) In the case of a Participant who is a participant in the Cash Balance Component, a Separation from Service after either (1) attaining age 65, (2) attaining age 55 and completing five or more years of credited service (as defined in the Cash Balance Component), or (3) a disability determination under the Cash Balance Component.

1.33 “Retirement Plans” shall mean all qualified defined benefit plans maintained by employers other than PSEG or any of its Affiliates.

1.34 “Separation from Service” shall mean, subject to subsections (a) and (b) below, a Participant’s termination from employment with PSEG and all Affiliates, whether by retirement or resignation from or discharge by PSEG or an Affiliate.

- (a) A Separation from Service shall be deemed to have occurred if a Participant and PSEG or any Affiliate reasonably anticipates, based on the facts and circumstances, that either:
- (i) The Participant will not provide any additional services for PSEG or an Affiliate after a certain date; or
 - (ii) The level of bona fide services performed by the Participant after a certain date will permanently decrease to no more than 50 percent of the average level of bona fide services performed by the Participant over the immediately preceding 36 months.
- (b) If a Participant is absent from employment due to military leave, sick leave or any other bona fide leave of absence authorized by PSEG or an Affiliate and there is a reasonable expectation that the Participant will return to perform services for PSEG or an Affiliate, a Separation from Service will not occur until the later of:
- (i) The first date immediately following the date that is six months after the date that the Participant was first absent from employment; or
 - (ii) The date the Participant no longer retains a right to reemployment, to the extent the Participant retains a right to reemployment with PSEG or any Affiliates under applicable law or by contract.

If a Participant fails to return to work upon the expiration of any military leave, sick leave or other bona fide leave of absence where such leave is for less than six months, the Separation from Service shall occur as of the date of the expiration of such leave.

1.35 “SERP” shall mean this Supplemental Executive Retirement Income Plan for Non-Represented Employees of Public Service Enterprise Group Incorporated and Its Affiliates.

1.36 “Specified Employee” shall mean any individual who is a key employee (as defined in Section 416(i) of the Code without regard to Section 416(i)(5) of the Code) of PSEG or an Affiliate at any time during the 12-month period ending on each December 31 (the “identification date”). If an individual is a key employee as of an identification date, the individual shall be treated as a Specified Employee for the 12-month period beginning on the April 1 following the identification date. Notwithstanding the foregoing, an individual shall not be treated as a Specified Employee unless any stock of PSEG or an Affiliate is publicly traded on an established securities market or otherwise.

1.37 “SERP Benefit” shall mean the benefit payable to a Participant pursuant to the SERP by reason of the Participant’s Separation from Service with PSEG and all Affiliates for any reason other than death, which shall include the Mid-Career Hire Benefit and Limited Benefit.

1.38 “Surviving Spouse” shall mean a person who is married to a Participant on date of the Participant’s death.

Section 2. Mid-Career Hire Benefit

2.1 Eligibility. Effective January 1, 2011, participation in the Mid-Career Hire Benefit was closed. Prior to January 1, 2011, the CEO selected Employees who were eligible for a Mid-Career Hire Benefit and who were granted extra Credited Service. These Employees are listed in Schedule A. Upon selection for participation in the SERP, the CEO designated the number of years of additional Credited Service to which such Participant shall be entitled to in the calculation of their Mid-Career Hire Benefit.

Each Participant listed on Schedule A that incurs a Separation from Service after becoming vested in their benefits payable under the Qualified Plan shall be eligible to receive a Mid-Career Hire Benefit. If a Participant described in the preceding sentence dies prior to commencement of payment of their Qualified Benefit, such Participant’s Surviving Spouse shall be eligible to receive a Mid-Career Hire Surviving Spouse Benefit.

2.2 Benefit Formula. The Mid-Career Hire Benefit payable to an eligible Participant shall be equal to (a) or (b), as applicable:

(a) Final Average Pay Component Participant. The Mid-Career Hire Benefit payable to a Final Average Pay Component Participant shall be equal to the excess of (i) over (ii) where:

- (i) Is the sum of (A) the amount of the Qualified Benefit, and (B) the amount of Reinstatement Benefit to which the Participant would have been entitled as of their Normal Retirement Date if such benefits were
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computed using the additional years of Credited Service granted to the Participant; and

- (ii) Is the sum of: (A) the Qualified Benefit, and (B) and Reinstatement Benefit as of their Normal Retirement Date.

The amounts described in (i) and (ii) shall be computed as of the date of Separation from Service of the Participant with PSEG and all Affiliates in the form of a single life annuity commencing on their Normal Retirement Date.

The Mid-Career Hire Benefit shall be calculated as a single life annuity commencing on the Participant's Normal Retirement Date. If payment of a Participant's Mid-Career Hire Benefit commences or is paid before their Normal Retirement Date, the benefit amount calculated pursuant to this paragraph (a) shall be reduced for early commencement in accordance with the early retirement reduction factors applicable to calculation of the Participant's benefit under the Final Average Pay Component.

For Final Average Pay Component Participants who incur a Separation from Service after December 31, 2011, the additional years of Credited Service shall be applied to the 7-year final average pay formula for the Qualified Benefit and Reinstatement Benefit.

- (b) Cash Balance Component Participant. The Mid-Career Hire Benefit payable to a Cash Balance Component Participant shall be equal to the excess of (i) over (ii) where:
 - (i) Is the sum of (A) the amount of the Qualified Benefit, and (B) the amount of Reinstatement Benefit to which the Participant would have been entitled as of their Benefit Commencement Date if such benefits were computed using the additional years of Credited Service; and
 - (ii) Is the sum of: (A) the Qualified Benefit, and (B) Reinstatement Benefit as of their Benefit Commencement Date.

The Mid-Career Hire Benefit shall be calculated as of a single life annuity commencing on the Participant's Benefit Commencement Date.

The additional years of Credited Service shall be credited as of the Cash Balance Component Participant's date of hire once they become effective pursuant to individual agreement under which they were granted.

2.3 Form Payment.

- (a) The Mid-Career Hire Benefit payable to a Participant shall be paid as follows:
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- (i) If the Participant's Separation from Service occurs prior to Retirement, the Mid-Career Hire Benefit shall be paid in a lump sum distribution (the lump sum amount shall be based on a deferred to age 65 lump sum factor).
- (ii) Except as provided in subsection (c), if the Participant's Separation from Service occurs on or after their Retirement, the Participant may elect to have the Mid-Career Hire Benefit paid in the form of a single life annuity or a joint and survivor annuity.
 - (A) The single life annuity option is an annuity providing equal monthly payments for the lifetime of the Participant with no survivor benefits.
 - (B) The joint and survivor annuity option is a reduced monthly benefit payable to the Participant for life and to a Beneficiary for the lifetime of the Beneficiary in an amount equal to 50 percent, 75 percent, or 100 percent (as elected by the Participant) of the amount payable during the Participant's lifetime. The pop-up rules under the Qualified Plan shall apply.
- (b) A Participant election as to an annuity form of payment pursuant to paragraph (a)(ii) shall also apply to any benefits payable to the Participant under the Reinstatement Plan and the Limited Benefit. If a Participant fails to make a timely election, their Mid-Career Hire Benefit shall be paid in the form of:
 - (i) A single life annuity, if they are not married as of their Benefit Commencement Date; or
 - (i) A 50 percent joint and survivor annuity with their spouse as Beneficiary, if they are married as of their Benefit Commencement Date. The pop-up rules under the Qualified Plan shall apply.

If a Participant elects a joint and survivor annuity, but their Beneficiary dies before the Participant's Benefit Commencement Date, the Participant's Mid-Career Hire Benefit shall be paid in the form of a single life annuity unless the Participant validly elects a new form of payment pursuant to this subsection.

- (c) Notwithstanding paragraphs (a) and (b), if the Participant's total vested benefit under the SERP and the Reinstatement Plan, as presently valued at the time of commencement of the payment of such benefit, does not exceed \$30,000, benefits under the SERP and the Reinstatement Plan shall be paid in a single lump sum distribution. If the Participant does not meet the criteria for Retirement, the lump sum amount shall be based on the deferred to age 65 lump sum factor. If the Participant does meet the criteria for Retirement, the lump sum amount shall be based on the immediate lump sum factor.
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2.4 Timing of Payment. Except as otherwise provided, payment of a Participant's Mid-Career Hire Benefit shall commence or shall be paid within the 90-day period following Benefit Commencement Date, but in no event later than the last day permitted under Section 409A of the Code for treating a delayed payment as having been made on such payment date. If a Mid-Career Hire Benefit is payable as a lump sum, no interest shall be paid to the Participant for the period between the Benefit Commencement Date and the actual payment date, except as provided for below with respect to Specified Employees.

If the Participant is a Specified Employee, payment of the Participant's Mid-Career Hire Benefit shall actually commence or shall be paid as of the last day of the month coinciding with or next following the six-month anniversary of the Participant's Separation from Service. In any case where the payment of benefits is delayed pursuant to this paragraph, the Participant's Mid-Career Hire Benefit shall be calculated as of the Benefit Commencement Date. Any annuity payments to which the Participant would be entitled during the first six months after their Separation from Service shall be accumulated and paid to the Participant without interest as of the last day of the month coinciding with or next following the six-month anniversary of their Separation from Service. If the Participant's Mid-Career Hire Benefit is payable in the form of a lump sum distribution, the benefit shall be increased with interest at the rate of:

- (a) The first segment rate as determined pursuant to Section 417(e)(3)(C) and (D) of the Code for the second month preceding the first day of the Plan Year in which the Separation from Service occurs; or
- (b) 6 percent, in the case of a Participant who is a participant in the Cash Balance Component.

Payment of the Participant's Mid-Career Hire Benefit shall not be delayed or accelerated, except as provided in this subsection. If the Employee Benefits Committee determines that a delay or acceleration of a Participant's Mid-Career Hire Benefit complies with the requirements of Section 409A of the Code (including an acceleration to pay employment taxes), the Employee Benefits Committee may either delay or accelerate the payment of the Mid-Career Hire Benefit in accordance with the terms of Section 409A of the Code as it deems advisable in its sole discretion. If any payment is delayed in accordance with this paragraph, the SERP shall pay such delayed payments without interest following the expiration of the delay.

2.5 A Mid-Career Hire Benefit which is payable in any form other than a single life annuity shall be the actuarial equivalent of the Mid-Career Hire Benefit set forth in Section 2.4 of the SERP, as determined by the same actuarial adjustments as those specified in the Qualified Plan, as applicable, with respect to determination of the amount of Qualified Benefit as of the Benefit Commencement Date, except as necessary to comply with Section 409A of the Code.

2.6 If a Participant who is receiving annuity payments under the SERP is rehired, such annuity payments shall continue during the period of reemployment. Since the Mid-Career Hire Benefit is closed to participation as of January 1, 2011, Participants rehired after such date shall not accrue an additional Mid-Career Hire Benefit.

2.7 Mid-Career Hire Surviving Spouse Benefit.

- (a) Final Average Pay Component Participant. If a married Participant dies prior to commencement of payment of their Mid-Career Hire Benefit, a Mid-Career Hire Surviving Spouse Benefit shall be payable to the Participant's Surviving Spouse. The Mid-Career Hire Surviving Spouse Benefit shall be equal to the excess of (i) over (ii) where:
- (i) Is the sum of: the amount of the Qualified Plan Surviving Spouse Benefit and the amount of Reinstatement Plan Surviving Spouse Benefit to which the Surviving Spouse would have been entitled under those plans, as of the Participant's Normal Retirement Date if such benefits were computed with the additional years of Credited Service; and
 - (ii) Is the sum of the Qualified Plan Surviving Spouse Benefit Surviving Spouse Benefit and Reinstatement Plan Surviving Spouse Benefit payable to the Surviving Spouse as of the Participant's Normal Retirement Date.

If applicable, the Mid-Career Hire Surviving Spouse Benefit shall be reduced for early commencement in accordance with the reduction factors applicable to calculation of a Qualified Plan Surviving Spouse Benefit.

- (b) Cash Balance Component Participant. If a Participant dies prior to commencement of payment of their Mid-Career Hire Benefit, a Mid-Career Hire Surviving Spouse Benefit shall be payable to the Participant's Spouse. The Mid-Career Hire Surviving Spouse Benefit shall be equal to the excess of (i) over (ii) where:
- (i) Is the sum of the amount of the Cash Balance Component account and the amount of Reinstatement Plan Surviving Spouse Benefit to which the Surviving Spouse would have been entitled under the Qualified Plan and the Reinstatement Plan, as of the Participant's Normal Retirement Date if such benefits were computed with the additional years of Credited Service; and
 - (ii) Is the sum of the Qualified Surviving Spouse Benefit and the Reinstatement Plan Surviving Spouse Benefit payable to the Surviving Spouse as of the Participant's Normal Retirement Date.

2.8 The Mid-Career Hire Surviving Spouse Benefit shall be paid as follows:

- (a) If the Participant's death occurs prior to Retirement, the present value of the Mid-Career Hire Surviving Spouse Benefit shall be paid in a single lump sum distribution.
 - (b) If the Participant's death occurs on or after Retirement, the Mid-Career Hire Surviving Spouse Benefit shall be payable in monthly installments over the life of the Surviving Spouse. Notwithstanding the preceding sentence, if the present value of the total benefit payable to the Surviving Spouse under the SERP and the Reinstatement Plan does not exceed
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\$20,000, the benefit payable shall be made in a single lump sum distribution.

2.9 Payment of the Mid-Career Hire Surviving Spouse Benefit shall commence or shall be paid as of the last day of the month in which the Participant's death occurs and within 90 days after such date, but in no event later than the last day permitted under Section 409A of the Code for treating a delayed payment as having been made on such payment date.

2.10 With respect to Participants who had a Separation from Service prior to January 1, 2005, the provisions of the SERP as of December 31, 2004 regarding the timing and form of payment of Mid-Career Hire Benefits or Mid-Career Hire Surviving Spouse Benefits shall apply. The timing and form of payment of such Mid-Career Hire Benefits or Mid-Career Hire Surviving Spouse Benefits are linked to the timing and form of payment of the Qualified Benefits. As such, the SERP is considered "grandfathered" under Section 409A of the Code.

Section 3. Limited Benefits

3.1 Each Employee nominated by the CEO and designated by the Employee Benefits Policy Committee shall be a Schedule B Participant and shall be eligible to a Limited Benefit provided for in this Section 3 of the SERP. The CEO shall nominate such select and key Employees based upon such criteria as they shall deem appropriate due to the Employee's responsibilities and opportunity to contribute substantially to the financial and operating objectives of PSEG. The names of all Participants designated hereunder shall be listed in Schedule B to the SERP.

3.2 If a Schedule B Participant dies while in the active employment of PSEG or an Affiliate, the Participant's Beneficiary will receive an amount equal to 150% of the annual rate of salary of the Participant in effect at the date of death, adjusted to the nearest \$1,000. Payment shall be made in a lump sum as of the first day of the month following the Participant's date of death, but in no event later than the last day permitted under Section 409A of the Code for treating a delayed payment as having been made on such payment date.

3.3 At Retirement, each Schedule B Participant will be eligible for a Limited Benefit calculated as provided in this Section 3 of the SERP.

Notwithstanding any other provision of the SERP to the contrary, the Limited Benefit hereunder payable to Frederick W. Lark and Richard D. Quinn, III, each of whom commenced a phased retirement during 2008, shall be calculated as of December 31, 2008 and shall be paid commencing as of January 31, 2009.

3.4 The Limited Benefit shall be calculated as follows:

(a) Final Average Pay Component Participants:

- (i) The Participant's Compensation shall be multiplied by an amount equal to one one-hundredth of the sum of (x) the number of the Participant's years of Credited Service under the Final Average Pay Component at
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Retirement (including any additional years of age and Credited Service provided to the Participant in accordance with any employment, change in control, or similar arrangement applicable to the Participant so long as the Participant incurs a Separation from Service from PSEG and its Affiliates during the two-year period commencing upon the date of a Change in Control), (y) the number of any additional years of Credited Service credit to which the Participant may be entitled under Section 2 of the SERP or any written arrangement with PSEG or an Affiliate (excluding any written arrangement between PSEG or an Affiliate and the Participant relating to a Change in Control), and (z) 30; but, in no event, shall the multiple be greater than 0.75.

- (ii) The amount determined under subparagraph (i) of this Section 3.4(a) shall be reduced by the sum of (x) the amount the Participant would be entitled to at Retirement as an annual pension benefit under the Final Average Pay Component, Section 2 of the SERP and the Reinstatement Plan calculated as a single life annuity payable at the Participant's Normal Retirement Date without reduction for any pre-retirement survivor's option coverage or any reduction for early retirement, (y) 100% of the amount of the unreduced annual Social Security benefit to which the Participant would be entitled at age 65 (or such other age which may be established by the Social Security Administration from time to time as the earliest age at which a Participant may receive an unreduced benefit thereunder), assuming that the Participant has no earnings from the date of Retirement to age 65 (or such other applicable age), or, if greater, any disability benefit under Social Security to which the Participant may be entitled, and (z) the aggregate of the annual benefits to which the Participant is entitled under all Retirement Plans as of the date the Participant is employed by PSEG or an Affiliate, such Social Security Benefits and benefits under all Retirement Plans to be calculated as single life annuities without any reductions, under rules, procedures and equivalents determined by the Employee Benefits Committee. To determine the amounts referred to under (y) and (z) above, the Participant shall file a declaration of all such amounts with the Corporate Benefits Department in such form as the Employee Benefits Committee may require from time to time. No benefit shall be paid under the SERP until such a declaration, in satisfactory form, shall be so filed. If a Participant is granted a disability Social Security benefit, they shall notify the Corporate Benefits Department thereof within 30 days thereof, and the Participant's retirement benefit under this section of the SERP shall be adjusted accordingly. The Company shall be entitled to rely on such statements in making payment, and if any such statement is incorrect or is not furnished, the Company shall be entitled to reimbursement from the Participant, the Beneficiary or their legal representatives for any overpayment and may reduce or suspend future payments to recover any such overpayment. In the event it is established to the satisfaction of the Employee Benefits Committee, in its sole discretion, that any such statement was intentionally false or omitted, the
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Participant or Beneficiary shall be entitled to no further payments under this section of the SERP, and the Company shall be entitled to recover any payments made hereunder.

- (iii) For Participants who incur a Separation from Service after December 31, 2011, the number of any additional years of Credited Service granted to a Participant under Subsection 3.4(a)(i)(y) of the SERP that a Participant may be entitled under Section 2 of the SERP or any written arrangement with PSEG or an Affiliate shall be applied to the 7-year final average pay formula. The 30 points credited to a Participant under Subsection 3.4(a)(i)(z) of the SERP shall be prorated based on the number of actual years of Credited Service that a Participant has as of December 31, 2011 and has during the period beginning on January 1, 2012 and ending on the date they incur a Separation from Service, without regard to any additional years of Credited Service granted to the Participant under Subsection 3.4(a)(i)(y) and without regards to any cap on Credited Service.

(b) Cash Balance Component Participants:

- (i) The Participant's Compensation shall be multiplied by an amount equal to one one-hundredth of the sum of **(x)** the number of the Participant's years of Credited Service under the Final Average Pay Component with which such Participant would have been credited at Retirement had the Participant participated in the Final Average Pay Component from their date of hire and including any additional years of age and Credited Service provided to the Participant in accordance with any employment, change in control, or similar arrangement applicable to the Participant so long as the Participant incurs a termination of service from PSEG and its Affiliates during the two-year period commencing upon the date of a Change in Control, **(y)** the number of any additional years of Credited Service to which the Participant may be entitled under Section 3 of the SERP or any written arrangement with PSEG or an Affiliate (excluding any written arrangement between PSEG or an Affiliate relating to a Change in Control) and **(z)** 30; but, in no event, shall the multiple be greater than 0.75.
 - (ii) The amount determined under subparagraph (i) of this Subsection 3.4(b) shall be reduced by the sum of **(x)** the amount the Participant would be entitled to at Retirement as an annual pension benefit under the Cash Balance Component, Section 2 of the SERP and the Reinstatement Plan calculated as a single life annuity payable at the Participant's Normal Retirement Date, **(y)** 100% of the amount of the unreduced annual Social Security benefit to which the Participant would be entitled at age 65 (or such other age which may be established by the Social Security Administration
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from time to time as the earliest age at which a Participant may receive an unreduced benefit thereunder), assuming that the Participant has no earnings from the date of Retirement to age 65 (or such other applicable age), or, if greater, any disability benefit under Social Security to which the Participant may be entitled, and (z) the aggregate of the annual benefits to which the Participant is entitled under all Retirement Plans as of the date the Participant is employed by PSEG or an Affiliate, such Social Security Benefits and benefits under all Retirement Plans to be calculated as single life annuities without any reductions, under rules, procedures and equivalents determined by the Employee Benefits Committee. To determine the amounts referred to under (y) and (z) above, the Participant shall file a declaration of all such amounts with the Corporate Benefits Department in such form as the Employee Benefits Committee may require from time to time. No benefit shall be paid under the SERP until such a declaration, in satisfactory form, shall be filed. If a Participant is granted a disability Social Security benefit, they shall notify the Corporate Benefits Department thereof within 30 days thereof, and the Participant's retirement benefit under the SERP shall be adjusted accordingly. The Company shall be entitled to rely on such statements in making payment, and if any such statement is incorrect or is not furnished, the Company shall be entitled to reimbursement from the Participant, the Beneficiary or their legal representatives for any overpayment and may reduce or suspend future payments to recover any such overpayment. In the event it is established to the satisfaction of the Employee Benefits Committee, in its sole discretion, that any such statement was intentionally false or omitted, the Participant or Beneficiary shall be entitled to no further payments under this section of the SERP, and the Company shall be entitled to recover any payments made hereunder.

- (iii) For Participants who incur a Separation from Service after December 31, 2011, the number of any additional years of Credited Service granted to a Participant under Subsection 3.4(b)(i)(y) of the SERP that a Participant may be entitled under Section 2 of the SERP or any written arrangement with PSEG or an Affiliate shall be applied to the 7-year final average pay formula. The 30 points credited to a Participant under Subsection 3.4(b)(i)(z) of the SERP shall be prorated based on the number of actual years of Credited Service that a Participant has as of December 31, 2011 and has during the period beginning on January 1, 2012 and ending on the date they incur a Separation from Service, without regard to any additional years of Credited
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Service granted to the Participant under Subsection 3.4(b)(i)(y) and without regards to any cap on Credited Service.

3.5 Forms of Payment.

- (a) The annual amount determined under Section 3.4 shall be paid in the form of a life annuity; either a single life annuity or a joint and survivor annuity, as elected by the Participant.
 - (a) The single life annuity option is an annuity providing equal monthly payments for the lifetime of the Participant with no survivor benefits.
 - (i) The joint and survivor annuity option is a reduced monthly benefit payable to the Participant for life and to a surviving named Beneficiary for the lifetime of the Beneficiary in an amount equal to 50%, 75%, or 100% (as elected by the Participant) of the amount payable during the Participant's lifetime.

Notwithstanding the preceding provisions, if the present value of the Participant's total vested benefit under the Reinstatement Plan and the SERP does not exceed \$30,000, their Limited Benefit shall be paid a single lump sum distribution. The lump sum amount shall be based on the immediate lump sum factor.

- (b) A Participant may elect an annuity form of payment pursuant to paragraph (a) at any time before their Benefit Commencement Date. If a Participant fails to make a timely election, their retirement benefit shall be paid in the form of:
 - (i) A single life annuity, if they are not married as of their benefit commencement date; or
 - (ii) A 50 percent joint and survivor annuity with their spouse as Beneficiary, if they are married as of their benefit commencement date.
- (c) Except as otherwise provided in this paragraph (c), payment of a Participant's Limited Benefit shall commence or be paid within the 90-day period following Benefit Commencement Date, but in no event later than the last day permitted under Section 409A of the Code for treating a delayed payment as having been made on such payment date.

If the Participant is a Specified Employee, payment of the Participant's Limited Benefit shall commence or shall be made as of the last day of the month coinciding with or next following the six-month anniversary of the Participant's Retirement date. In any case where the payment of benefits is delayed pursuant to this paragraph, the Participant's Limited Benefit shall be calculated as of the Participant's Benefit Commence Date. Any annuity payments to which the Participant would be entitled during the first six

months after their Retirement shall be accumulated and paid to the Participant without interest as of the last day of the month coinciding with or next following the six-month anniversary of their Retirement. If the Participant's Limited Benefit is payable in the form of a lump sum distribution, the benefit shall be increased with interest at the first segment rate as determined pursuant to Section 417(e)(3)(C) and (D) of the Code for the second month preceding the first day of the Plan Year in which the Retirement occurs.

Payment of the Participant's benefit shall not be delayed or accelerated, except as provided in this subsection. If the Employee Benefits Committee determines that a delay or acceleration of a Participant's benefit complies with the requirements of Section 409A of the Code (including an acceleration to pay employment taxes), the Employee Benefits Committee may either delay or accelerate the payment of the benefit in accordance with the terms of Section 409A of the Code as it deems advisable in its sole discretion. If any payment is delayed in accordance with this paragraph, the SERP shall pay such delayed payments without interest following the expiration of the delay.

- (d) If a Participant earns a Limited Benefit after a Retirement, any annuity benefits being paid to the Participant shall be increased to reflect such additional accruals as of the January 1 following the Plan Year in which such Limited Benefit accrues. If the Participant received a lump sum distribution of their Limited Benefit as of the earlier Retirement, the value of the additional accruals shall be paid to them in a lump sum distribution as of the January 1 following the Plan Year in which such additional benefit accrues.

Notwithstanding the foregoing, if a Participant named in Subsection 3.3 earns an additional retirement benefit after December 31, 2008, the additional accruals shall be payable as of the Participant's Retirement as otherwise provided in this Section 3.

3.6 With respect to Participants who had a Separation from Service prior to January 1, 2005, the provisions of the SERP as of December 31, 2004 regarding the timing and form of payment of Limited Benefits shall apply. The timing and form of payment of such Limited Benefits are linked to the timing and form of payment of the Qualified Benefits. As such, the SERP is considered "grandfathered" under Section 409A of the Code.

Section 4. Administration of the SERP

4.1 The Employee Benefits Committee shall be the named fiduciary of the SERP responsible for the general operation and administration of the SERP and for carrying out the provisions thereof. The Employee Benefits Committee shall have discretionary authority to construe the terms of the SERP and shall be the final arbiter of any questions that may arise under the SERP.

4.2 The Employee Benefits Committee shall adopt such rules and procedures as it deems necessary and advisable to administer the SERP and to transact its business. Subject to the other requirements of this Section 4, the Employee Benefits Committee may:

- (a) Employ agents to carry out non-fiduciary responsibilities;
- (b) Employ agents to carry out fiduciary responsibilities (other than trustee responsibilities as defined in Section 405(c)(3) of ERISA);
- (c) Consult with counsel, who may be counsel to PSEG or an Affiliate; and
- (d) Provide for the allocation of fiduciary responsibilities (other than trustee responsibilities as defined in Section 405(c)(3) of ERISA) among its members.

However, any action described in paragraphs (b) or (d) of this Subsection 4.2, and any modification or rescission of any such action, may be effected by the Employee Benefits Committee only by a resolution approved by a majority of the Employee Benefits Committee. The Employee Benefits Committee shall be entitled to rely conclusively upon all tables, valuations, certificates, opinions and reports furnished by any actuary, accountant, controller, counsel or other person employed or engaged by the Employee Benefits Committee with respect to the SERP.

4.3 The Employee Benefits Committee shall keep written minutes of all its proceedings, which shall be open to inspection by the Board of Directors. In the case of any decision by the Employee Benefits Committee with respect to a claim for benefits under the SERP, such Employee Benefits Committee shall include in its minutes a brief explanation of the grounds upon which such decision was based.

4.4 In performing their duties, the members of the Employee Benefits Committee shall act solely in the interest of the Participants in the SERP and their Beneficiaries and

- (a) For the exclusive purpose of providing benefits to Participants and their Beneficiaries;
 - (b) With the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in like capacity and familiar with such matters would use in the conduct of an enterprise of alike character and with like aims; and
 - (c) In accordance with the documents and instruments governing the SERP insofar as such documents and instruments are consistent with the provisions of Title I of ERISA.
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4.5 In addition to any other duties the Employee Benefits Committee may have, the Employee Benefits Committee shall review the performance of all persons to whom the Employee Benefits Committee shall have delegated or allocated fiduciary duties pursuant to the provisions of this Section 4.

4.6 The Company agrees to indemnify and reimburse, to the fullest extent permitted by law, members of the Employee Benefits Committee, directors and employees of PSEG and its Affiliates, and all such former members, directors and employees, for any and all expenses, liabilities or losses arising out of any act or omission relating to the rendition of services for or the management and administration of the SERP.

4.7 No member of the Employee Benefits Committee nor any delegee thereof shall be personally liable by virtue of any contract, agreement or other instrument made or executed by them or on their behalf in such capacity.

Section 5. Claims Procedure and Status Determination

5.1 Claims for benefits under the SERP and requests for a status determination shall be filed in writing with the Employee Benefits Committee or its delegee.

5.2 In the case of a claim for benefits, written notice shall be given to the claiming Participant or Beneficiary of the disposition of such claim, setting forth specific reasons for any denial of such claim in whole or in part. If a claim is denied in whole or in part, the notice shall state that such Participant or Beneficiary may, within sixty days of the receipt of such denial, request in writing that the decision denying the claim be reviewed by the Employee Benefits Committee and provide the Employee Benefits Committee with information in support of their position by submitting such information in writing to the Secretary of the Employee Benefits Committee.

5.3 The Employee Benefits Committee shall review each claim for benefits which has been denied in whole or in part and for which such review has been requested and shall notify, in writing, the affected Participant or Beneficiary of its decision and the reasons therefor.

5.4 In the case of a request for status determination, written notice shall be given to the requesting person within a reasonable time setting forth specific reasons for the decision.

Section 6. Amendment or Termination

6.1 PSEG reserves the right to amend or terminate the SERP when, in the sole opinion of PSEG, such amendment or termination is advisable. Any such amendment or termination shall be made pursuant to a resolution of the Board or of the Employee Benefits Policy Committee and shall be effective as provided for in such resolution.

6.2 No amendment or termination of the SERP shall directly or indirectly deprive any current or former Participant, Beneficiary or Surviving Spouse of a previously acquired right unless such Participant or Beneficiary or legal representative shall consent to such change.

Provided, further, however, that after a Change in Control, the SERP may not be terminated nor the benefit calculation reduced with respect to any Participant in the SERP on the date of such Change in Control unless such Participant or their Beneficiary or their legal representative shall consent to such change. No right to a death benefit under Section 3 of the SERP shall accrue until a Schedule B Participant's death and no right to a Limited Benefit under Section 3 of the SERP shall accrue until a Schedule B Participant's Retirement.

6.3 In the event of the termination of the SERP, vested benefits hereunder shall be distributed in a single lump sum as soon as practicable after the date the SERP is terminated if such distribution is permitted because the SERP is terminated in accordance with the termination provisions of Section 409A of the Code and related regulations or, in other cases, at the earliest time otherwise permitted under the terms of the SERP in accordance with Section 409A of the Code and related regulations.

Section 7. General Provisions

7.1 The SERP at all times shall be entirely unfunded and no provision shall at any time be made with respect to segregating any assets of PSEG or any Affiliate for payment of any benefits hereunder. No Participant, Beneficiary, Surviving Spouse or any other person shall have any interest in any particular assets of PSEG or any Affiliate by reason of the right to receive a benefit under the SERP and any such Participant, Beneficiary, Surviving Spouse or other person shall have only the rights of a general unsecured creditor with respect to any rights under the SERP.

7.2 Except as otherwise expressly provided herein, all terms and conditions of the Qualified Plan applicable to a Qualified Benefit or a Qualified Surviving Spouse Benefit shall also be applicable to a SERP Benefit or a SERP Surviving Spouse Benefits payable hereunder. Any Qualified Benefit or Qualified Surviving Spouse Benefit, or any other benefit payable under the Qualified Plan shall be paid solely in accordance with the terms and conditions of the Qualified Plan and nothing in the SERP shall operate or be construed in any way to modify, amend or affect the terms and provisions of the Qualified Plan.

7.3 Nothing contained in the SERP shall constitute a guaranty by the Company or any other entity or person that the assets of PSEG or any Affiliate will be sufficient to pay any benefit hereunder.

7.4 No Participant or Surviving Spouse shall have any right to a benefit under the SERP except in accordance with the terms of the SERP. The payment of any death or survivorship benefit under the SERP shall be contingent upon such evidence of death as may be reasonably required by the Employee Benefits Committee.

7.5 The SERP shall not constitute a contract for the continued employment of any Participant by the Company or any Affiliate. PSEG and each Affiliate reserve the right to modify a Participant's Compensation at any time and from time to time as it considers appropriate and to terminate any Participant's employment for any reason at any time notwithstanding the SERP.

7.6 No interest of any person or entity in, or right to receive a benefit under, the SERP shall be subject in any manner to sale, transfer, assignment, pledge, attachment, garnishment or other alienation or encumbrance of any kind; nor any such interest or right to receive a benefits be taken, either voluntarily or involuntarily, for the satisfaction of the debts of, or other obligations or claims against, such person or entity, including claims for alimony, support, separate maintenance and claims in bankruptcy proceedings.

7.7 The SERP shall be construed and administered under the laws of the United States and the State of New Jersey to the extent not superseded by Federal law. The SERP is specifically intended to comply with the provisions of Section 409A of the Code and it shall automatically incorporate all applicable restrictions of Section 409A of the Code and its related regulations, and PSEG will amend the SERP to the extent necessary to comply with those requirements. The timing under which a Participant will have a right to receive any payment under the SERP will be deemed to be automatically modified, and a Participant's rights under the SERP limited to conform to any requirements under Section 409A of the Code.

7.8 Actuarial assumptions to determine the present value of any benefit hereunder shall be the same as used to determine the present value of benefits under the Qualified Plan.

7.9 If any person entitled to a benefit payment under the SERP is deemed by the Employee Benefits Committee to be incapable of personally receiving and giving a valid receipt for such payment, then, unless and until claim therefor shall have been made by a duly appointed guardian or other legal representative of such person, the Employee Benefits Committee may provide for such payment or any part thereof to be made to any other person or institution then contributing toward or providing for the care and maintenance of such person. Any such payment shall be a payment for the account of such person and a complete discharge of any liability of the Company and the SERP therefor.

7.10 The SERP shall inure to the benefit of and be binding upon the Company, its successors and assigns, including but not limited to any corporation which may acquire all or substantially all of the Company's assets or businesses or with or into or which the Company may be consolidated or merged.

7.11 Any notice to a Participant, a Beneficiary or any legal representative hereunder shall be given in writing, by personal delivery, overnight express service or by United States mail, postage prepaid, addressed to such person's last known address. Any notice to the Company or the Employee Benefits Committee hereunder (including the filing of beneficiary designations) shall be given by delivering it in person or by overnight express service, or depositing it in the United States mail, postage prepaid, to the Secretary of the Employee Benefits Committee, Public Service Enterprise Group Incorporated, 80 Park Plaza, T-5, P.O. Box 1171, Newark, New Jersey, 07101.

7.12 Each Participant shall keep the Company informed of their current address and the current address of their spouse. The Company shall not be obligated to search for the whereabouts of any person. If the location of a Participant is not made known to the Company within three (3) years after the date on which payment of the Participant's SERP Benefit may

first be made, payment may be made as though the Participant had died at the end of the three-year period. If, within one additional year after such three-year period has elapsed, or, within three years after the actual death of a Participant, the Company is unable to locate any Surviving Spouse of the Participant, then the Company shall have no further obligation to pay any benefit hereunder to such Participant or Surviving Spouse or any other person and such benefit shall be irrevocably forfeited.

7.13 Failure by the Company or the Employee Benefits Committee to insist upon strict compliance with any of the terms, covenants or conditions hereof shall not be deemed a waiver of any such term, covenant or condition, nor shall any waiver or relinquishment of any right or power hereunder at any one or more times be deemed a waiver or relinquishment of any such right or power at any other time or times.

7.14 The invalidity or unenforceability of any provision hereof shall in no way affect the validity or enforceability of any other provision of the SERP.

7.15 Notwithstanding any of the preceding provisions of the SERP, the Company, the Employee Benefits Committee or any individual acting as an employee or agent of the Company or the Employee Benefits Committee shall be liable to any Participant, former Participant, Surviving Spouse or any other person for any claim, loss, liability or expense incurred in connection with the SERP.

Section 8. Miscellaneous

8.1 As used herein, words in the masculine gender shall include the feminine and the singular shall include the plural, and vice versa, unless otherwise required by the context. Any headings used herein are included for ease of reference only and are not to be construed so as to alter the terms hereof.

* * *

/s/ Sheila Rostiac
Signature

10/09/19
Date

MID-CAREER HIRE BENEFITS**SCHEDULE A
PARTICIPANTS**

NAME	TITLE
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1. Edwin Eilola Director Projects
 2. Davison, Paul J. VP Nuclear Engineering
 3. Izzo, Ralph Chairman of Board, President & CEO-PSEG
 4. Knaide, Kenneth M. Sr. Dir. Engineering
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LIMITED BENEFITS**SCHEDULE B
PARTICIPANTS**

NAME	TITLE
1. Bishop, Craig, J.	Sr. Director - IT Infrastructure & Ops
2. Cardenas, Jorge L.	VP-Asset Mgmt & Centralized Svcs
3. Castellano, Raymond C.	Mgr Application Support
4. Doherty, John F.	Associate Gen. Environ. Counsel
5. Izzo, Ralph	Chairman of Board, President & CEO-PSEG
6. Krueger, Jr. Robert C.	VP - Assistant Controller - Tax
7. LaRossa, Ralph A.	President & COO PSE&G & COB PSEG LI
8. Leibowitz, Donald S.	Associate Gen. Corp Counsel
9. Levis, William (eff. 1/16/13)	President & COO
10. Leyden, Shawn P.	VP & Deputy General Counsel
11. MacDonald, Joan C.	Project Mgr.
12. Mack, Ronald J.	Exec. Director Medical
13. Mnich, Lorraine	Mgr. Corp Capital Invest
14. Orticelle, Arthur (retired 4/1/17)	Division Manager - Electric
15. Oster, Steven B.	Dir. Asset Portfolio
16. Pego, Margaret M.	SVP - HR & Chief HR Officer
17. Quinn, Kevin J.	VP - Finance Power
18. Scarlata, John P. (retired 3/4/17)	VP - Gas Supply
19. Schroeder, Brian H.	Principal Enterprise Architect
20. Sugam, Richard J.	Dir. EH&S Compliance & Planning
21. Tripodi, Raymond A.	Mgr. Transmission Permitting
22. Tuosto, Michael R.	General Manager Public Affairs
23. Wernsing, Richard W.	Dir. Strategic Rel & Delivery Planning
24. Weyant, Donald W.	Mgr. Regulatory Compliance

**RETIREMENT INCOME REINSTATEMENT PLAN
FOR NON-REPRESENTED EMPLOYEES OF
PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
AND ITS AFFILIATES**

Amended September 23, 2019 and effective July 1, 2019

**RETIREMENT INCOME REINSTATEMENT PLAN
FOR NON-REPRESENTED EMPLOYEES OF
PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
AND ITS AFFILIATES**

Public Service Electric and Gas Company (“PSE&G”) had established, effective January 1, 1995, the Retirement Income Reinstatement Plan for Non-Represented Employees of Public Service Electric and Gas Company and its Affiliates. Effective December 13, 1999, PSE&G transferred sponsorship of the plan to Public Service Enterprise Group Incorporated (“PSEG”) and renamed the plan the Retirement Income Reinstatement Plan for Non-Represented Employees of Public Service Enterprise Group Incorporated and its Affiliates (“Reinstatement Plan”).

The Reinstatement Plan was established for the purpose of assisting in attracting and retaining a stable pool of key managerial and professional talent and long-term key employee commitment by providing certain supplemental retirement benefits for certain of their employees who participate in a Qualified Plan.

The Reinstatement Plan is intended to constitute an unfunded “excess benefit plan” as defined in Section 3(36) of the Employee Retirement Income Security Act of 1974, as amended (“ERISA”), to the extent it provides benefits that would be paid under the Pension Plan but for the limitations of Section 415 of the Internal Revenue Code of 1974, as amended (“Code”), and an unfunded plan of deferred compensation for a select group of management or highly compensated employees for purposes of Title 1 of ERISA, to the extent it provides other benefits.

The Reinstatement Plan was amended, effective as of January 1, 2005, to comply with the requirements of the American Jobs Creation Act of 2004.

The Reinstatement Plan was amended, effective as of January 1, 2009, to provide for lump sum payments of certain benefits, to revise provisions relating to lump sum payments of de minimis benefits, to align the Reinstatement Plan to certain requirements of Section 409A of the Code, and to make certain other style and conforming changes. The terms contained therein superseded all prior iterations of the Reinstatement Plan.

The Reinstatement Plan was amended effective as of January 1, 2012 to reflect the change in the benefit formula under the Pension Plan from a 5-year final average pay formula to a 7-year final average pay formula.

The Reinstatement Plan was being amended effective January 1, 2017 to make certain administrative clarifications.

The Reinstatement Plan is being amended effective July 1, 2019 to provide that definition of “Pension Plan” includes Pension Plan of Public Service Enterprise Group Incorporated II.

Section 1. Definitions

When used herein, the words and phrases hereinafter defined shall have the following meanings unless a different meaning is clearly required by the context of the Reinstatement Plan:

1.1 “Affiliate” shall mean (a) any organization while it is a member of a controlled group of corporations (as defined in Section 414(b) of the Code) which includes PSEG; or (b) any trades or businesses (whether or not incorporated) while they are under common control (as defined in Section 414(c) of the Code) with PSEG.

1.2 “Beneficiary” shall mean any person or persons designated by a Participant who may become eligible to receive benefits provided under this Reinstatement Plan in the event of such Participant’s death.

1.3 “Benefit Commencement Date” shall mean the date that is the Participant’s last day worked plus one day.

1.4 “Board of Directors” or “Board” shall mean the Board of Directors of Public Service Enterprise Group Incorporated.

1.5 “Cash Balance Component” shall mean the Cash Balance Component of the Pension Plan”.

1.6 “Code” shall mean the Internal Revenue Code of 1986, as amended. A reference to a section of the Code shall also refer to any regulations and other guidance issued under that section.

1.7 “Company” shall mean Public Service Enterprise Group Incorporated and each Participating Affiliate.

1.8 “Compensation” with respect to any Participant shall mean base salary, bonuses (as described below) and overtime up to 20% of base salary. Compensation shall include amounts deferred to the Deferred Compensation Plan for Certain Employees of Public Service Enterprise Group Incorporated and its Affiliates (“Deferred Compensation Plan”). For the period prior to March 5, 2010, refer to the prior Reinstatement Plan document for the definition Compensation.

For purposes of calculating the Reinstatement Benefit payable to a Participant who is a participant in the Cash Balance Component, Compensation shall not include amounts paid prior to 2006 under the Management Incentive Compensation Plan (“MICP”) or the Senior Management Incentive Compensation Plan (“SMICP”). For Participants who are participants in the Cash Balance Component, Compensation for any such year shall not exceed 150 percent of the Participant’s annual base salary in effect as of January 1 of that year.

For clarification purposes, all bonuses paid under the PSEG Power LLC Incentive Compensation Program for PSEG Energy Resources & Trade LLC Employees (“ER&T Plan”), as limited hereunder, the Performance Incentive Plans (PIPs”) and the PSEG Power LLC Incentive Compensation Program for Certain Employees of PSEG Energy Solutions LLC

(“Energy Solutions Plan”) are included in Compensation, except those paid under the Long Island Electric Utility ServCo LLC Performance Incentive Plan.

Bonuses paid under the PIP, Energy Solutions Plan, MICP, SMICP and the ER&T Plan are included in Compensation only if the bonus is paid prior to the date of the Participant’s Separation from Service.

For the year in which the Participant is hired, the base salary in effect as of the date of hire shall be used. For Participants who are rehired, the base salary as of the date of rehire shall be used for determining Compensation of the year of the rehire.

1.9 “Employee” shall mean any individual in the employ of the Company who is not included within a unit of employees covered by a collective bargaining agreement. The term “Employee” shall not include a director of the Company who serves in no capacity other than as a director, a consultant or independent contractor doing work for the Company or a person employed by a consultant or independent contractor doing work for the Company or a Participating Affiliate (regardless of whether a determination is made by the Internal Revenue Service or other governmental agency or court after the individual is engaged to perform such services that the individual is an employee of the Company for the purposes of the Code or otherwise).

1.10 “Employee Benefits Committee” shall mean the Employee Benefits Committee of Public Service Enterprise Group Incorporated.

1.11 “Employee Benefits Policy Committee” shall mean the Employee Benefits Policy Committee of Public Service Enterprise Group Incorporated.

1.12 “ERISA” shall mean the Employee Retirement Income Security Act of 1974, as amended. A reference to a section of ERISA shall also refer to any regulations and other guidance issued under that section.

1.13 “Final Average Earnings” with respect to a Participant who is entitled to a benefit under the Final Average Pay Component:

- (a) And who incurs a Separation from Service before January 1, 2012, shall mean the annual average of the sum of:
 - (1) The Participant’s **highest** five years of Compensation, excluding any amounts received as an award under the MICP or the SMICP, without the application of the base pay cap in Section 1.8; and
 - (2) The MICP or SMICP awards for the five **most recent** bonus eligible years (including \$0 awards) prior to the Participant’s Separation from Service. If a Participant does not have at least five MICP/SMICP awards, the average shall be determined by using the number of bonus (including PIP bonuses, ER&T Plan bonuses and Energy Solutions Plan bonuses) eligible periods during the five most recent years.
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Notwithstanding the foregoing, Final Average Earnings shall not exceed 150 percent of the average of the Participant's annual base salary in effect as of January 1 for the five years prior to and including the year in which the Participant's Separation from Service occurs. However, for a Participant who receives an award under the ER&T Plan, Final Average Earnings shall not be less than their Final Average Earnings determined as of December 31, 2006 in accordance with the preceding paragraph, without applying the 150 percent cap in the preceding sentence.

Bonuses paid under the PIP, Energy Solutions Plan, MICP, SMICP and the ER&T Plan are included in Compensation only if the bonus is paid prior to the date of the Participant's Separation from Service.

- (b) With respect to a Participant who incurs a Separation from Service on or after January 1, 2012 and who is entitled to a benefit under the Final Average Pay Component, Final Average Earnings shall mean:
- (1) With respect to periods of service prior to January 1, 2012, Final Average Earnings shall be determined in accordance with subsection (a) above, except that Separation from Service shall be replaced with December 31, 2011.
 - (2) With respect to periods of service after December 31, 2011, the annual average of the sum, (i) the Participant's highest seven years of Compensation beginning after December 31, 2011, excluding any MICP and SMICP awards, and (ii) the MICP or SMICP awards for the seven **most recent** years (including \$0 awards) beginning after December 31, 2011 and prior to the Participant's Separation from Service, without the application of the base pay cap in Section 1.8. If a Participant does not have at least seven MICP/SMICP awards during the seven most recent years after 2011, the average shall be determined by using the number of bonus (including PIP bonuses, ER&T Plan bonuses and Energy Solutions Plan bonuses) eligible periods after 2011 during the seven most recent years.

Notwithstanding the foregoing, Final Average Earnings shall not exceed 150 percent of the average of the Participant's annual base salary in effect as of January 1 for the seven years prior to and including the year in which the Participant's Separation from Service occurs (the annual base salary prior to January 1, 2012 shall not be used in such determination).

Bonuses paid under the PIP, Energy Solutions Plan, MICP, SMICP and the ER&T Plan are included in Compensation only if the bonus is paid prior to the date of the Participant's Separation from Service.

1.14 “Final Average Pay Component” shall mean the Final Average Pay Component of the Pension Plan.

1.15 “Normal Retirement Date” shall mean the first day of the month coinciding with or next following a Participant’s attainment of age 65. In the case of a Participant who is still employed beyond age 65, Normal Retirement Date shall mean the first day of the month coinciding with or next following the date on which the Participant’s Separation from Service occurs.

1.16 “Participant” shall mean any Employee or former Employee of the Company who meets the requirements of Subsection 2.1 of the Reinstatement Plan.

1.17 “Participating Affiliate” shall mean any Affiliate of PSEG which (a) is the sponsor or a Participating Affiliate of the Qualified Plan; (b) adopts the Reinstatement Plan with the approval of the Board of Directors; (c) authorizes the Board of Directors and the Employee Benefits Committee to act for it in all matters arising under or with respect to the Reinstatement Plan; and (d) complies with such other terms and conditions relating to the Reinstatement Plan as may be imposed by the Board of Directors. Participating Affiliate shall not include Long Island Electric Utility ServCo LLC.

1.18 “Pension Plan” shall mean the Pension Plan of Public Service Enterprise Group Incorporated and each successor or replacement plan, and the Pension Plan of Public Service Enterprise Group Incorporated II and each successor or replacement plan.

1.19 “Qualified Benefit” shall mean the aggregate annual benefit payable to a Participant pursuant to the Qualified Plan, by reason of the Participant’s termination of employment with the Company and all Affiliates for any reason other than death.

1.20 “Qualified Plan” shall mean the Final Average Pay Component or the Cash Balance Component.

1.21 “Qualified Surviving Spouse Benefit” shall mean the aggregate annual benefit payable to the Surviving Spouse of a Participant pursuant to the Qualified Plan, as the case may be, in the event of the death of the Participant at any time prior to commencement of payment of the Qualified Benefit.

1.22 “Plan Year” shall mean the calendar year.

1.23 “Reinstatement Plan” shall mean this Retirement Income Reinstatement Plan for Non--Represented Employees of Public Service Enterprise Group Incorporated and its Affiliates.

1.24 “Retirement” shall be defined as follows:

- (a) In the case of a Participant who is a participant in the Final Average Pay Component, Retirement shall mean a Separation from Service either (1) after attaining age 65; (2) when the sum of the Participant’s age and credited service
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(as defined in the Final Average Pay Component) equals or exceeds 80, or (3) a disability determination under the Final Average Pay Component.

- (b) In the case of a Participant who is a participant in the Cash Balance Component, Retirement shall mean a Separation from Service after either (1) attaining age 65, (2) attaining age 55 and completing five or more years of credited service (as defined in the Cash Balance Component), or (3) a disability determination under the Cash Balance Component.

1.25 “Separation from Service” shall mean, subject to subsections (a) and (b), a Participant’s termination from employment with PSEG and all Affiliates, whether by retirement or resignation from or discharge by PSEG or an Affiliate.

- (a) A Separation from Service shall be deemed to have occurred if a Participant and PSEG or any Affiliate reasonably anticipates, based on the facts and circumstances, that either:
 - (1) The Participant will not provide any additional services for PSEG or an Affiliate after a certain date; or
 - (2) The level of bona fide services performed by the Participant after a certain date will permanently decrease to no more than 50 percent of the average level of bona fide services performed by the Participant over the immediately preceding 36 months.
- (b) If a Participant is absent from employment due to military leave, sick leave, or any other bona fide leave of absence authorized by PSEG or an Affiliate and there is a reasonable expectation that the Participant will return to perform services for PSEG or an Affiliate, a Separation from Service will not occur until the later of:
 - (1) The first date immediately following the date that is six months after the date that the Participant was first absent from employment; or
 - (2) The date the Participant no longer retains a right to reemployment, to the extent the Participant retains a right to reemployment with PSEG or any Affiliates under applicable law or by contract.

If a Participant fails to return to work upon the expiration of any military leave, sick leave, or other bona fide leave of absence where such leave is for less than six months, the Separation from Service shall occur as of the date of the expiration of such leave.

1.26 “SERP” shall mean the Supplemental Executive Retirement Income Plan for Non-Represented Employees of Public Service Enterprise Group Incorporated and Its Affiliates.

1.27 “Specified Employee” shall mean an individual who is a key employee (as defined in Section 416(i) of the Code without regard to Section 416(i)(5) of the Code) of PSEG or an Affiliate at any time during the 12-month period ending on each December 31 (the “identification date”). If an individual is a key employee as of an identification date, the individual shall be treated as a Specified Employee for the 12-month period beginning on the April 1 following the identification date. Notwithstanding the foregoing, an individual shall not be treated as a Specified Employee unless any stock of PSEG or an Affiliate is publicly traded on an established securities market or otherwise.

1.28 “Reinstatement Benefit” shall mean the benefit payable to a Participant pursuant to the Reinstatement Plan by reason of the Participant’s Separation from Service with PSEG and all Affiliates for any reason other than death.

1.29 “Surviving Spouse” shall mean a person who is married to a Participant at the date of the Participant’s death.

1.30 “Reinstatement Surviving Spouse Benefit” shall mean the benefit payable to a Surviving Spouse pursuant to the Reinstatement Plan.

Section 2. Eligibility

2.1 An Employee may be eligible for a Reinstatement Benefit under the Reinstatement Plan if:

- (a) For a Cash Balance Component participant, the Employee’s Compensation for a Plan Year is in excess of the Section 401(a)(17) limit for such Plan Year;
- (b) For a Final Average Pay Component participant, the Employee’s Compensation for a twelve month period used in the Final Average Earnings calculation is in excess of the Section 401(a)(17) limit for such twelve month period.
- (c) An Employee’s whose Qualified Benefit exceeds the limit under Section 415(b) of the Code.
- (d) An Employee who receives a bonus under the MICP or SMICP, or receives an ER&T Plan bonus above 150% of base pay.
- (e) An Employee who pursuant to an individual agreement receives additional years of service that is not taken into account under SERP.
- (f) Any other circumstances determined by PSEG.

2.2 The Surviving Spouse of a Participant who dies prior to commencement of payment of their Reinstatement Benefit shall be eligible to receive a Reinstatement Surviving Spouse Benefit under the Reinstatement Plan.

2.3 If a Participant was covered under a collective bargaining agreement prior to becoming an Employee, such Participant’s service, Compensation and Qualified Benefit prior to the date the Participant became an Employee shall not be taken into account for purposes of

benefit accrual under the Reinstatement Plan, but shall be taken into account for purposes of vesting and Retirement eligibility.

Section 3. Reinstatement Benefit

3.1 The Reinstatement Benefit payable to an eligible Participant shall be determined as follows:

- (a) A Participant in the Final Average Pay Component who incurs a Separation from Service and who is eligible for a Reinstatement Benefit shall be entitled to receive a benefit as of their Normal Retirement Date equal to the excess of (1) over (2) where:
 - (1) Is the amount of the Qualified Benefit to which the Participant would have been entitled under the Final Average Pay Component as of their Normal Retirement Date if such benefit were computed by applying the definition of Final Average Earnings under the Reinstatement Plan ; and
 - (2) Is the amount of the Participant's Qualified Benefit under the Final Average Pay Component as of their Normal Retirement Date.
 - (b) This Reinstatement Benefit shall be calculated as a single life annuity commencing on the Participant's Normal Retirement Date. If payment of a Participant's Reinstatement Benefit commences or is paid before their Normal Retirement Date, the benefit amount calculated pursuant to paragraph (a) or paragraph (b) shall be reduced for early commencement in accordance with the early retirement reduction factors applicable to calculation of the Participant's benefit under the Final Average Pay Component.
 - (c) Notwithstanding any other provision of the Reinstatement Plan to the contrary, the Reinstatement Benefit payable to Frederick W. Lark and Richard D. Quinn, III, shall be calculated as of December 31, 2008 and shall be paid commencing as of January 31, 2009.
 - (d) A Participant in the Cash Balance Component who is eligible for a Reinstatement Benefit shall be entitled to receive a benefit as of their Benefit Commencement Date equal to the excess of (1) over (2) where:
 - (1) Is the amount of the Qualified Benefit to which the Participant would be entitled under the Cash Balance Component as of their Benefit Commencement Date if such benefit were computed by applying the definition of Compensation under the Reinstatement Plan; and
 - (2) Is the amount of the Qualified Benefit payable to the Participant under the Cash Balance Component as of their Benefit Commencement Date.
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- (e) Notwithstanding any other provision of the Reinstatement Plan to the contrary, a Reinstatement Benefit shall be payable to a Participant in the Final Average Pay Component if the amount of the Participant's QSERP under the Qualified Plan is more than the sum of the Participant's Qualified Plan and Reinstatement Benefit, absent the QSERP. The amount of the Reinstatement Benefit is the difference between the QSERP amount and the sum of the Participant's Qualified Plan and Reinstatement Benefit, absent the QSERP.

1. The Reinstatement Benefit payable to a Participant shall be paid:

- (a) If the Participant's Separation from Service occurs prior to Retirement, the present value of their Reinstatement Benefit shall be paid in a single lump sum distribution (the lump sum amount shall be based on the deferred to age 65 lump sum factor);
- (b) Except as otherwise provided in paragraph (d), if the Participant's Separation from Service occurs on or after their Retirement, the Participant may elect to receive their Reinstatement Benefit in the form of a single life annuity or a joint and survivor annuity.
 - (1) The single life annuity option is an annuity providing equal monthly payments for the lifetime of the Participant with no survivor benefits.
 - (2) The joint and survivor annuity option is a reduced monthly benefit payable to the Participant for life and to a surviving named Beneficiary for the lifetime of the Beneficiary in an amount equal to 50 percent, 75 percent, or 100 percent (as elected by the Participant) of the amount payable during the Participant's lifetime. The pop-up rules under the Qualified Plan shall apply to the Reinstatement Benefit.
- (c) A Participant election as to an annuity form of payment pursuant to paragraph (b) shall also apply to any benefits payable to the Participant under the SERP. If a Participant fails to make a timely election, their Reinstatement Benefit shall be paid in the form of:
 - (1) A single life annuity, if they are not married as of their Benefit Commencement Date; or
 - (1) A 50 percent joint and survivor annuity with their spouse as Beneficiary, if they are married as of their Benefit Commencement Date. The pop-up rules under the Qualified Plan shall apply to the Reinstatement Benefit.

If a Participant elects a joint and survivor annuity, but their Beneficiary dies before the Participant's Benefit Commencement Date, the Participant's Reinstatement Benefit shall be paid in the form of a single life annuity unless the Participant validly elects a new form of payment pursuant to this subsection.

- (d) Notwithstanding paragraphs (b) and (c), if the Participant's total vested benefit under the Reinstatement Plan and the SERP, as presently valued at the time of commencement of the payment of such benefit, does not exceed \$30,000, their benefit under the Reinstatement Plan and the SERP shall be paid in a single lump sum distribution. If the Participant does not meet the criteria for Retirement, the lump sum amount shall be based on the deferred to age 65 lump sum factor. If the Participant does meet the criteria for Retirement, the lump sum amount shall be based on the immediate lump sum factor.

3.3 Except as otherwise provided in this subsection, payment of a Participant's Reinstatement Benefit shall commence or shall be paid within the 90-day period following Benefit Commencement Date, but in no event later than the last day permitted under Section 409A of the Code for treating a delayed payment as having been made on such payment date. Except as provided for below with respect to Specified Employees, if a Reinstatement Benefit is payable as a lump sum, no interest shall be paid to the Participant for the period between the Benefit Commencement Date and the actual payment date.

If the Participant is a Specified Employee, payment of the Participant's Reinstatement Benefit shall commence or shall be paid as of the last day of the month coinciding with or next following the six-month anniversary of the Participant's Separation from Service. In any case where the payment of benefits is delayed pursuant to this paragraph, the Participant's Reinstatement Benefit shall be calculated as of the Benefit Commencement Date. Any annuity payments to which the Participant would be entitled during the first six months after their Separation from Service shall be accumulated and paid to the Participant without interest as of the last day of the month coinciding with or next following the six-month anniversary of their Separation from Service. If the Participant's Reinstatement Benefit is payable in the form of a lump sum distribution, the benefit shall be increased with interest at the rate of:

- (a) The first segment rate as determined pursuant to Section 417(e)(3)(C) and (D) of the Code for the second month preceding the first day of the Plan Year in which the Separation from Service occurs; or
- (b) 6 percent, in the case of a Participant who is a participant in the Cash Balance Component.

Payment of the Participant's Reinstatement Benefit shall not be delayed or accelerated, except as provided in this subsection. If the Employee Benefits Committee determines that a delay or acceleration of a Participant's Reinstatement Benefit complies with the requirements of Section 409A of the Code (including an acceleration to pay employment taxes), the Employee Benefits Committee may either delay or accelerate the payment of the Reinstatement Benefit in accordance with the terms of Section 409A of the Code as it deems advisable in its sole discretion. If any payment is delayed in accordance with this paragraph, the Reinstatement Plan shall pay such delayed payments without interest following the expiration of the delay.

3.4 A Reinstatement Benefit which is payable in any form other than a single life annuity, shall be the actuarial equivalent of the Reinstatement Benefit set forth in Subsection 3.1

above as determined by the same actuarial adjustments as those specified in the Qualified Plan, as the case may be, with respect to determination of the amount of the Qualified Benefit as of the Benefit Commencement Date, except as otherwise necessary to comply with Section 409A of the Code.

3.5 If a Participant who is receiving annuity payments under the Reinstatement Plan is rehired, such annuity payments shall continue during the period of reemployment. If such Participant accrues an additional Reinstatement Benefit based on their rehired service, the additional Reinstatement Benefit shall be paid the same annuity form (or, if the Participant had elected a joint and annuity survivor annuity and the Beneficiary had died or the Participant was married and is no longer married on the second Benefit Commencement Date, an actuarially equivalent single life annuity).

If a Participant who received a lump sum from the Reinstatement Plan and was not retirement eligible at that time is rehired, and accrues an additional Reinstatement Benefit based on their rehired service, the additional accrual shall be paid in accordance with this Section 3, provided that the payment is in accordance with Section 409A of Code.

If a Participant who received a lump sum from the Reinstatement Plan and was retirement eligible at that time is rehired, and accrues an additional Reinstatement Benefit based on their rehired service, the additional accrual shall be paid in accordance with this Section 3, provided that the payment is in accordance with Section 409A of Code.

3.6 With respect to Participants who had a Separation from Service prior to January 1, 2005, the provisions of the Reinstatement Plan in effect on December 31, 2004 regarding the timing and form of payment of Reinstatement Benefits shall apply. The timing and form of payment of such Reinstatement Benefits are linked to the timing and form of payment of the Qualified Benefits. As such, the Reinstatement Plan is considered “grandfathered” under Section 409A of the Code.

Section 4. Reinstatement Surviving Spouse Benefit

4.1 If a Participant dies prior to commencement of payment of their Qualified Benefit under circumstances in which a Qualified Plan Surviving Spouse Benefit is payable to their Surviving Spouse, then a Reinstatement Surviving Spouse Benefit shall be payable to their Surviving Spouse as follows:

- (a) In the case of a Participant in the Final Average Pay Component, the Reinstatement Surviving Spouse Benefit shall be determined as of the Participant’s Normal Retirement Date equal to the excess of (1) over (2) where:
 - (1) Is the amount of the Qualified Plan Surviving Spouse Benefit to which the Surviving Spouse would have been entitled under the Final Average Pay Component if such benefit were computed by applying the definition of Final Average Earnings under the Reinstatement Plan; and
-

- (b) Is the amount of the Qualified Plan Surviving Spouse Benefit under the Final Average Pay Component.

The Reinstatement Surviving Spouse Benefit shall be calculated as a single life annuity commencing on the Participant's Normal Retirement Date. If payment of the Reinstatement Surviving Spouse Benefit commences or is paid before the Participant's Normal Retirement Date, the benefit amount calculated pursuant to this paragraph (a) shall be reduced for early commencement, if applicable, in accordance with the reduction factors applicable to calculation of a Qualified Plan Surviving Spouse Benefit.

- (a) In the case of a Participant in the Cash Balance Component, the Reinstatement Surviving Spouse Benefit shall be equal to the excess of (1) over (2) where:
- (1) Is the amount of the Qualified Plan Surviving Spouse Benefit to which the Surviving Spouse would be entitled under the Cash Balance Component as of the Participant's date of death if such benefit were computed by applying the definition of Compensation under the Reinstatement Plan; and
 - (2) Is the amount of the Qualified Plan Surviving Spouse Benefit actually payable to the Surviving Spouse under the Cash Balance Component as of the Participant's date of death.

4.2 The Reinstatement Surviving Spouse Benefit shall be paid as follows:

- (a) If the Participant's death occurs prior to Retirement, the present value of the Reinstatement Surviving Spouse Benefit shall be paid in a lump sum distribution.
- (b) If the Participant's death occurs on or after Retirement, the Reinstatement Surviving Spouse Benefit shall be payable over the lifetime of the Surviving Spouse in monthly installments until the Surviving Spouse's death. Notwithstanding the preceding sentence, if the present value of the total benefit payable to the Surviving Spouse under the Reinstatement Plan and the SERP does not exceed \$20,000, the benefit under the Reinstatement Plan and the SERP shall be paid in a lump sum distribution.

4.3 Payment of the Reinstatement Surviving Spouse Benefit shall commence or shall be paid within the 90-day period following the date of the death, but in no event later than the last day permitted under Section 409A of the Code for treating a delayed payment as having been made on such payment date.

Section 5. Administration of the Reinstatement Plan

5.1 The Employee Benefits Committee shall be the named fiduciary of the Reinstatement Plan responsible for the general operation and administration of the Reinstatement

Plan and for carrying out the provisions thereof. The Employee Benefits Committee shall have discretionary authority to construe the terms of the Reinstatement Plan.

5.2 The Employee Benefits Committee shall adopt such rules and procedures as it deems necessary and advisable to administer the Reinstatement Plan and to transact its business. Subject to the other requirements of this Section 5, the Employee Benefits Committee may:

- (a) Employ agents to carry out non-fiduciary responsibilities;
- (b) Employ agents to carry out fiduciary responsibilities (other than trustee responsibilities as defined in Section 405(c) (3) of ERISA);
- (c) Consult with counsel, who may be counsel to PSEG or an Affiliate; and
- (d) Provide for the allocation of fiduciary responsibilities (other than trustee responsibilities as defined in Section 405(c) (3) of ERISA) among its members.

However, any action described in paragraphs (b) or (d) above, and any modification or rescission of any such action, may be effected by the Employee Benefits Committee only by a resolution approved by a majority of the Employee Benefits Committee. The Employee Benefits Committee shall be entitled to rely conclusively upon all tables, valuations, certificates, opinions and reports furnished by any actuary, accountant, controller, counsel or other person employed or engaged by the Employee Benefits Committee with respect to the Reinstatement Plan.

5.3 The Employee Benefits Committee shall keep written minutes of all its proceedings, which shall be open to inspection by the Board of Directors. In the case of any decision by the Employee Benefits Committee with respect to a claim for benefits under the Reinstatement Plan, the Employee Benefits Committee shall include in its minutes a brief explanation of the grounds upon which such decision was based.

5.4 In performing their duties, the members of the Employee Benefits Committee shall act solely in the interest of the Participants in the Reinstatement Plan and their Beneficiaries and

- (a) For the exclusive purpose of providing benefits to Participants and their Beneficiaries;
- (b) With the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in like capacity and familiar with such matters would use in the conduct of an enterprise of alike character and with like aims; and
- (c) In accordance with the documents and instruments governing the Reinstatement Plan insofar as such documents and instruments are consistent with the provisions of Title I of ERISA.

5.5 In addition to any other duties the Employee Benefits Committee may have, the Employee Benefits Committee shall review the performance of all persons to whom the

Employee Benefits Committee shall have delegated or allocated fiduciary duties pursuant to the provisions of this Section 5.

5.6 The Company agrees to indemnify and reimburse, to the fullest extent permitted by law, members of the Employee Benefits Committee, directors and employees of PSEG and its Affiliates, and all such former members, directors and employees, for any and all expenses, liabilities or losses arising out of any act or omission relating to the rendition of services for or the management and administration of the Reinstatement Plan.

5.7 No member of the Employee Benefits Committee nor any delegee thereof shall be personally liable by virtue of any contract, agreement or other instrument made or executed by them or on their behalf in such capacity.

Section 6. Claims Procedure and Status Determination

6.1 Claims for benefits under the Reinstatement Plan and requests for a status determination shall be filed in writing with the Employee Benefits Committee or its delegee.

6.2 In the case of a claim for benefits, written notice shall be given to the claiming Participant or Beneficiary of the disposition of such claim, setting forth specific reasons for any denial of such claim in whole or in part. If a claim is denied in whole or in part, the notice shall state that such Participant or Beneficiary may, within sixty days of the receipt of such denial, request in writing that the decision denying the claim be reviewed by the Employee Benefits Committee and provide the Employee Benefits Committee with information in support of their position by submitting such information in writing to the Secretary of the Employee Benefits Committee.

6.3 The Employee Benefits Committee shall review each claim for benefits which has been denied in whole or in part and for which such review has been requested and shall notify, in writing, the affected Participant or Beneficiary of its decision and the reasons therefor.

6.4 In the case of a request for status determination, written notice shall be given to the requesting person within a reasonable time setting forth specific reasons for the decision.

Section 7. Amendment or Termination

7.1 PSEG reserves the right to amend or terminate the Reinstatement Plan when, in the sole opinion of PSEG, such amendment or termination is advisable. Any such amendment or termination shall be made pursuant to a resolution of the Board or of the Employee Benefits Policy Committee and shall be effective as provided for in such resolution.

7.2 No amendment or termination of the Reinstatement Plan shall directly or indirectly deprive any current or former Participant, Beneficiary or Surviving Spouse of all or any portion of any Reinstatement Benefit or Reinstatement Surviving Spouse Benefit payment which has commenced prior to the effective date of such amendment or termination or the right to which has accrued on such effective date.

7.3 In the event of a Reinstatement Plan termination, Reinstatement Benefits and Reinstatement Surviving Spouse Benefits shall be distributed in a single lump sum within 90 days after the date the Reinstatement Plan is terminated if such distribution is permitted because the Reinstatement Plan is terminated in accordance with the termination provisions of Section 409A of the Code and related regulations or, in other cases, at the earliest time otherwise permitted under the terms of the Reinstatement Plan in accordance with Section 409A of the Code and related regulations.

Section 8. General Provisions

8.1 The Reinstatement Plan at all times shall be entirely unfunded and no provision shall at any time be made with respect to segregating any assets of the Company or any Affiliate for payment of any benefits hereunder. No Participant, Beneficiary, Surviving Spouse or any other person shall have any interest in any particular assets of the Company or any Affiliate by reason of the right to receive a benefit under the Reinstatement Plan and any such Participant, Beneficiary, Surviving Spouse or other person shall have only the rights of a general unsecured creditor with respect to any rights under the Reinstatement Plan.

8.2 Except as otherwise expressly provided herein, all terms and conditions of the Qualified Plan applicable to a Qualified Benefit or a Qualified Plan Surviving Spouse Benefit shall also be applicable to a Reinstatement Benefit or a Reinstatement Surviving Spouse Benefits payable hereunder. Any Qualified Benefit Qualified Surviving Spouse Benefit, or any other benefit payable under the Qualified Plan, as the case may be, shall be paid solely in accordance with the terms and conditions of the Qualified Plan, as the case may be, and nothing in the Reinstatement Plan shall operate or be construed in any way to modify, amend or affect the terms and provisions of the Qualified Plan.

8.3 Nothing contained in the Reinstatement Plan shall constitute a guaranty by the Company or any other entity or person that the assets of PSEG or any Affiliate will be sufficient to pay any benefit hereunder.

8.4 No Participant or Surviving Spouse shall have any right to a benefit under the Reinstatement Plan except in accordance with the terms of the Reinstatement Plan. Establishment of the Reinstatement Plan shall not be construed to give any Participant the right to be retained in the service of PSEG or any Affiliate.

8.5 No interest of any person or entity in, or right to receive a benefit under, the Reinstatement Plan shall be subject in any manner to sale, transfer, assignment, pledge, attachment, garnishment or other alienation or encumbrance of any kind; nor any such interest or right to receive a benefits be taken, either voluntarily or involuntarily, for the satisfaction of the debts of, or other obligations or claims against, such person or entity, including claims for alimony, support, separate maintenance and claims in bankruptcy proceedings.

8.6 The Reinstatement Plan shall be construed and administered under the laws of the United States and the State of New Jersey to the extent not superseded by Federal law. The

Reinstatement Plan is specifically intended to comply with Section 409A of the Code and it shall automatically incorporate all applicable restrictions of Section 409A of the Code and its related regulations, and PSEG will amend the Reinstatement Plan to the extent necessary to comply with those requirements. The timing under which a Participant will have a right to receive any payment under the Reinstatement Plan will be deemed to be automatically modified, and a Participant's rights under the Reinstatement Plan limited to conform to any requirements under the Section 409A of the Code and its related regulations.

8.7 Actuarial assumptions to determine the present value of any benefit hereunder shall be the same as used to determine the present value of benefits under the Qualified Plan.

8.8 If any person entitled to a benefit payment under the Reinstatement Plan is deemed by the Employee Benefits Committee to be incapable of personally receiving and giving a valid receipt for such payment, then, unless and until claim therefor shall have been made by a duly appointed guardian or other legal representative of such person, the Employee Benefits Committee may provide for such payment or any part thereof to be made to any other person or institution then contributing toward or providing for the care and maintenance of such person. Any such payment shall be a payment for the account of such person and a complete discharge of any liability of the Company and the Reinstatement Plan therefor.

8.9 The Reinstatement Plan shall inure to the benefit of and be binding upon the Company, its successors and assigns, including but not limited to any corporation which may acquire all or substantially all of the Company's assets or businesses or with or into or which the Company may be consolidated or merged.

8.10 Each Participant shall keep the Company informed of their current address and the current address of their spouse. The Company shall not be obligated to search for the whereabouts of any person. If the location of a Participant is not made known to the Company within three (3) years after the date on which payment of the Reinstatement Benefit may first be made, payment may be made as though the Participant had died at the end of the three-year period. If, within one additional year after such three-year period has elapsed, or, within three years after the actual death of a Participant, the Company is unable to locate any Surviving Spouse of the Participant, then the Company shall have no further obligation to pay any benefit hereunder to such Participant or Surviving Spouse or any other person and such benefit shall be irrevocably forfeited.

8.11 Notwithstanding any of the preceding provisions of the Reinstatement Plan, none of the Company, the Employee Benefits Committee or any individual acting as an employee or agent of the Company or the Employee Benefits Committee shall be liable to any Participant, former Participant, Surviving Spouse or any other person for any claim, loss, liability or expense incurred in connection with the Reinstatement Plan.

Section 9. Miscellaneous

9.1 As used herein, words in the masculine gender shall include the feminine and the singular shall include the plural, and vice versa, unless otherwise required by the context. Any

headings used herein are included for ease of reference only and are not to be construed so as to alter the terms hereof.

* * *

/s/ Sheila Rostiac
Signature

10/09/19
Date

**KEY EXECUTIVE SEVERANCE PLAN OF
PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED**

Amended effective July 1, 2019

ARTICLE I

PURPOSE OF THE PLAN

- 1.1 Purpose. The Key Executive Severance Plan of Public Service Enterprise Group Incorporated (“Plan”) is maintained by the Company to provide severance benefits to certain key executive-level employees of the Company and its affiliates whose employment is terminated under the circumstances described herein. The Plan was amended and restated effective December 17, 2012.

The Plan was amended effective January 1, 2014 to provide that (i) for Eligible Employees who become Schedule B Participants after December 31, 2013, their Change in Control benefit under Section 5.2(b) of the Plan shall be equal to two times Annual Base Salary and Target Bonus, and (ii) for Eligible Employees who become Schedule A Participants after December 31, 2013, their Change in Control benefit under Section 5.2(b) of the Plan shall be equal to 1.5 times Annual Base Salary and Target Bonus. The Plan was further amended to provide that the for purposes of determining the nonqualified plan change in control benefit under Section 5.5(a) of the Plan, with respect to Eligible Employees who become Schedule A or Schedule B Participants after December 31, 2013, their employment shall be assumed to have continued for 1.5 or 2 additional years (for Schedule A Participants and Schedule B Participants, respectively). Finally, the Plan was amended to update the Schedule A Participant list.

The Plan was amended effective June 16, 2014 to (i) add a new class of eligible Participants, Schedule C Participants, (ii) to provide that there will be no additions to Schedule B Participants, (iii) to provide that other than a current Schedule B Participant, an Eligible Employee newly hired or promoted into a position reflected on Schedule B as of June 16, 2014, shall become a Schedule A Participant, and (iv) to update the Schedule A Participant list, the Schedule B Participant list and the Schedule C Participant list.

The Plan was amended effective July 14, 2014 to update the Schedule A Participant list and the Schedule C Participant list.

The Plan was amended effective February 17, 2015 to update the Schedule A Participant list, the Schedule B Participant list and the Schedule C Participant list.

The Plan was amended effective November 18, 2015 to update the Schedule A Participant list, the Schedule B Participant list and the Schedule C Participant list, and to include the language to comply with the Securities and Exchange Commission’s whistleblower protections.

The Plan was amended effective December 15, 2015 to update the Schedule A Participant list and the Schedule C Participant list.

The Plan was amended effective July 19, 2016 to update the Schedule A Participant list and the Schedule C Participant list. The Plan was amended to comply with the Defense of Trade Secrets Act regarding the confidentiality provision. Finally, the Plan was amended

to clarify that if an Eligible Employee is newly hired or promoted into a position reflected on Schedule B as of June 16, 2014, such Eligible Employee shall become a Schedule A Participant.

The Plan was amended effective November 14, 2016 to (i) revise the definition of Cause, (ii) align the severance benefits in Article IV, (iii) align the Change in Control benefits in Article V, (iv) update the Schedule A Participant list and the Schedule C Participant list, and (v) to make administrative clarifications. The Plan is intended to comply in operation and form with Section 409A of the Internal Revenue Code of 1986, as amended (“Code”). The timing and form of payment of benefits provided under the Plan will be deemed to be automatically modified, and a Participant’s rights under the Plan will be limited so as to conform to any requirements under Section 409A of the Code.

The Plan was amended effective February 20, 2017 to update the Schedule A Participant list.

The Plan was amended effective April 17, 2017 to update the Schedule A Participant list and the Schedule C Participant list.

The Plan was amended effective July 18, 2017 (unless otherwise noted) to update the Schedule A Participant list, the Schedule B Participant list and the Schedule C Participant list.

The Plan was amended effective November 20, 2017 to update the Schedule A Participant list, the Schedule B Participant list and the Schedule C Participant list.

The Plan was amended effective July 16, 2018 to update the Schedule A Participant list and the Schedule C Participant list and to make administrative clarifications.

The Plan was amended effective November 19, 2018 to update the Schedule A Participant list.

The Plan was amended effective February 18, 2019 to update the Schedule A Participant list and the Schedule C list, and to make administrative changes.

The Plan was amended effective April 15, 2019 to (i) remove the Participant lists (Schedules A - C) from the Plan, and (ii) provide that the Participant lists will be maintained by the Chief Human Resources Officer.

The Plan is being amended effective July 1, 2019 to provide that the definition of “Retirement Plan” includes Pension Plan of Public Service Enterprise Group Incorporated II and to make administrative clarifications.

ARTICLE II

DEFINITIONS

- 2.1 “Accrued Obligation” shall have the meaning set forth in Sections 4.2 and 5.2 of the Plan.

- 2.2 “Affiliate” means any corporation, trade or business if it or the Company are members of a controlled group of corporations, are under common control or are members of an affiliated service group within the meanings of Sections 414(b), 414(c) and 414(m), respectively, of the Code. The term “Affiliate” shall also include any other entity required to be aggregated with the Company pursuant to regulations under Section 414(o) of the Code.
- 2.3 “Annual Base Salary” means the annual rate of base salary payable to a Participant for services performed for an Employer, as in effect immediately prior to the Participant’s Date of Termination.
- 2.4 “Benefits 2000 Participant” means a Participant who is a participant in the Public Service Enterprise Group Incorporated Benefits 2000 Health and Welfare Benefits Plan.
- 2.5 “Board” means the board of directors of the Company.
- 2.6 “Cause” means:
- (a) For purposes of Article IV and Article V:
- (i) Misconduct, gross negligence, theft, or fraud against the Company, including an isolated incident that is determined by the Committee’s delegate to be material misconduct or material gross negligence;
 - (ii) For “Performance Reasons,” as defined in Section 2.20 of the Plan;
 - (iii) Material violation of the Standards of Integrity or other Company policy;
 - (iv) Insubordination, including an isolated incident that is determined by the Committee’s delegate to be material insubordination;
 - (v) One or more significant acts of dishonesty;
 - (vi) Any act that is likely to have the effect of injuring the reputation, business, or business relationship of, the Company, its Board of Directors, Officers, or employees, or its affiliates or subsidiaries;
 - (vii) Violation of any fiduciary duty, including an isolated incident that is determined by the Committee’s delegate to be a material violation;
 - (viii) Breach of any duty of loyalty including an isolated incident that is determined by the Committee’s delegate to be a material breach;
 - (ix) Any breach of the restrictive covenants contained in Exhibit I below;
 - (x) One or more acts of moral turpitude that constitute a violation of applicable law (included but not limited to a felony);
 - (xi) Conviction of a felony or plea of *nolo contendere* to a felony charge;
 - (xii) Pattern of behaviors that fail to meet the Company’s expectations described in “PSEG Values, Behaviors, and Leadership Competencies.” or

(xiii) Any other reason determined to be Cause by the Chief Executive Officer of the Company.

2.7 “Change in Control” means the occurrence of any of the following events:

- (a) Any “person” (within the meaning of Section 13(d) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) is or becomes the beneficial owner within the meaning of Rule 13d-3 under the Exchange Act (a “Beneficial Owner”), directly or indirectly, of securities of the Company (not including in the securities beneficially owned by such person any securities acquired directly from the Company or its Affiliates) representing 25% or more of the combined voting power of the Company’s then outstanding securities, excluding any person who becomes such a Beneficial Owner in connection with a transaction described in clause (i) of paragraph (c) below; or
- (b) The following individuals cease for any reason to constitute a majority of the number of directors of the Company then serving: individuals who, on the Effective Date, constitute the Board and any new director (other than a director whose initial assumption of office is in connection with an actual or threatened election contest, including but not limited to a consent solicitation, relating to the election of directors of the Company) whose appointment or election by the Board or nomination for election by the Company’s stockholders was approved or recommended by a vote of at least two-thirds of the directors then still in office who either were directors on the Effective Date or whose appointment, election or nomination for election was previously so approved or recommended; or
- (c) There is consummated a merger or consolidation of the Company or any direct or indirect wholly-owned subsidiary of the Company with any other corporation, other than (i) a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior to such merger or consolidation continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or any parent thereof), in combination with the ownership of any trustee or other fiduciary holding securities under an employee benefit plan of the Company or of its Affiliates, at least 75% of the combined voting power of the securities of the Company or such surviving entity or any parent thereof outstanding immediately after such merger or consolidation, or (ii) a merger or consolidation effected to implement a recapitalization of the Company (or similar transaction) in which no person is or becomes the Beneficial Owner, directly or indirectly, of securities of the Company representing 25% or more of the combined voting power of the Company’s then outstanding securities; or
- (d) The shareholders of the Company approve a plan of complete liquidation or dissolution of the Company or there is consummated an agreement for the sale or disposition by the Company of all or substantially all of the Company’s assets, other than a sale or disposition by the Company of all or substantially all of the Company’s assets to an entity, at least 75% of the combined voting power of the

voting securities of which are owned by stockholders of the Company in substantially the same proportions as their ownership of the Company immediately prior to such sale.

Notwithstanding the foregoing, a “Change in Control” shall not be deemed to have occurred by virtue of the consummation of any transaction or series of integrated transactions immediately following which the record holders of the common stock of the Company immediately prior to such transaction or series of transactions continue to have substantially the same proportionate ownership in an entity which owns all or substantially all of the assets of the Company immediately following such transaction or series of transactions.

- 2.8 “Class A Participant” means a Participant designated as a Class A Participant by the Committee.
- 2.9 “Class B Participant” means a Participant designated as a Class B Participant by the Committee.
- 2.10 “Class C Participant” means a Participant designated as a Class C Participant by the Committee.
- 2.11 “Code” means the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder.
- 2.12 “Committee” means the Organization and Compensation Committee of the Board or any successor of such Committee.
- 2.13 “Company” means Public Service Enterprise Group Incorporated and any successors thereto.
- 2.14 “Confidential Information” means all trade secrets, proprietary and confidential business information belonging to, used by, or in the possession of the Company or any of its Affiliates, including but not limited to information, knowledge or data related to business strategies, plans and financial information, mergers, acquisitions or consolidations, purchase or sale of property, leasing, pricing, sales programs or tactics, actual or past sellers, purchasers, lessees, lessors or customers, those with whom the Company or its Affiliates has begun negotiations for new business, costs, employee compensation, marketing and development plans, inventions and technology, whether such confidential information, knowledge or data is oral, written or electronically recorded or stored, except information in the public domain, information known by the Participant prior to employment with an Employer, and information received by the Participant from sources other than the Company or its Affiliates, without obligation of confidentiality.
- 2.15 “Date of Termination” means, provided that the termination constitutes a Separation from Service, (i) the date of a Participant’s death, (ii) the date on which the termination of the Participant’s employment by an Employer for Cause or without Cause, or (iii) the date on which the Participant terminates employment for Good Reason or without Good Reason, including Retirement and Disability.

- 2.16 “Disability” means (a) if the Participant is a participant in the Retirement Plan, the Participant is determined to be totally and permanently disabled by the Company’s medical director; or (ii) if the Participant is a participant in the Cash Balance Plan, the Participant is receiving benefits from the Company’s long-term disability plan.
- 2.17 “Eligible Employee” means an individual who is designated as such in accordance with Section 3.1. An Eligible Employee shall not include a “project employee.”
- 2.18 “Effective Date” of the amendment and restatement is July 1, 2019.
- 2.19 “Employer” means the Company and each Affiliate, and any successors thereto.
- 2.20 “Good Reason” means:
- (a) Any material reduction in the Participant’s Annual Base Salary, Target Bonus or Target Long-Term Incentive, other than reductions pursuant to a broad-based compensation reduction program or policy affecting the Participant and all similarly situated employees of the Employer. Notwithstanding the foregoing, this Subsection (a) shall not apply if the Participant moves into a position with ER&T;
 - (b) Any material adverse change in the Participant’s title, authority, duties, or responsibilities or the assignment to the Participant of any duties or responsibilities inconsistent in any respect with those customarily associated with the position of the Participant immediately prior to the Change in Control. Notwithstanding the foregoing, this Subsection (b) shall not apply if the Participant moves into a position with ER&T;
 - (c) The failure of any successor to the Company to assume this Plan in accordance with Section 11.5(b);
 - (d) Where the only comparable position offered to the Participant within the Employer following a Change in Control would otherwise meet the requirements of Subsections (a) and (b) of this Section 2.17 of the Plan, but would require the Participant to increase their one-way commuting distance from their principal residence by more than 50 miles; or
 - (e) Any other material breach of the terms of the Plan by the Company that either is not taken in good faith or, even if taken in good faith, is not remedied by the Company promptly after receipt of notice thereof from the Participant.

Notwithstanding the foregoing, for purposes of the Plan, the termination of a Participant’s employment with an Employer shall not be deemed to be for Good Reason unless such termination is effected in accordance with the following procedures. The Participant shall give the Employer a written notice (“Notice of Termination for Good Reason”) of the termination, setting forth in reasonable detail the specific acts or omissions of the Employer that constitute Good Reason and the specific provision(s) of the Plan on which the Participant relies. Unless the Committee determines otherwise, a Notice of Termination for Good Reason by the Participant must be made within 60 days after the Participant first has

actual knowledge of the act or omission (or the last in a series of acts or omissions) that the Participant alleges to constitute Good Reason, and the Employer shall have 30 days from the receipt of such Notice of Termination for Good Reason to cure the conduct cited therein. A termination of employment by the Participant for Good Reason shall be effective on the final day of such 30-day cure period unless prior to such time the Employer has cured the specific conduct asserted by the Participant to constitute Good Reason to the reasonable satisfaction of the Participant.

For purposes of the Plan, a Participant's determination that an act or failure to act constitutes Good Reason shall be presumed to be valid unless such determination is decided to be unreasonable by the Committee or its delegate pursuant to Article IX.

- 2.21 "Nonqualified Plan" means the Retirement Income Reinstatement Plan for Non-Represented Employees of Public Service Enterprise Group Incorporated.
- 2.22 "Participant" means an Eligible Employee who has been designated by the Committee to participate in the Plan.
- 2.23 "Performance Reasons" means the Participant's failure meet the expectations established for such Participant's function in the Company as: (i) communicated to the Participant by their manager during any performance review, or (ii) may be communicated to the Participant otherwise by their manager from time to time either orally or in writing.
- 2.24 "Plan" means this Key Executive Severance Plan of Public Service Enterprise Group Incorporated, as set forth herein and as may be amended, modified or supplemented from time to time.
- 2.25 "Prior Equity Awards" means outstanding stock options, stock appreciation rights, restricted stock, restricted stock units, performance shares and performance shares units.
- 2.26 "Retiree Medical Plan" means the Public Service Enterprise Group Incorporated Medical Benefits Plan for Retired Employees.
- 2.27 "Retirement" means a Separation from Service after the Participant has satisfied the eligibility requirements for early or normal retirement under the terms of the Retirement Plan in which the Participant participates. Notwithstanding the foregoing, for the purposes of determining benefit entitlements under Article V of the Plan, Retirement shall not include forced retirements or any termination by an Employer without Cause or voluntary termination by the Participant for Good Reason that occurs on a date on which the Participant is Retirement eligible.
- 2.28 "Retirement Plan" means the retirement plan in which the Participant participates, which is either the Pension Plan of Public Service Enterprise Group Incorporated or Pension Plan of Public Service Enterprise Group Incorporated II.
- 2.29 "Selectline Participant" means a Participant who is a participant in the Public Service Enterprise Group Incorporated Selectline Benefits Plan.

- 2.30 “Separation from Service” shall be deemed to have occurred if a Participant and the Company or any Affiliate reasonably anticipates, based on the facts and circumstances, that either:
- (a) The Participant will not provide any additional services for the Company or an Affiliate after a certain date; or
 - (b) The level of bona fide services performed by the Participant after a certain date will permanently decrease to no more than 50 percent of the average level of bona fide services performed by the Participant over the immediately preceding 36 months.
- If a Participant is absent from employment due to military leave, sick leave or any other bona fide leave of absence authorized by the Company or an Affiliate and there is a reasonable expectation that the Participant will return to perform services for the Company or an Affiliate, a Separation from Service will not occur until the later of: (i) the first date immediately following the date that is six months after the date that the Participant was first absent from employment; or (ii) the date the Participant no longer retains a right to reemployment, to the extent the Participant retains a right to reemployment with the Company or any Affiliates under applicable law or by contract. If a Participant fails to return to work upon the expiration of any military leave, sick leave or other bona fide leave of absence where such leave is for less than six months, the Separation from Service shall occur as of the date of the expiration of such leave, unless a greater period is provided for under applicable law.
- 2.31 “Specified Employee” means any individual who is a key employee (as defined in Section 416(i) of the Code without regard to Section 416(i)(5) of the Code) of the Company at any time during the 12-month period ending on each December 31 (the “identification date”). If an individual is a key employee as of an identification date, the individual shall be treated as a Specified Employee for the 12-month period beginning on the April 1 following the identification date. Notwithstanding the foregoing, an individual shall not be treated as a Specified Employee unless any stock of the Company or an Affiliate is publicly traded on an established securities market or otherwise.
- 2.32 “Target Bonus” means the Participant’s target annual bonus, if any, under the applicable annual incentive compensation plan of the Company for the fiscal year in which the Date of Termination occurs.
- 2.33 “Target Long-Term Incentive” means the Participant’s target long-term incentive award, if any, under the applicable long-term incentive compensation plan of the Company.

ARTICLE III

ELIGIBILITY AND PARTICIPATION

- 3.1 Eligible Employees. Eligibility to participate in the Plan shall be limited to certain key executives of an Employer who (a) are not parties to individual employment or change in control agreements that provide for severance benefits, and (b) are designated, by duly adopted resolution of the Committee, as Eligible Employees.

- 3.2 Participation. An employee who becomes an Eligible Employee on or after January 1, 2014 shall be referred to as a Class C Participant. However, if an Eligible Employee is newly hired or promoted into one of the following positions (Chairman of the Board, President and CEO, President & COO - PSEG Power, EVP & General Counsel, EVP & CFO, PSEG, President & COO, PSE&G and COB, PSEGLI), the Eligible Employee shall be referred to as a Class A Participant. The Participant lists of Class A Participants, Class B Participants and Class C Participants shall be maintained by the Chief Human Resources Officer.
- 3.3 Release of Claims. Notwithstanding anything in the Plan to the contrary, payment of any benefits under the Plan is expressly contingent upon the Participant's execution and delivery to the Company, within 30 days after the Participant's Date of Termination, of a written agreement provided by the Company, wherein the Participant releases and discharges the Company and each of its Affiliates of any and all claims against the Company and its Affiliates related in any way to the Participant's employment with an Employer and the termination of such employment.
- 3.4 Committee Discretion. The Committee shall have the sole discretion to determine eligibility for benefits under the Plan.

ARTICLE IV

SEVERANCE BENEFITS IN GENERAL

- 4.1 Eligible Terminations. If a Participant's employment is involuntarily terminated by an Employer for any reason other than Cause, the Participant shall be eligible for the benefits described in this Article IV.

If a Participant terminates employment for Good Reason, other than in connection with a change in employment on account of Performance Reasons, the Participant shall be eligible for the benefits described in this Article IV.

If a Participant experiences a cessation of employment in connection with a reduction in force or an Employer reorganization (as determined by the Committee) where the only position offered to the Participant within the Company and Affiliates would require the Participant to increase their one-way commuting distance by more than 50 miles, the Participant shall be eligible for benefits described in this Article IV.

For the avoidance of any doubt, a Participant shall not be entitled to benefits under the Plan if termination from employment is the result of death, Disability, the Participant voluntarily terminates employment, except for Good Reason other than in connection with a change in employment on account of Performance Reasons. Also, the Participant shall not be entitled to benefits under the Plan if the Participant's cessation of employment is in connection with the sale of the Participant's Employer, line or unit of business of the Employer within which the Participant's position is located, business function of the Employer within which the Participant's position is located, or the assets related to the Employer, line or unit or business, or business function within which the Participant's position is located, and the Participant accepts employment with the purchaser within 90

days of the closing of the transaction in a position that has an annual rate of base salary that is at least 80 percent of the Participant's annual rate of base salary immediately prior to the closing of the sale.

If a Participant enters into a Voluntary Separation Agreement ("VSA") with an Employer, such Participant shall not be eligible for benefits under the Plan.

- 4.2 Cash payment. The Company shall pay to the Participant a lump sum, in cash, the sum of (a) and (b):
- (a) The Participant's base salary through the Date of Termination to the extent not theretofore paid (hereinafter referred to as the "Accrued Obligations"); and
 - (b) An amount equal to the product of 1.0 times (0.5 times if the Participant were employed less than one year) the sum of the Participant's Annual Base Salary and Target Bonus.
- 4.3 Long-Term Incentive Awards. The treatment of Prior Equity Awards shall be governed by the terms of the Long-Term Incentive Plan and the related award agreements.
- 4.4 Annual Incentive Awards. The Participant shall receive a prorated annual incentive award pursuant to the performance incentive program, if applicable, for the calendar year in which the Participant's Termination of Employment occurs. The award shall be calculated based solely on 100 percent of the target incentive award and prorated based on the number of calendar days of employment in the calendar year in which the Participant's termination occurs through the Participant's Date of Termination. For purposes of this Section 4.4, calendar year shall mean 365 days.
- Annual incentive awards with respect to the calendar year in which a Participant's Date of Termination occurs will be paid at the same time as awards for such calendar year are paid to active employees of the Employer.
- 4.5 Outplacement Services. Outplacement services approved by the Committee, which may include individual or group counseling and administrative assistance or workshops, shall be available beginning on the Participant's Date of Termination or such earlier date designated by the Participant's business unit leadership. Outplacement services shall continue to be available for the period up to 12 months and up to a maximum Company cost of \$25,000.
- 4.6 Educational Assistance. Educational assistance shall be provided in accordance with the Employer's tuition program.
- 4.7 Health Care Benefits.
- (a) Medical Coverage for Selectline Participants.
 - (i) A Selectline Participant who has satisfied the eligibility requirements for medical coverage under the Retiree Medical Plan on the Date of

Termination shall be eligible to elect coverage thereunder in accordance with the terms of the Retiree Medical Plan.

- (ii) A Selectline Participant who has not otherwise satisfied the eligibility criteria for participation in the Retiree Medical Plan prior to the Date of Termination, shall be eligible to elect coverage under the Retiree Medical Plan as though such Selectline Participant has otherwise satisfied the eligibility requirements if:
 - (A) The Selectline Participant has attained age 50 and completed ten or more Years of Service as of the Date of Termination but the sum of the Selectline Participant's age and Years of Service is less than 80; or
 - (B) The Selectline Participant has attained age 49 and completed 20 or more Years of Service as of the Date of Termination but the sum of the Selectline Participant's age and Years of Service is less than 80.

Such coverage shall commence no earlier than the Selectline Participant's Date of Termination. The Selectline Participant shall be charged the full cost of coverage under the Retiree Medical Plan.

- (iii) If a Selectline Participant who is not eligible for, or does not elect, coverage under the Retiree Medical Plan, timely elects continuation coverage under the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended ("COBRA"), the Employer shall pay the same portion of the cost of medical and/or dental coverage that it paid immediately prior to the Selectline Participant's Date of Termination for active employees during the one-year period following the Selectline Participant's Date of Termination. During the one-year period, the Participant shall pay the difference between the total cost of medical and/or dental coverage and the Employer's portion of the cost. After the expiration of the one-year period, the Selectline Participant shall be charged the COBRA rate for medical and/or dental coverage for the remainder of the COBRA period. If the Participant does not timely elect COBRA medical and/or dental coverage, the Participant shall not be entitled to the benefit under this Subsection (iii). Following the one-year period, the Selectline Participant shall not be permitted to elect coverage, or be covered, under the Retiree Medical Plan. During the entire COBRA period, the Selectline Participant shall be responsible for the full cost of COBRA vision and hearing coverage, as applicable.

- (b) Medical Coverage for Benefits 2000 Participants. If a Benefits 2000 Participant who is not eligible for, or does not elect, coverage under the Retiree Plan, timely elects COBRA continuation medical and/or dental coverage, the Employer shall pay the same portion of the cost of medical and/or dental coverage that it paid immediately prior to the Participant's Date of Termination for active employees during the one-year period following the Participant's Date of Termination. During the one-year period, the Participant shall pay the difference between the total cost of medical and/or dental coverage and the Employer's portion of the cost. After the

expiration of the one-year period, the Benefits 2000 Participant shall be charged the COBRA rate for medical and/or dental coverage for the remainder of the COBRA period. If the Participant does not timely elect COBRA medical and/or dental coverage, the Participant shall not be entitled to the benefit under this Subsection (b). Following the one-year period, the Benefits 2000 Participant shall not be permitted to elect coverage, or be covered, under the Retiree Medical Plan. During the entire COBRA period, the Benefits 2000 Participant shall be responsible for the full cost of COBRA vision.

- 4.8 Other Benefits. A Participant shall not be entitled to any severance, separation or early retirement incentive pay or benefits other than as provided hereunder or under any qualified or nonqualified retirement plan or deferred compensation arrangement maintained by the Employer. Except as provided in the foregoing sentence, a Participant's rights under any other employee benefit plans maintained by the Company or an Affiliate shall be determined in accordance with the provisions of such plans, including the Company's right to amend or terminate such plans at any time.

ARTICLE V

SEVERANCE BENEFITS AFTER A CHANGE IN CONTROL

- 5.1 Eligible Terminations After a Change in Control. If, within two years following the occurrence of a Change in Control, either (a) an Employer shall terminate a Participant's employment for any reason other than for Cause, or (b) a Participant shall voluntarily terminate employment for Good Reason, the Participant shall be eligible for benefits described in this Article V of the Plan. Notwithstanding anything in the Plan to the contrary, a Participant shall not be entitled to benefits under the Plan if termination from employment is the result of death, Disability or the Participant voluntarily terminates employment, except for Good Reason and except as otherwise provided under the Plan.

If a Participant enters into a VSA with an Employer, such Participant shall not be eligible for benefits under the Plan.

- 5.2 Cash Payment. The Company shall pay to the Participant, in a lump sum in cash, the aggregate of the amounts in (a) and (b) below:

- (a) The sum of:

- (i) The Participant's base salary through the Date of Termination; and
 - (ii) The product of (x) the Participant's Target Bonus and (y) a fraction, the numerator of which is the number of days in the current calendar year through the Date of Termination, and the denominator of which is 365;
- in each case to the extent not theretofore paid (the sum of the amounts described in clauses (i) and (ii) shall be hereinafter referred to as the "Accrued Obligations"); and

- (b) Either (i), (ii) or (iii):

- (i) In the case of a Class A Participant, the amount equal to the product of two times the sum of the Class A Participant's Annual Base Salary and Target Bonus;
- (ii) In the case of a Class B Participant, the amount equal to the product of three times the sum of the Class B Participant's Annual Base Salary and Target Bonus; or
- (iii) In the case of a Class C Participant, the amount equal to the product of one and one-half times the sum of the Class C Participant's Annual Base Salary and Target Bonus.

5.3 Long Term Incentive Awards. The treatment of Prior Equity Awards shall be governed by the terms of the Long-Term Incentive Plan and the related award agreements.

5.4 Health Care and Other Welfare Benefits. The Company shall pay the cost of the continued coverage of the Participant and/or the Participant's family under the Company's medical and dental employee benefit plans for 18 months after the Date of Termination provided that the Participant timely makes an election to continue such coverage in the Company's medical and dental employee benefit plans under COBRA, subject to the requirements and limitations thereof. Unless otherwise limited by applicable law, thereafter, the Company shall pay the cost of the continued coverage of the Participant and/or the Participant's family under the Company's medical and dental employee benefit plans for an additional period of six months, in the case of a Class A Participant, or 18 months, in the case of a Class B Participant (for a Class C Participant, no additional period beyond the initial 18 months); provided however, that if the Participant becomes re-employed with another employer and is eligible to receive medical or dental benefits under another employer provided plan, the medical and dental benefits provided by the Company under this Plan shall be secondary to those provided under such other plan during the applicable period of eligibility. If the Participant does not timely elect COBRA coverage, the Participant shall not be entitled to the COBRA continuation benefit under this Section 5.4 of the Plan.

Unless otherwise limited by applicable law or by a third-party vendor contract, for two years after the Date of Termination in the case of a Class A Participant, three years after the Date of Termination in the case of a Class B Participant, or in the case of a Class C Participant, eighteen months after the Date of Termination (or for any Participant such longer period as may be provided by the terms of the appropriate plan, program, practice or policy), the Company shall continue benefits (other than medical and dental benefits) to the Participant and/or the Participant's family at least equal to those which would have been provided to them in accordance with the welfare plans, programs, practices and policies maintained by the Company if the Participant's employment had not been terminated or, if more favorable to the Participant, as in effect generally at any time thereafter with respect to other peer executives of the Employer and their families.

Unless otherwise limited by applicable law or by a third-party vendor contract, the Participant's eligibility (but not the time of commencement of such benefits) for retiree benefits pursuant to the welfare plans, programs, practices and policies maintained by the Company shall be determined as if the Participant had (A) remained employed until two

years (in the case of a Class A Participant), three years (in the case of a Class B Participant), or eighteen months (in the case of a Class C Participant) after the Date of Termination and (B) retired on the last day of such period.

- 5.5 Nonqualified Pension Benefit. The Participant shall be paid, in a lump sum payment in cash, an amount equal to the excess of (a) - (b):
- (a) The actuarial equivalent of the benefit under the Company's applicable Retirement Plan (utilizing the rate used to determine lump sums and, to the extent applicable, other actuarial assumptions no less favorable to the Participant than those in effect under the Retirement Plan immediately prior to the Effective Date), any benefit under the Nonqualified Plan and, to the extent applicable, any other defined benefit retirement arrangement between the Participant and the Company ("Other Pension Benefits") which the Participant would receive if the Participant's employment continued for two, three or one and one-half additional years (for Class A Participants, Class B and Class C Participants, respectively) beyond the Date of Termination and, assuming that the Participant's compensation for such deemed additional period was the Participant's Annual Base Salary as in effect immediately prior to the Date of Termination and assuming a bonus in each year during such deemed additional period equal to the Target Bonus,
 - (b) The actuarial equivalent of the Participant's actual benefit (paid or payable), if any, under the Retirement Plan, the Nonqualified Plan and Other Pension Benefits as of the Date of Termination (utilizing the rate used to determine lump sums and, to the extent applicable, other actuarial assumptions no less favorable to the Participant than those in effect under the Retirement Plan immediately prior to the effective date of the Change in Control).
- 5.6 Deferred Compensation. Any compensation previously deferred (other than pursuant to a tax-qualified plan) by or on behalf of the Participant (together with any accrued interest or earnings thereon), whether or not then vested, shall become vested on the Date of Termination and shall be paid in accordance with the terms of the applicable deferred compensation plan, policy or practice under which it was deferred to the extent permitted by Section 409A of the Code.
- 5.7 Outplacement Services. The Company shall, at its sole expense as incurred, provide the Participant with outplacement services suitable to the Participant's position for a period not to exceed one year following the Date of Termination with a nationally recognized outplacement firm and up to a maximum Company cost of \$25,000.
- 5.8 Other Benefits. To the extent not theretofore paid or provided, the Company shall pay or provide to the Participant any other amounts or benefits required to be paid or provided or which the Participant is entitled to receive under any plan, program, policy, practice, contract or agreement of the Company (or other Employer), including earned but unpaid stock and similar compensation, but excluding medical or dental benefits if the Participant is eligible for such benefits to be provided by a subsequent employer, and benefits payable under any severance plan or policy. For the one year period following the Participant's

Date of Termination, the Company will pay the cost of the Participant's life insurance coverage.

- 5.9 Termination By Employer For Cause or By Participant Other Than For Good Reason. If, at any time after a Change in Control, either (a) an Employer shall terminate a participant's employment for Cause or (b) the Participant shall voluntarily terminate employment other than for Good Reason, the Employer shall have no further payment obligations to the Participant other than for the Participant's base salary through the Date of Termination and any accrued but unpaid vacation pay. In such case, all such amounts shall be paid to the Participant in a lump sum in accordance with Section 6.1 of the Plan.
- 5.10 Death. If a Participant's employment terminates by reason of the Participant's death after a Change in Control, all Accrued Obligations as of the time of death shall be paid to the Participant's estate or beneficiary, as applicable, in a lump sum in cash in accordance with Section 6.1 of the Plan. The Participant's estate or beneficiary shall be entitled to any Other Benefits in accordance with their terms. The treatment of Prior Equity Awards shall be governed by the terms of the Long-Term Incentive Plan and the related award agreements.
- 5.11 Disability. If a Participant's employment is terminated by reason of Disability after a Change in Control, all Accrued Obligations shall be paid to the Participant in a lump sum in cash in accordance with Section 6.1 of the Plan. The treatment of Prior Equity Awards shall be governed by the terms of the Long-Term Incentive Plan and the related award agreements.
- 5.12 Retirement. If a Participant's employment terminates as a result of Retirement after a Change in Control, the Participant shall be paid the Accrued Obligations in a lump sum in cash in accordance with Section 6.1 of the Plan and the Participant shall be entitled to any Other Benefits in accordance with their terms. The treatment of Prior Equity Awards shall be governed by the terms of the Long-Term Incentive Plan and the related award agreements.

ARTICLE VI

TIMING OF, LIMITATIONS ON AND ADJUSTMENTS TO PLAN PAYMENTS

- 6.1 Time of Payments. Payments under the Plan shall be made to the Participant as follows:
- (b) With respect to benefits, except those under Sections 4.4 and 5.10 of the Plan, payment to a Participant who is not a Specified Employee shall be made within the 60-day period following the Participant's Date of Termination. However, if the period to consider and revoke the written agreement required to receive the benefits described in Articles IV and V of the Plan (i.e., the waiver and release) spans two taxable years, in all events the payments will be made in the second taxable year within 30 days following the later of the end of the first taxable year or the date the executed release is received by the Company.
 - (c) With respect to benefits under Section 5.10 of the Plan, payment shall be made within the 60-day period following the Participant's date of the Participant's death.

- (d) With respect to benefits under Section 4.4 of the Plan, payments shall be made to the Participant at the same time the payments are made to active employees.
- (e) Notwithstanding anything to the contrary in the Plan, to the extent necessary to comply with Section 409A of the Code, payments to a Participant who is a Specified Employee shall be made within the 60-day period following the six-month anniversary of the Participant's Date of Termination (other than by reason of death).
- (f) All payments under the Plan that are reimbursements of covered expenses incurred by the Participant shall be made within the taxable year in which the expense is incurred.

6.2 Payment Offsets. Notwithstanding anything in the Plan to the contrary, in the event a Participant is entitled to receive severance payments both under this Plan and under the terms of either (a) an individual change of control or employment agreement, (b) another severance pay plan or policy of an Employer or (c) any existing or future law or regulation, the benefits payable under this Plan shall be reduced by the amount of any severance benefits such Participant is entitled to receive under such individual agreement, plan, policy, law or regulation.

6.3 Cap on Excess Parachute Payments; Gross-Up Payments. Notwithstanding anything in the Plan to the contrary, if (a) a Participant is a "disqualified individual" (as defined in Section 280G(c) of the Code) and (b) the severance benefits provided under Articles IV or V, as applicable, together with any other payments the Participant has the right to receive from an Employer, would constitute a "parachute payment" (as defined in Section 280G(b) of the Code) ("Parachute Payments"), the following provisions shall apply:

- (a) The severance benefits under Articles IV or V shall not exceed an amount which, together with any other Parachute Payments, the Participant has a right to receive from the Employer, would be 2.99 times the Participant's "base amount" (as defined in Section 280G of the Code) so that no portion of the amounts received by the Participant shall be subject to the excise tax imposed under Section 4999 of the Code.
- (b) The determination of whether any limitation on the severance benefits payable under Articles IV or V is necessary shall be made by the Company's independent auditor or such other certified public accounting firm as may be jointly designated by the Participant and the Company (the "Accounting Firm"), which shall provide detailed supporting calculations to the Participant and the Company. The determinations of the Accounting Firm shall be conclusive and binding on the Company and the Participant. All fees and expenses of the Accounting Firm shall be borne solely by the Company.
- (c) If through error or otherwise, a Participant shall receive payments under the Plan, together with other Parachute Payments the Participant has the right to receive from an Employer, in excess of 2.99 times the Participant's base amount, the Participant

shall immediately repay the excess to the Employer upon notification from the Employer that an overpayment has been made. If the Participant fails to repay the excess to the Employer within 10 business days of the date of the Employer's notification, the Participant will become liable to the Employer for an amount equal to two (2) times the excess amount.

- 6.4 Compliance with Section 409A of the Code. Notwithstanding anything in the Plan to the contrary, all Plan benefit obligations and payments are subject to Section 409A of the Code. To the extent required, the Company may modify the severance benefits payable hereunder to comply with Section 409A of the Code; provided, however, that the present value of the aggregate Plan benefits payable to a Participant after such modification shall not be less than the present value of the Plan benefits payable to the Participant prior to the modification.
- 6.5 Tax Withholding. Notwithstanding any other provision of this Plan, the Company may withhold from any amounts payable under this Plan such Federal, state, local, employment or foreign taxes as shall be required to be withheld pursuant to any applicable law or regulation.

ARTICLE VII

RESTRICTIVE COVENANTS

- 7.1 Confidentiality. As a condition to participation in the Plan, each Participant agrees to hold in a fiduciary capacity for the benefit of the Company and its Affiliates all Confidential Information which shall have been obtained by the Participant during the Participant's employment by the Employer; except, however, that this Section 7.1 shall not apply to Confidential Information that is or becomes public knowledge, unless such Confidential Information became or becomes public knowledge due to acts of the Participant or representatives of the Participant in violation of this Section 7.1. Upon termination of the Participant's employment, the Participant shall return to the Company all Confidential Information in their possession. After termination of the Participant's employment with the Employer, the Participant shall not, without the prior written consent of the Company or as may otherwise be required by law or legal process, communicate or divulge any such Confidential Information to anyone other than the Company and those designated by it, except (a) otherwise publicly available information, (b) as may be necessary to enforce the Participant's rights under the Plan or as necessary for the Participant to defend against a claim asserted directly or indirectly by the Company or its Affiliates, or (c) as may be compelled by service of a valid subpoena or other legal process (if the Participant is served with a valid subpoena or other legal process, the Participant must so notify the Company within three business days). Furthermore, nothing contained in this Plan prevents a Participant from disclosing without notice to the Company any perceived violation of law to any Federal, state, or local governmental agency or entity including, but not limited to, the Securities and Exchange Commission, or making other disclosures that are protected under the whistleblower provisions of any law. Finally, nothing in this Plan prevents a Participant - nor should a Participant be held civilly or criminally liable under any law - if the Participant discloses a trade secret: (a) in confidence to a Federal, State or local

government official, either directly or indirectly, or to an attorney solely for the purpose of reporting or investigating a suspected violation of law; (b) in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal; (c) to the Participant's attorney in connection with a lawsuit alleging retaliation by an employer for reporting a suspected violation of law; or (d) in connection with a lawsuit described in the immediately preceding subparagraph (c), provided the Participant: (i) files any document containing the trade secret under seal; and (ii) does not disclose the trade secret, except pursuant to a court order. Unless and until a determination has been made in accordance with Section 7.4 that the Participant has violated this Section 7.1, an asserted violation of the provisions of this Section 7.1 shall not constitute a basis for deferring or withholding any amounts otherwise payable to the Participant under the Plan.

- 7.2 Non-Compete. As a condition to participation in the Plan, each Participant agrees that in the event the Participant voluntarily terminates employment other than for Good Reason, for the period of one year from Date of Termination, the Participant will not, without the written consent of the Company, directly or indirectly own, manage, operate, join, control, become employed by, consult to or participate in the ownership, management, or control of any business which is in direct competition with the Company or its Affiliates.
- 7.3 Non-Solicitation. As a condition to participation in the Plan, each Participant agrees that, in the event the Participant voluntarily terminates employment other than for Good Reason, for the period of one year following the Date of Termination, the Participant will not, directly or indirectly, solicit or hire, or encourage the solicitation or hiring by any employer other than the Company or its Affiliates, for any position as an employee, independent contractor, consultant or otherwise, any person who was a managerial or higher level employee of an Employer at any time during the term of the Participant's employment by the Employer; provided, however, that this provision shall not apply with respect to the solicitation of any person after six months from the date on which such person's employment by an Employer has terminated.
- 7.4 Enforcement. In the event of a breach by the Participant of any of the covenants set forth in this Article VII, it is agreed that the Company shall suffer irreparable harm for which money damages are not an adequate remedy, and that, in the event of such breach, the Company shall be entitled to obtain an order of a court of competent jurisdiction for equitable relief from such breach, including, but not limited to, temporary restraining orders and preliminary and/or permanent injunctions against the breach of such covenants by the Participant. In the event that the Company should initiate any legal action for the breach or enforcement of any of the provisions contained in this Article VII and the Company does not prevail in such action, the Company shall promptly reimburse the Participant the full amount of any court costs, filing fees, attorney's fees which the Participant incurs in defending such action, and any loss of income during the period of such litigation.

Nothing in this Plan prohibits the Participant from reporting possible violations of Federal law or regulation to any governmental agency or entity, including but not limited to the Department of Justice, the Securities and Exchange Commission, the Congress, and any agency Inspector General, or making other disclosures that are protected under the

whistleblower provisions of Federal law or regulation. The Participant does not need the prior authorization of the Law Department to make any such reports or disclosures, and is not required to notify the Company that such reports or disclosures have been made.

ARTICLE VIII

AMENDMENT AND TERMINATION

- 8.1 Amendment. The Company may amend this Plan at any time, and from time to time, by action of the Committee; provided, however, that no amendment adopted after the effective date of a Change in Control shall have the effect of either (a) removing an individual from the list of Participants, (b) adding conditions for participation or the entitlement to receive benefits hereunder, (c) reducing the amount of benefits payable to a Participant, or (d) otherwise restricting a Participant's right to receive benefits under the Plan, except as may otherwise be required to conform such payments to the requirements of Section 409A of the Code.
- 8.2 Termination. The Committee may terminate the Plan at any time prior to a Change in Control. The Plan may not be terminated after the effective date of a Change in Control.

ARTICLE IX

ADMINISTRATION

- 9.1 Plan Administrator. The Plan shall be administered by the Committee, which shall have the duties and responsibilities for administering the Plan as are specifically set forth in this Article IX.
- 9.2 Responsibilities of Committee.
- (g) The Committee shall have responsibility for the day to day administration of the Plan. In addition, the Committee shall have the specific powers, duties, responsibilities and obligations specifically provided for herein.
 - (b) Subject to the express provisions of the Plan, the Committee shall have full and exclusive authority to interpret the Plan and to make all other factual determinations deemed necessary or advisable in the implementation and administration of the Plan, including but not limited to determinations with respect to the eligibility of Participants to receive benefits under the Plan and the status and rights of such Participants and all other persons affected hereunder. The Committee's interpretation and construction of the Plan shall be conclusive and binding on all persons.
 - (c) The Committee shall have sole authority to adopt rules and regulations, which shall be administered by the Committee. In addition, the Committee shall have the discretionary authority to issue rulings and interpretations concerning the Plan and all matters arising thereunder, on a uniform and nondiscriminatory basis, provided the same shall not be contrary to or inconsistent with any provision of the Plan.

- (d) As a condition of distributing any benefit under the Plan, the Committee may prescribe the use of such forms and require the furnishing of such information as the Committee may deem appropriate for administering the Plan.

9.3 Allocation or Delegation of Duties and Responsibilities. In furtherance of its duties and responsibilities under the Plan, the Committee may:

- (a) Employ agents to carry out non-fiduciary responsibilities;
- (h) Employ agents to carry out fiduciary responsibilities;
- (i) Consult with counsel, who may be counsel to the Company; and
- (j) Delegate any of its duties and responsibilities hereunder to such officer or officers of the Company as the Committee shall designate; except, however, that the Committee may not delegate to any other person the designation of Eligible Employees under Section 3.1 or the authority to consider and determine appeals of alleged adverse benefit determinations.

The Committee delegates to the Chief Executive Officer of the Company the responsibility and authority to interpret the terms of the Plan, including the benefits payable thereunder. Furthermore, the Committee delegates to the Senior Vice President of Human Resources, Chief Human Resources Officer of the Company the authority to enter into a VSA with a Participant in lieu of providing benefits under the Plan.

9.4 Expenses. Unless otherwise agreed to by the Company, no person acting as a fiduciary hereunder (who is an employee of an Employer) shall receive any compensation for services as such. Expenses incurred by fiduciaries in connection with the administration of the Plan shall be paid by the Company.

9.5 Indemnification of Plan Administrator. The Company shall indemnify, to the fullest extent permitted by law, each person made or threatened to be made a party to any civil or criminal action or proceeding by reason of the fact that such person, or such person's testator or intestate, was a member of the Committee, or a delegate of the Committee, acting in the capacity of Plan administrator.

9.6 Reliance Upon Others. The Committee, any person to whom it may delegate such of its duties and powers as provided herein, and the officers and directors of the Company shall be entitled to rely conclusively upon and shall be fully protected in any action taken by them in good faith in reliance upon any tables, valuations, certificates, opinions, reports or other advice furnished to them by any duly appointed actuary, accountant, legal counsel (who may be counsel for the Company) or other specialist.

9.7 Notification. All notices, reports and statements in connection with the Plan that are given, made, delivered or transmitted to a Participant shall be deemed duly given, made, delivered, or transmitted when mailed, by such class as the sender may deem appropriate, with postage prepaid and addressed to the Participant at the address last appearing on the records of the Employer with respect to this Plan. All notices, direct actions or other communications given, made, delivered or transmitted by a Participant to an Employer or

Committee shall not be deemed to have been duly given, made, delivered, transmitted or received unless and until actually received by the Employer or Committee.

- 9.8 Multiple Capacities. A person may serve in more than one fiduciary capacity with respect to the Plan.

ARTICLE X

CLAIMS PROCEDURE

- 10.1 Submission of Claims. The initial claim by any Participant for benefits under this Plan shall be submitted in writing to the Committee (or its delegate) within 60 days after the occurrence of the termination of employment that the Participant claims to have triggered entitlement to Plan benefits.
- 10.2 Computation and Review of Claims. All benefits shall be computed by the Committee or its delegate. All claims shall be approved or denied by the Committee (or its delegate) as soon as practicable, but in no event later than 90 days after application by the Participant. The Committee may take an additional 90 days to review the claim, provided that the Participant is notified in writing within the initial 90-day period.
- (a) Initial Denial of Claim - Any denial of a claim shall include:
 - (i) Reason or reasons for the denial;
 - (ii) Reference to pertinent Plan provisions on which the denial is based;
 - (iii) Description of any additional material or information necessary for the Participant to perfect the claim together with an explanation of why the material or information is necessary; and
 - (iv) Explanation of the Plan's claim review procedure, described below.
 - (b) Review of a Denied Claim - A Participant shall have a reasonable opportunity to appeal a denied claim to the Committee (or its delegate) for a full and fair review. The Participant or a duly authorized representative shall have 60 days after receipt of written notification of the denial of claim in which to file an appeal with the Committee. The request for review shall be in writing and the Participant or a duly authorized representative shall submit written comments, documents, records and other information relating to the appeal. The Participant or a duly authorized representative may review, free of charge, pertinent Plan documents, records and other information relevant to the appeal.
 - (c) Committee Review - The Committee's (or its delegate's) review shall take into account all comments, documents, records and other information submitted by the Participant relating to the claim, without regard to whether such information was submitted or considered in the initial benefit determination.

- (d) Written Decision - The Committee (or its delegate) shall issue a decision on the reviewed claim promptly but no later than 60 days after receipt of the review. The Committee may take an additional 60 days to review the claim, provided that the Participant is notified in writing within the initial 60-day period. The Committee's decision shall be in writing and shall include:
 - (i) Reasons for the decision;
 - (ii) References to the Plan provisions on which the decision is based;
 - (iii) Statement that the Participant is entitled to receive, upon request, reasonable access to, and copies of, all documents, records and other information relevant to the claim; and
 - (iv) Statement that the Participant is entitled to bring a civil suit under Section 502(a) of ERISA.
- (e) Binding Effect - The Committee's (or its delegate's) decision shall be final and binding on the Participant and the Employer.

ARTICLE XI

GENERAL PROVISIONS

- 11.1 Construction. This Plan shall be construed and enforced in accordance with and governed by the internal substantive laws (and not the laws relating to conflict of laws or choice of laws) of the State of New Jersey, except to the extent that such laws are preempted by Federal law.
- 11.2 Unfunded Plan. The obligations of the Company under this Plan are not required to be funded in advance. Nothing contained in this Plan shall give an Eligible Employee or Participant any right, title or interest in any property of the Company or any of its Affiliates.
- 11.3 No Right to Continued Employment. Nothing contained herein shall be deemed to give any Eligible Employee or Participant the right to be retained in the employment of an Employer or to limit the rights of any Employer to discharge any Eligible Employee or Participant at any time, with or without notice and with or without Cause.
- 11.4 Partial Invalidity. The invalidity or unenforceability of any term or provision, or any clause, or portion thereof, of this Plan shall in no way impair or affect the validity or enforceability of any other provision of this Plan, which shall remain in full force and effect.
- 11.5 Successors and Assigns.
 - (a) This Plan shall inure to the benefit of and be binding upon the Company and its successors and assigns.
 - (b) The Company shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to assume expressly and agree to perform the Company's

obligations under the Plan in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place.

- (c) In no event shall a Participant assign their interests under the Plan to any other person without the prior written consent of the Committee.

- 11.6 Waivers. Failure to strictly comply with any term, condition or requirement set forth in the Plan shall not be deemed a waiver of such term, condition or requirement, nor shall any waiver of any such term, condition or requirement at any one time or times be deemed to result in a waiver of such term, condition or requirement at any other time or times.
- 11.7 Gender and Number. The singular shall include the plural, unless indicated otherwise by the context.
- 11.8 Headings. The headings of the Plan are for purposes of reference only and shall not limit or otherwise affect the meaning hereof.

* * *

/s/ Sheila Rostiac
Signature

10/09/19
Date

**Certification Pursuant to Rules 13a-14 and 15d-14
of the 1934 Securities Exchange Act**

I, Ralph Izzo, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Public Service Enterprise Group Incorporated;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: 10/31/2019

/s/ Ralph Izzo

Ralph Izzo

Public Service Enterprise Group Incorporated
Chief Executive Officer

**Certification Pursuant to Rules 13a-14 and 15d-14
of the 1934 Securities Exchange Act**

I, Daniel J. Cregg, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Public Service Enterprise Group Incorporated;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: 10/31/2019

/s/ Daniel J. Cregg

Daniel J. Cregg

Public Service Enterprise Group Incorporated
Chief Financial Officer

**Certification Pursuant to Rules 13a-14 and 15d-14
of the 1934 Securities Exchange Act**

I, Ralph Izzo, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Public Service Electric and Gas Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: 10/31/2019

/s/ Ralph Izzo

Ralph Izzo

Public Service Electric and Gas Company
Chief Executive Officer

**Certification Pursuant to Rules 13a-14 and 15d-14
of the 1934 Securities Exchange Act**

I, Daniel J. Cregg, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Public Service Electric and Gas Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: 10/31/2019

/s/ Daniel J. Cregg

Daniel J. Cregg

Public Service Electric and Gas Company
Chief Financial Officer

**Certification Pursuant to Rules 13a-14 and 15d-14
of the 1934 Securities Exchange Act**

I, Ralph Izzo, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of PSEG Power LLC;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: 10/31/2019

/s/ Ralph Izzo

Ralph Izzo

PSEG Power LLC

Chief Executive Officer

**Certification Pursuant to Rules 13a-14 and 15d-14
of the 1934 Securities Exchange Act**

I, Daniel J. Cregg, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of PSEG Power LLC;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: 10/31/2019

/s/ Daniel J. Cregg

Daniel J. Cregg
PSEG Power LLC
Chief Financial Officer

**Certification Pursuant to Section 1350 of Chapter 63 of Title 18
of the United States Code**

I, Ralph Izzo, Chief Executive Officer of Public Service Enterprise Group Incorporated, to the best of my knowledge, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that (i) the Quarterly Report of Public Service Enterprise Group Incorporated on Form 10-Q for the quarter ended September 30, 2019 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended and (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Public Service Enterprise Group Incorporated.

/s/ Ralph Izzo

Ralph Izzo

Public Service Enterprise Group Incorporated

Chief Executive Officer

October 31, 2019

**Certification Pursuant to Section 1350 of Chapter 63 of Title 18
of the United States Code**

I, Daniel J. Cregg, Chief Financial Officer of Public Service Enterprise Group Incorporated, to the best of my knowledge, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that (i) the Quarterly Report of Public Service Enterprise Group Incorporated on Form 10-Q for the quarter ended September 30, 2019 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended and (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Public Service Enterprise Group Incorporated.

/s/ Daniel J. Cregg

Daniel J. Cregg

Public Service Enterprise Group Incorporated

Chief Financial Officer

October 31, 2019

**Certification Pursuant to Section 1350 of Chapter 63 of Title 18
of the United States Code**

I, Ralph Izzo, Chief Executive Officer of Public Service Electric and Gas Company, to the best of my knowledge, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that (i) the Quarterly Report of Public Service Electric and Gas Company on Form 10-Q for the quarter ended September 30, 2019 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended and (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Public Service Electric and Gas Company.

/s/ Ralph Izzo

Ralph Izzo

Public Service Electric and Gas Company

Chief Executive Officer

October 31, 2019

**Certification Pursuant to Section 1350 of Chapter 63 of Title 18
of the United States Code**

I, Daniel J. Cregg, Chief Financial Officer of Public Service Electric and Gas Company, to the best of my knowledge, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that (i) the Quarterly Report of Public Service Electric and Gas Company on Form 10-Q for the quarter ended September 30, 2019 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended and (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Public Service Electric and Gas Company.

/s/ Daniel J. Cregg

Daniel J. Cregg

Public Service Electric and Gas Company

Chief Financial Officer

October 31, 2019

**Certification Pursuant to Section 1350 of Chapter 63 of Title 18
of the United States Code**

I, Ralph Izzo, Chief Executive Officer of PSEG Power LLC, to the best of my knowledge, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that (i) the Quarterly Report of PSEG Power LLC on Form 10-Q for the quarter ended September 30, 2019 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended and (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of PSEG Power LLC.

/s/ Ralph Izzo

Ralph Izzo

PSEG Power LLC

Chief Executive Officer

October 31, 2019

**Certification Pursuant to Section 1350 of Chapter 63 of Title 18
of the United States Code**

I, Daniel J. Cregg, Chief Financial Officer of PSEG Power LLC, to the best of my knowledge, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that (i) the Quarterly Report of PSEG Power LLC on Form 10-Q for the quarter ended September 30, 2019 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended and (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of PSEG Power LLC.

/s/ Daniel J. Cregg

Daniel J. Cregg

PSEG Power LLC

Chief Financial Officer

October 31, 2019