FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1994-05-13** | Period of Report: **1994-03-31**
SEC Accession No. 0000788784-94-000009

(HTML Version on secdatabase.com)

FILER

PUBLIC SERVICE ENTERPRISE GROUP INC

CIK:**788784**| IRS No.: **222625848** | State of Incorp.:**NJ** | Fiscal Year End: **1231**
Type: **10-Q** | Act: **34** | File No.: **001-09120** | Film No.: **94527993**
SIC: **4931** Electric & other services combined

Business Address
80 PARK PLZ
P O BOX 1171
NEWARK NJ 07101
2014307000

PUBLIC SERVICE ELECTRIC & GAS CO

CIK:**81033**| IRS No.: **221212800** | State of Incorp.:**NJ** | Fiscal Year End: **1231**
Type: **10-Q** | Act: **34** | File No.: **001-00973** | Film No.: **94527994**
SIC: **4931** Electric & other services combined

Business Address
80 PARK PLZ
PO BOX 570
NEWARK NJ 07101
2014307000

FORM 10-Q

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

/X/ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 1994

Commission file number 1-9120

Public Service Enterprise Group Incorporated
(Exact name of registrant as specified in its charter)

New Jersey	22-2625848
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
80 Park Plaza, P. O. Box 1171, Newark, New Jersey	07101-1171
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: 201 430-7000

Commission file number 1-973

Public Service Electric and Gas Company
(Exact name of registrant as specified in its charter)

New Jersey	22-1212800
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
80 Park Plaza, P. O. Box 570, Newark, New Jersey	07101-0570
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: 201 430-7000

Indicate by check mark whether the registrant (1) has 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 registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes x . No .

The number of shares outstanding of Public Service Enterprise Group Incorporated's sole class of common stock, as of the latest practicable date, was as follows:

Class	Outstanding at April 30, 1994
Common Stock, without par value	244,697,930

As of April 30, 1994 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.

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GLOSSARY OF TERMS

The following is a glossary of frequently used abbreviations or acronyms that are found through this report:

Abbreviations or Acronyms	Term
AE Act	Atomic Energy Act of 1954, as amended
AFDC	Allowance for Funds used During Construction
AIT	Nuclear Regulatory Commission Augmented Inspection Team
Bonds	First and Refunding Mortgage Bonds
BRC	New Jersey Board of Regulatory Commissioners
Capital	PSEG Capital Corporation
CEA	Community Energy Alternatives Incorporated
CERCLA	Federal Comprehensive Environmental Response, Compensation and Liability Act of 1980
DOE	United States Department of Energy

DRIP....................	Enterprise's Dividend Reinvestment and Stock Purchase Plan
EBIT....................	Earnings before interest and taxes to interest
EDC.....................	Energy Development Corporation
EDHI....................	Enterprise Diversified Holdings Incorporated
EITF....................	Financial Accounting Standards Board's Emerging Issues Task Force
EGDC....................	Enterprise Group Development Corporation
EMF.....................	Electric and Magnetic Fields
Enterprise..............	Public Service Enterprise Group Incorporated
EPA.....................	United States Environmental Protection Agency
FASB....................	Financial Accounting Standards Board
FERC....................	Federal Energy Regulatory Commission
Fuelco..................	PSE&G Fuel Corporation
Funding.................	Enterprise Capital Funding Corporation
HSCA....................	Commonwealth of Pennsylvania's Hazardous Sites Cleanup Act
Hope Creek..............	Hope Creek Nuclear Generating Station
IRP.....................	Integrated Electric Resource Plan
LEAC....................	Electric Levelized Energy Adjustment Clause
LGAC....................	Levelized Gas Adjustment Clause
MW......................	Megawatts
MWH.....................	Megawatthours
NEIL....................	Nuclear Electric Insurance Limited
NEPA....................	National (Federal) Energy Policy Act
NJDEPE..................	New Jersey Department of Environmental Protection and Energy
NJGRT...................	New Jersey Gross Receipts and Franchise Tax
NJPDES..................	New Jersey Pollution Discharge Elimination System
NRC.....................	Nuclear Regulatory Commission
NUGS....................	Nonutility generators
OPEB....................	Other Postemployment Benefits
Peach Bottom............	Peach Bottom Atomic Power Station, Units 2 and 3
PECO....................	PECO Energy Inc.

GLOSSARY OF TERMS - (Concluded)

Abbreviations or Acronyms	Term
PJM.....................	Pennsylvania--New Jersey--Maryland Interconnection
PSE&G...................	Public Service Electric and Gas Company
PSRC....................	Public Service Resources Corporation
Salem...................	Salem Nuclear Generating Station, Units 1 and 2
SEC.....................	Securities and Exchange Commission
SFAS 106................	Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions"
SFAS 107................	Statement of Financial Accounting Standards No. 107, "Disclosure about Fair Value of Financial Instruments"
SFAS 115................	Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities"
Standard................	The BRC's nuclear performance standard established for nuclear generating stations owned by New Jersey utilities
THI.....................	Temperature Humidity Index Hours
USEC....................	United States Enrichment Corporation

<TABLE>

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED

The financial statements included herein as of March 31, 1994 and 1993 and for the periods then ended are unaudited but, in the opinion of Public Service Enterprise Group Incorporated, reflect all adjustments, consisting only of normal recurring accruals.

CONSOLIDATED STATEMENTS OF INCOME
(Thousands of Dollars)

<CAPTION>

	Three Months Ended March 31,		Twelve Months Ended March 31,	
	1994	1993	1994	1993
<S>	<C>	<C>	<C>	<C>
OPERATING REVENUES				
Electric	$ 888,310	$ 872,168	$3,709,225	$3,459,930

Gas	801,657	630,079	1,765,919	1,609,236
Nonutility Activities	104,430	92,461	430,104	369,873
Total Operating Revenues	1,794,397	1,594,708	5,905,248	5,439,039
OPERATING EXPENSES				
Operation				
Fuel for Electric Generation and Net Interchanged Power	167,201	186,561	697,776	766,523
Gas Purchased and Materials for Gas Produced	460,556	328,972	1,029,469	867,069
Other	249,812	232,376	1,030,193	931,517
Maintenance	76,475	57,323	323,555	292,440
Depreciation and Amortization	155,545	147,588	608,221	634,168
Property Impairment	-	-	77,637	-
Taxes				
Federal Income Taxes	120,489	103,979	331,269	251,643
New Jersey Gross Receipts Taxes	191,303	180,094	609,107	588,476
Other	24,068	21,310	78,731	73,216
Total Operating Expenses	1,445,449	1,258,203	4,785,958	4,405,052
OPERATING INCOME	348,948	336,505	1,119,290	1,033,987
OTHER INCOME				
Allowance for Funds Used During Construction - Equity	1,788	2,638	11,415	13,064
Peach Bottom Settlement - net of Federal Income Taxes, $0, $0, $0 and $(7,023) respectively	-	-	-	(13,632)
Miscellaneous - net	1,155	2,175	(4,798)	27,140
Total Other Income	2,943	4,813	6,617	26,572
INCOME BEFORE INTEREST CHARGES AND DIVIDENDS ON PREFERRED STOCK	351,891	341,318	1,125,907	1,060,559
INTEREST CHARGES				
Long-Term Debt	112,112	118,724	462,508	474,820
Short-Term Debt	3,834	2,404	15,290	13,523
Other	2,851	5,723	16,682	28,420
Total Interest Charges	118,797	126,851	494,480	516,763
Allowance for Funds Used During Construction - Debt and Capitalized Interest	(7,313)	(4,359)	(23,787)	(17,468)
Net Interest Charges	111,484	122,492	470,693	499,295
Preferred Stock Dividend Requirements -PSE&G	10,280	8,822	39,572	33,476
Income before cumulative effect of accounting change	230,127	210,004	615,642	527,788
Cumulative effect of change in accounting for income taxes	-	5,414	-	5,414
NET INCOME	$ 230,127	$ 215,418	$ 615,642	$ 533,202
SHARES OF COMMON STOCK OUTSTANDING				
End of Period	244,697,930	240,771,790	244,697,930	240,771,790
Average for Period	243,776,766	236,918,796	242,354,605	234,126,820
EARNINGS PER AVERAGE SHARE OF COMMON STOCK				
Before cumulative effect of accounting change	$.94	$.89	$2.54	$2.26
Cumulative effect of change in accounting for income taxes	-	.02	-	.02
Total earnings per average share of common stock	$.94	$.91	$2.54	$2.28
DIVIDENDS PAID PER SHARE OF COMMON STOCK	$.54	$.54	$2.16	$2.16

<FN>
See Notes to Consolidated Financial Statements.
</TABLE>

<TABLE>

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED

CONSOLIDATED BALANCE SHEETS
(Thousands of Dollars)

<CAPTION>

ASSETS	March 31, 1994	March 31, 1993	December 31, 1993
<S>	<C>	<C>	<C>
UTILITY PLANT - Original cost			
Electric	$ 11,993,662	$ 11,617,697	$ 11,920,894
Gas	2,194,430	2,061,137	2,177,841
Common	519,449	479,099	520,285
Total	14,707,541	14,157,933	14,619,020
Less Accumulated Depreciation and Amortization	4,874,555	4,489,731	4,772,942
Net	9,832,986	9,668,202	9,846,078
Nuclear Fuel in Service, net of accumulated amortization - $299,212; $251,094; and $284,162, respectively	198,130	226,651	205,237
Net Utility Plant in Service	10,031,116	9,894,853	10,051,315
Construction Work in Progress, including Nuclear Fuel in Process - $88,942; $72,933; and $98,780, respectively	784,411	544,662	735,356
Plant Held for Future Use	17,847	22,253	17,709
Net Utility Plant	10,833,374	10,461,768	10,804,380
INVESTMENTS AND OTHER PROPERTY			
Long-Term Investments, net of valuation allowance - $16,648; $17,548; and $18,018, respectively	1,594,968	1,667,598	1,613,823
Oil and Gas Property, Plant and Equipment, net of accumulated depreciation and amortization - $716,201, $667,964 and $695,791, respectively	522,644	497,601	506,047
Real Estate Property and Equipment, net of accumulated depreciation - $11,684; $12,435 and $10,840, respectively	110,642	225,015	110,661
Other Plant, net of accumulated depreciation and amortization - $3,928; $3,188 and $3,735, respectively	28,401	21,938	28,327
Nuclear Decommissioning and Other Special Funds	198,540	171,178	189,282
Other Investments - net	125,244	80,833	120,711
Total Investments and Other Property	2,580,439	2,664,213	2,568,851
CURRENT ASSETS			
Cash and Cash Equivalents	324,541	774,557	46,880
Accounts Receivable:			
Customer Accounts Receivable	614,785	510,620	446,629
Other Accounts Receivable	186,494	205,649	233,307
Less: Allowance for Doubtful Accounts	31,774	27,841	27,932
Unbilled Revenues	124,229	199,437	244,497
Fuel, at average cost	113,174	108,518	285,943
Materials and Supplies, at average cost	169,487	212,326	172,438
Prepayments	78,185	61,399	82,586
Deferred Income Taxes	14,834	(3,070)	12,934
Total Current Assets	1,593,955	2,047,735	1,497,282
DEFERRED DEBITS			
Property Abandonments - net	101,300	118,158	105,536
Oil and Gas Property Write-Down	45,098	50,252	46,386
Unamortized Debt Expense	118,078	62,940	121,278
Deferred OPEB Costs (note 6)	140,770	55,435	58,593
Under(Over)Recovered Electric Energy and Gas Costs - net	120,204	(74,891)	62,034
Unrecovered Environmental Costs (note 5)	135,421	104,662	138,531
Unrecovered Plant and Regulatory Study Costs	35,182	23,288	35,196
Deferred Decontamination and Decommissioning Costs (note 5)	61,108	-	56,055
Unrecovered SFAS 109 Deferred Income Taxes	789,881	708,541	789,795
Other	18,908	10,184	21,247
Total Deferred Debits	1,565,950	1,058,569	1,434,651
Total	$ 16,573,718	$ 16,232,285	$ 16,305,164

<FN>
See Notes to Consolidated Financial Statements.
</TABLE>

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<TABLE>

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED

CONSOLIDATED BALANCE SHEETS
(Thousands of Dollars)

<CAPTION>

CAPITALIZATION AND LIABILITIES	March 31, 1994	March 31, 1993	December 31, 1993
<S>	<C>	<C>	<C>
CAPITALIZATION			
Common Equity			
Common Stock	$ 3,801,157	$ 3,674,211	$ 3,772,662
Retained Earnings	1,458,357	1,368,695	1,361,018
Total Common Equity	5,259,514	5,042,906	5,133,680
Subsidiaries' Securities and Obligations			
Preferred Stock			
Without Mandatory Redemption (note 2)	459,994	429,994	429,994
With Mandatory Redemption	150,000	150,000	150,000
Long-Term Debt (note 4)	5,599,071	5,043,883	5,256,321
Capital Lease Obligations	52,375	52,967	52,530
Total Capitalization	11,520,954	10,719,750	11,022,525
OTHER LONG-TERM LIABILITIES			
Decontamination and Decommissioning Costs (note 5)	61,108	-	56,055
Unrecovered Environmental Costs (note 5)	112,851	91,688	111,000
Total Other Long-Term Liabilities	173,959	91,688	167,055
CURRENT LIABILITIES			
Long-Term Debt and Capital Lease Obligations due within one year	128,561	675,659	168,638
Commercial Paper and Loans	118,502	264,904	577,636
Accounts Payable	385,034	323,179	557,761
New Jersey Gross Receipts Taxes Accrued	454,482	735,165	263,357
Other Taxes Accrued	130,695	112,040	39,610
Interest Accrued	129,176	138,761	107,027
Other	163,373	145,149	157,751
Total Current Liabilities	1,509,823	2,394,857	1,871,780
DEFERRED CREDITS			
Accumulated Deferred Income Taxes	2,742,076	2,445,625	2,702,386
Accumulated Deferred Investment Tax Credits	427,852	447,299	432,713
Deferred OPEB Costs (note 6)	140,770	55,435	58,593
Materials and Supplies	9,819	20,975	11,847
Other	48,465	56,656	38,265
Total Deferred Credits	3,368,982	3,025,990	3,243,804
COMMITMENTS AND CONTINGENT LIABILITIES (note 5)			
Total	$ 16,573,718	$ 16,232,285	$ 16,305,164

</TABLE>

<TABLE>

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Thousands of Dollars)

<CAPTION>

	Three Months Ended March 31, 1994	Three Months Ended March 31, 1993	Twelve Months Ended March 31, 1994	Twelve Months Ended March 31, 1993
<S>	<C>	<C>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net Income	$ 230,127	$ 215,418	$ 615,642	$ 533,202
Adjustments to reconcile net income to net cash flows from operating activities:				
Depreciation and Amortization	155,545	147,588	608,221	634,168
Amortization of Nuclear Fuel	23,574	27,237	99,055	95,952
(Deferral) Recovery of Electric Energy and Gas Costs - net	(58,170)	(47,845)	(195,095)	37,711
Loss from Property Impairments	-	-	77,637	-
Cumulative Effect of Change in Accounting for Income Taxes	-	(5,414)	-	(5,414)
Amortization of Discounts on Property Abandonments and Disallowance	(1,767)	(2,177)	(7,391)	(10,805)
Unrealized Losses (Gains) on Investments	750	(1,928)	(6,016)	(16,719)
Provision for Deferred Income Taxes - net	45,246	35,561	178,091	82,705
Investment Tax Credits - net	(4,861)	2,931	(19,447)	(12,625)

Allowance for Funds Used During Construction - Debt and Equity and Capitalized Interest	(9,101)	(6,997)	(35,202)	(30,532)
Proceeds from Leasing Activities	(12,698)	(5,446)	7,528	24,509
Changes in certain current assets and liabilities:				
Net decrease (increase) in Accounts Receivable and Unbilled Revenues	2,767	(56,066)	(5,869)	(17,520)
Net decrease in Inventory - Fuel and Materials and Supplies	175,720	153,975	38,183	3,619
Net (decrease) increase in Accounts Payable	(172,727)	(150,798)	61,855	(36,107)
Net increase (decrease) in Accrued Taxes	282,210	250,319	(262,028)	20,895
Net change in Other Current Assets and Liabilities	30,272	34,604	(19,911)	(23,684)
Other	16,556	15,841	(30,947)	(5,569)
Net cash provided by operating activities	703,443	606,803	1,104,306	1,273,786
CASH FLOWS FROM INVESTING ACTIVITIES:				
Additions to Utility Plant, excluding AFDC	(167,682)	(125,799)	(905,177)	(764,978)
Additions to Oil and Gas Property, Plant and Equipment, excluding Capitalized Interest	(37,064)	(12,564)	(112,468)	(39,041)
Net decrease (increase) in Long-Term Investments and Real Estate	20,737	(22,883)	97,648	(81,772)
Increase in Decommissioning and Other Special Funds, excluding interest	(5,808)	(34,310)	(17,006)	(42,664)
Cost of Plant Removal - net	(7,708)	(8,768)	(46,731)	(40,904)
Other	(548)	(842)	(2,013)	(2,168)
Net cash used in investing activities	(198,073)	(205,166)	(985,747)	(971,527)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Net decrease in Short-Term Debt	(459,134)	(127,078)	(146,402)	(43,903)
Issuance of Long-Term Debt	400,000	560,000	1,977,700	1,190,000
Redemption of Long-Term Debt and Other Obligations .	(97,482)	(211,245)	(1,970,202)	(1,092,114)
Amortization (Deferral) of Debt Expense - net	3,200	(806)	(55,138)	(10,815)
Issuance of Preferred Stock	75,000	75,000	75,000	150,000
Redemption of Preferred Stock	(45,000)	-	(45,000)	-
Issuance of Common Stock	28,495	175,028	126,946	274,384
Cash Dividends Paid on Common Stock	(131,660)	(129,609)	(523,622)	(507,580)
Other	(1,128)	(44)	(7,857)	743
Net cash (used in) provided by financing activities	(227,709)	341,246	(568,575)	(39,285)
Net increase (decrease) in Cash and Cash Equivalents .	277,661	742,883	(450,016)	262,974
Cash and Cash Equivalents at Beginning of Period	46,880	31,674	774,557	511,583
Cash and Cash Equivalents at End of Period	$ 324,541	$ 774,557	$ 324,541	$ 774,557
Income Taxes Paid	$ 3,330	$ 7,918	$ 135,584	$ 149,144
Interest Paid	$ 89,350	$ 90,182	$ 458,124	$ 486,142

<FN>
See Notes to Consolidated Financial Statements.
</TABLE>

<TABLE>

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS
(Thousands of Dollars)

<CAPTION>

	Three Months Ended March 31,		Twelve Months Ended March 31,	
	1994	1993	1994	1993
<S>	<C>	<C>	<C>	<C>
Balance at Beginning of Period	$1,361,018	$1,282,931	$1,368,695	$1,342,845
Add Net Income	230,127	215,418	615,642	533,202
Total	1,591,145	1,498,349	1,984,337	1,876,047
Deduct				
Cash Dividends on Common Stock	131,660	129,609	523,622	507,580
Capital Stock Expenses	1,128	45	2,358	(228)

Total Deductions	132,788	129,654	525,980	507,352
Balance at End of Period	$1,458,357	$1,368,695	$1,458,357	$1,368,695

<FN>
See Notes to Consolidated Financial Statements.
</TABLE>

<TABLE>

PUBLIC SERVICE ELECTRIC AND GAS COMPANY

The financial statements included herein as of March 31, 1994 and 1993 and for the periods then ended are unaudited but, in the opinion of Public Service Electric and Gas Company, reflect all adjustments, consisting only of normal recurring accruals.

CONSOLIDATED STATEMENTS OF INCOME
(Thousands of Dollars)

<CAPTION>

	Three Months Ended March 31,		Twelve Months Ended March 31,	
	1994	1993	1994	1993
<S>	<C>	<C>	<C>	<C>
OPERATING REVENUES				
Electric	$ 888,310	$ 872,168	$3,709,225	$3,459,930
Gas	801,657	630,079	1,765,919	1,609,236
Total Operating Revenues	1,689,967	1,502,247	5,475,144	5,069,166
OPERATING EXPENSES				
Operation				
Fuel for Electric Generation and Net Interchanged Power	167,201	186,561	697,776	766,523
Gas Purchased and Materials for Gas Produced	465,140	336,062	1,048,948	907,873
Other	214,980	202,488	893,435	818,734
Maintenance	76,475	57,323	323,555	292,440
Depreciation and Amortization	134,311	124,206	519,311	541,990
Taxes				
Federal Income Taxes	113,429	100,654	321,565	228,010
New Jersey Gross Receipts Taxes	191,303	180,094	609,107	588,476
Other	22,115	20,125	69,583	66,777
Total Operating Expenses	1,384,954	1,207,513	4,483,280	4,210,823
OPERATING INCOME	305,013	294,734	991,864	858,343
OTHER INCOME				
Allowance for Funds Used During Construction - Equity	1,788	2,638	11,415	13,064
Peach Bottom Settlement - net of Federal Income Taxes, $0, $0, $0, and $(7,023), respectively	-	-	-	(13,632)
Miscellaneous - net	1,153	2,224	(4,912)	26,894
Total Other Income	2,941	4,862	6,503	26,326
INCOME BEFORE INTEREST CHARGES AND DIVIDENDS ON PREFERRED STOCK	307,954	299,596	998,367	884,669
INTEREST CHARGES				
Long-Term Debt	88,327	91,991	360,588	364,571
Short-Term Debt	2,259	528	8,145	5,637
Other	1,286	5,715	14,861	26,753
Total Interest Charges	91,872	98,234	383,594	396,961
Allowance for Funds Used During Construction - Debt	(5,357)	(3,042)	(17,130)	(12,836)
Net Interest Charges	86,515	95,192	366,464	384,125
NET INCOME	221,439	204,404	631,903	500,544
Preferred Stock Dividend Requirements	10,280	8,822	39,572	33,476
EARNINGS AVAILABLE TO PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED	$ 211,159	$ 195,582	$ 592,331	$ 467,068

<FN>
See Notes to Consolidated Financial Statements.

</TABLE>

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<TABLE>

PUBLIC SERVICE ELECTRIC AND GAS COMPANY

CONSOLIDATED BALANCE SHEETS
(Thousands of Dollars)

<CAPTION>

ASSETS	March 31, 1994	March 31, 1993	December 31, 1993
<S>	<C>	<C>	<C>
UTILITY PLANT - Original cost			
Electric	$ 11,993,662	$ 11,617,697	$ 11,920,894
Gas	2,194,430	2,061,137	2,177,841
Common	519,449	479,099	520,285
Total	14,707,541	14,157,933	14,619,020
Less Accumulated Depreciation and Amortization	4,874,555	4,489,731	4,772,942
Net	9,832,986	9,668,202	9,846,078
Nuclear Fuel in Service, net of accumulated amortization - $299,212; $251,094; $284,162, respectively	198,130	226,651	205,237
Net Utility Plant in Service	10,031,116	9,894,853	10,051,315
Construction Work in Progress, including Nuclear Fuel in Process - $88,942; $72,933; $98,780, respectively	784,411	544,662	735,356
Plant Held for Future Use	17,847	22,253	17,709
Net Utility Plant	10,833,374	10,461,768	10,804,380
INVESTMENTS AND OTHER PROPERTY			
Other Plant, net of accumulated depreciation and amortization - $1,942; $649; $872, respectively	26,344	20,091	26,369
Nuclear Decommissioning and Other Special Funds (note 1)	198,540	171,178	189,282
Other Investments - net	127,038	86,593	116,554
Total Investments and Other Property	351,922	277,862	332,205
CURRENT ASSETS			
Cash and Cash Equivalents	281,726	759,904	17,673
Accounts Receivable:			
Customer Accounts Receivable	614,785	510,620	446,629
Other Accounts Receivable	122,438	134,907	163,663
Less: Allowance for Doubtful Accounts	31,774	27,841	27,932
Unbilled Revenues	124,229	199,437	244,497
Fuel, at average cost	113,174	108,518	285,943
Materials and Supplies, at average cost	168,166	210,975	170,910
Prepayments	72,292	57,637	78,480
Deferred Income Taxes	14,834	(3,070)	12,934
Total Current Assets	1,479,870	1,957,227	1,392,797
DEFERRED DEBITS			
Property Abandonments - net	101,300	118,158	105,536
Oil and Gas Property Write-Down	45,098	50,252	46,386
Unamortized Debt Expense	114,320	60,049	117,057
Deferred OPEB Costs (note 6)	140,770	55,435	58,593
Under(Over)Recovered Electric Energy and Gas Costs - net	120,204	(74,891)	62,034
Unrecovered Environmental Costs (note 5)	135,421	104,662	138,531
Unrecovered Plant and Regulatory Study Costs	35,182	23,288	35,196
Deferred Decontamination and Decommissioning Costs (note 5)	61,108	-	56,055
Unrecovered SFAS 109 Deferred Income Taxes	789,881	708,541	789,795
Other	18,908	10,153	21,241
Total Deferred Debits	1,562,192	1,055,647	1,430,424
Total	$ 14,227,358	$ 13,752,504	$ 13,959,806

<FN>
See Notes to Consolidated Financial Statements.
</TABLE>

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<TABLE>

PUBLIC SERVICE ELECTRIC AND GAS COMPANY

CONSOLIDATED BALANCE SHEETS
(Thousands of Dollars)

<CAPTION>

CAPITALIZATION AND LIABILITIES	March 31, 1994	March 31, 1993	December 31, 1993
<S>	<C>	<C>	<C>
CAPITALIZATION			
Common Equity			
Common Stock	$ 2,563,003	$ 2,563,003	$ 2,563,003
Contributed Capital by Enterprise	534,395	534,395	534,395
Retained Earnings	1,261,863	1,173,840	1,180,532
Total Common Equity	4,359 261	4,271,238	4,277,930
Preferred Stock Without Mandatory Redemption (note 2)	459,994	429,994	429,994
Preferred Stock With Mandatory Redemption	150,000	150,000	150,000
Long-Term Debt (note 4)	4,759,090	4,041,388	4,364,437
Capital Lease Obligations	52,375	52,967	52,530
Total Capitalization	9,780,720	8,945,587	9,274,891
OTHER LONG-TERM LIABILITIES			
Decontamination and Decommissioning Costs (note 5)	61,108	-	56,055
Unrecovered Environmental Costs (note 5)	112,851	91,688	111,000
Total Other Long-Term Liabilities	173,959	91,688	167,055
CURRENT LIABILITIES			
Long-Term Debt and Capital Lease Obligations due within one year	791	534,771	62,274
Commercial Paper and Loans	101,961	114,814	532,728
Accounts Payable	351,662	291,278	519,296
Accounts Payable-Associated Companies	90,542	80,814	5,674
New Jersey Gross Receipts Taxes Accrued	454,482	735,165	263,357
Other Taxes Accrued	36,676	30,812	33,710
Interest Accrued	100,559	112,759	96,257
Other	132,003	120,311	122,924
Total Current Liabilities	1,268 676	2,020,724	1,636,220
DEFERRED CREDITS			
Accumulated Deferred Income Taxes	2,405,337	2,150,576	2,368,778
Accumulated Deferred Investment Tax Credits	404,327	422,735	408,929
Deferred OPEB Costs (note 6)	140,770	55,435	58,593
Materials and Supplies	9,819	20,975	11,847
Other	43,750	44,784	33,493
Total Deferred Credits	3,004,003	2,694,505	2,881,640
COMMITMENTS AND CONTINGENT LIABILITIES (note 5)			
Total	$ 14,227,358	$ 13,752,504	$ 13,959,806

</TABLE>

<TABLE>

PUBLIC SERVICE ELECTRIC AND GAS COMPANY

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Thousands of Dollars)

<CAPTION>

	Three Months Ended March 31, 1994	Three Months Ended March 31, 1993	Twelve Months Ended March 31, 1994	Twelve Months Ended March 31, 1993
<S>	<C>	<C>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net Income	$ 221,439	$ 204,404	$ 631,903	$ 500,544
Adjustments to reconcile net income to net cash flows from operating activities:				
Depreciation and Amortization	134,311	124,206	519,311	541,990
Amortization of Nuclear Fuel	23,574	27,237	99,055	95,952
(Deferral) Recovery of Electric Energy and Gas Costs - net	(58,170)	(47,845)	(195,095)	37,711
Amortization of Discounts on Property Abandonments and Disallowance	(1,767)	(2,177)	(7,391)	(10,805)
Provision for Deferred Income Taxes - net	36,473	38,920	173,421	60,507
Investment Tax Credits - net	(4,602)	(4,602)	(18,408)	(19,089)
Allowance for Funds Used During Construction - Debt and Equity	(7,145)	(5,680)	(28,545)	(25,900)
Changes in certain current assets and liabilities:				
Net decrease (increase) in Accounts Receivable and Unbilled Revenues	(2,821)	(69,219)	(12,555)	12,607
Net decrease (increase) in Inventory - Fuel and Materials and Supplies	175,513	154,280	38,153	4,124
Net (decrease) increase in Accounts Payable	(82,766)	(81,004)	70,112	(40,518)
Net increase (decrease) in Accrued Taxes	194,091	182,791	(274,819)	23,733

Net change in Other Current Assets and Liabilities	17,669	17,662	(26,927)	(36,109)
Other	15,560	3,205	(37,954)	(19,656)
Net cash provided by operating activities	661,359	542,178	930,261	1,125,091
CASH FLOWS FROM INVESTING ACTIVITIES:				
Additions to Utility Plant, excluding AFDC	(167,682)	(125,799)	(905,177)	(764,978)
Net increase in Long-Term Investments	(10,484)	(9,650)	(40,445)	(27,050)
Increase in Decommissioning and Other Special Funds, excluding interest	(5,808)	(34,310)	(17,006)	(42,664)
Cost of Plant Removal - net	(7,708)	(8,768)	(46,731)	(40,904)
Other	(501)	(270)	(1,207)	(299)
Net cash used in investing activities	(192,183)	(178,797)	(1,010,566)	(875,895)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Net decrease in Short-Term Debt	(430,767)	(142,722)	(12,853)	(15,365)
Issuance of Long-Term Debt	400,000	500,000	1,872,700	1,100,000
Redemption of Long-Term Debt and Other Obligations	(66,985)	(94,328)	(1,689,570)	(949,603)
Amortization (Deferral) of Debt Expense - net	2,737	(1,125)	(54,271)	(11,718)
Issuance of Preferred Stock	75,000	75,000	75,000	150,000
Redemption of Preferred Stock	(45,000)	-	(45,000)	-
Contributed Capital by Enterprise		174,670		271,570
Cash Dividends Paid	(138,980)	(127,822)	(542,472)	(513,476)
Other	(1,128)	(476)	(1,407)	(888)
Net cash (used in) provided by financing activities	(205,123)	383,197	(397,873)	30,520
Net increase (decrease) in Cash and Cash Equivalents	264,053	746,578	(478,178)	279,716
Cash and Cash Equivalents at Beginning of Period	17,673	13,326	759,904	480,188
Cash and Cash Equivalents at End of Period	$ 281,726	$ 759,904	$ 281,726	$ 759,904
Income Taxes Paid	$ 586	$ 9,389	$ 164,066	$ 210,891
Interest Paid	$ 81,273	$ 77,563	$ 360,330	$ 368,497

<FN>
See Notes to Consolidated Financial Statements.
</TABLE>

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<TABLE>

PUBLIC SERVICE ELECTRIC AND GAS COMPANY

CONSOLIDATED STATEMENT OF RETAINED EARNINGS
(Thousands of Dollars)

<CAPTION>

	Three Months Ended March 31,		Twelve Months Ended March 31,	
	1994	1993	1994	1993
<S>	<C>	<C>	<C>	<C>
Balance at Beginning of Period	$ 1,180,532	$ 1,097,734	$ 1,173,840	$ 1,187,660
Add Net Income	221,439	204,404	631,903	500,544
Total	1,401,971	1,302,138	1,805,743	1,688,204
Deduct:				
Cash Dividends				
Preferred Stock, at required rates	10,280	8,822	39,572	33,476
Common Stock	128,700	119,000	502,900	480,000
Capital Stock Expenses	1,128	476	1,408	888
Total Deductions	140,108	128,298	543,880	514,364
Balance at End of Period	$ 1,261,863	$ 1,173,840	$ 1,261,863	$ 1,173,840

<FN>
See Notes to Consolidated Financial Statements.
</TABLE>

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PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. LEVELIZED GAS ADJUSTMENT CLAUSE

On December 8, 1993, the BRC approved an interim Levelized Gas Adjustment Clause (LGAC) settlement which provides for an increase of $75.3 million for the approximate ten-month period ending September 30, 1994. The LGAC increase principally reflects recent increases in the cost of natural gas. On April 8, 1994, PSE&G, the BRC Staff and Public Advocate of New Jersey entered into a Stipulation which made the interim LGAC final. This Stipulation was approved by the BRC on April 25, 1994.

NOTE 2. PREFERRED STOCK

In February 1994, PSE&G issued and sold 600,000 shares of its 6.92% Cumulative Preferred Stock ($100 Par) which may not be redeemed before February 1, 2004 and 600,000 shares of its 6.75% Cumulative Preferred Stock - $25 Par which may not be redeemed before February 1, 1999. The net proceeds from the sale of the 6.92% Cumulative Preferred Stock ($100 Par) were added to the general funds of PSE&G and used to pay a portion of its then outstanding short-term debt obligations, which were primarily used to fund a portion of its construction expenditures. The net proceeds from the sale of the 6.75% Cumulative Preferred Stock - $25 Par were used by PSE&G to redeem the 150,000 shares outstanding of its 8.08% Cumulative Preferred Stock ($100 Par) on March 1, 1994. In addition, PSE&G redeemed on March 1, 1994 all of the 300,000 shares of its 8.16% Cumulative Preferred Stock ($100 Par).

NOTE 3. COMMON STOCK

As of March 31, 1994 and December 31, 1993, 244,697,930 shares and 243,688,256 shares, respectively, of Enterprise Common Stock (Common Stock) were outstanding. This increase was due to the issuance of an aggregate 1,009,674 shares for $28 million through Enterprise's Dividend Reinvestment and Stock Purchase Plan (DRIP) and Employee Stock Purchase Plan.

NOTE 4. LONG-TERM DEBT

Enterprise's long-term debt aggregated $5.6 billion as of March 31, 1994, of which $4.8 billion was attributable to PSE&G and $800 million to EDHI, the parent of Enterprise's nonutility businesses.

On February 10, 1994, the Pollution Control Financing Authority of Salem County New Jersey issued and sold on behalf of PSE&G $50 million principal amount of its 5.45% Pollution Control Revenue Bonds, 1994 Series A (Public Service Electric and Gas Company Project) (New Authority Bonds). The New Authority Bonds are serviced and secured by an equal principal amount of PSE&G's Pollution Control Series O Bonds.

On March 1, 1994, PSE&G redeemed all of its First and Refunding Mortgage Bonds (Bonds) $60 million principal amount 4-5/8% Series due 1994. On March 15, 1994, PSE&G issued the following series of its Bonds: $175 million principal amount 7-3/8% Series TT due 2014 and $175 million principal amount 6-3/4% Series UU due 2006.

NOTE 5. COMMITMENTS AND CONTINGENT LIABILITIES

NUCLEAR PERFORMANCE STANDARD

The BRC has established a nuclear performance standard (Standard) for nuclear generating stations owned by New Jersey electric utilities, including the five nuclear units in which PSE&G has an ownership interest: Salem -- 42.59%; Hope Creek -- 95%; and Peach Bottom -- 42.49%. PSE&G operates Salem and Hope Creek, while Peach Bottom is operated by PECO Energy Inc., formerly Philadelphia Electric Company, (PECO).

The penalty/reward under the Standard is a percentage of replacement power costs. (See table below.) The Standard provides that the penalties will be calculated to the edge of each capacity factor range. For example, a 30% penalty applies to replacement power costs incurred in the 55% to 65% range and a 40% penalty applies to replacement power costs in the 45% to 55% range.

<TABLE>

<CAPTION>

CAPACITY FACTOR RANGE	REWARD	PENALTY
<S>	<C>	<C>
Equal to or greater than 75%..........................	30%	--
Equal to or greater than 65% and less than 75%.........	None	None
Equal to or greater than 55% and less than 65%.........	--	30%
Equal to or greater than 45% and less than 55%.........	--	40%
Equal to or greater than 40% and less than 45%.........	--	50%
Below 40%...	BRC Intervenes	

</TABLE>

Under the Standard, the capacity factor is calculated annually using maximum dependable capability of the five nuclear units in which PSE&G owns an interest. This method takes into account actual operating conditions of the units.

While the Standard does not specifically have a gross negligence provision, the BRC has indicated that it would consider allegations of gross negligence brought upon a sufficient factual basis. A finding of gross negligence could result in penalties other than those prescribed under the Standard. During 1993, the five nuclear units in which PSE&G has an ownership

NOTE 5. COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

NUCLEAR PERFORMANCE STANDARD (Concluded)

interest aggregated a 77% combined capacity factor. In accordance with the Standard, PSE&G's combined capacity factor exceeded the 75% reward threshold, entitling PSE&G to a reward of approximately $3.9 million. PSE&G is expected to petition the BRC to recover this reward through the Electric Levelized Energy Adjustment Clause (LEAC) commencing October 1, 1994. PSE&G expects that the 1994 capacity factor under the Standard will exceed 65%, although no assurances can be given.

NUCLEAR INSURANCE COVERAGES AND ASSESSMENTS

PSE&G's insurance coverages and maximum retrospective assessments for its nuclear operations are as follows:

<TABLE>
<CAPTION>

TYPE AND SOURCE OF COVERAGES	TOTAL SITE COVERAGES	PSE&G MAXIMUM ASSESSMENTS FOR A SINGLE INCIDENT
	(MILLIONS OF DOLLARS)	
<S>	<C>	<C>
Public Liability:		
American Nuclear Insurers........................	$ 200.0	$ --
Indemnity(A)....................................	9,116.6	210.2
	$9,316.6 (B)	$210.2
Nuclear Worker Liability:		
American Nuclear Insurers(C).....................	$ 200.0	$ 8.2
Property Damage:		
Nuclear Mutual Limited(D)........................	$ 500.0	$ 17.6
American Nuclear Insurers........................	765.0 (E)	--
Nuclear Electric Insurance Ltd. (NEIL I).........	85.0 (F)	--
Nuclear Electric Insurance Ltd. (NEIL II)........	1,400.0 (G)	10.9(H)
	$2,750.0	$ 28.5
Replacement Power:		
Nuclear Electric Insurance Ltd...................	$ 3.5 (I)	$ 11.3

</TABLE>

NUCLEAR INSURANCE COVERAGES AND ASSESSMENTS (Continued)

(A) Retrospective premium program under the Price-Anderson liability provisions of the Atomic Energy Act of 1954, as amended, (Price-Anderson). Subject to retrospective assessment with respect to loss from an incident at any licensed nuclear reactor in the United States. Assessment adjusted for inflation effective August 20, 1993.

(B) Limit of liability for each nuclear incident under Price-Anderson.

(C) Industry aggregate limit representing the potential liability from workers claiming exposure to the hazard of nuclear radiation. This policy includes automatic reinstatements up to an aggregate of $200 million, thereby providing total coverage of $400 million. This policy does not increase PSE&G's obligation under Price-Anderson.

(D) PSE&G has examined the Financial Accounting Standards Board's (FASB) Emerging Issues Task Force's (EITF) Issue 93-14, "Accounting for Multiple-Year Retrospectively Rated Insurance Contracts by Insurance Enterprises and Other Enterprises", and has determined that the potential insurance premium recovery is not material.

(E) Includes $100 million sublimit for premature decommissioning costs.

(F) New policy effective January 1, 1994.

(G) Includes up to $250 million for premature decommissioning costs.

(H) In the event of a second industry loss triggering NEIL coverage, the maximum retrospective premium assessment can increase to $23.4 million.

(I) Weekly indemnity for 52 weeks which commences after the first 21 weeks of an outage. Beyond the first 52 weeks of coverage indemnity of $2.3 million per week for 104 weeks is afforded. Total coverage amounts to $425.9 million over three years.

Price-Anderson sets the "limit of liability" for claims that could arise from an incident involving any licensed nuclear facility in the nation. The "limit of liability" is based on the number of licensed nuclear reactors and is adjusted at least every five years based on the Consumer Price Index. The current "limit of liability" is $9.3 billion. All utilities owning a nuclear reactor, including PSE&G, have provided for this exposure through a combination of private insurance and mandatory participation in a financial protection pool as established by Price-Anderson. Under Price-Anderson, each party with an ownership interest in a nuclear reactor can be assessed its share of $79.3 million per reactor per incident, payable at $10 million per reactor

NUCLEAR INSURANCE COVERAGES AND ASSESSMENTS (Concluded)

per incident per year. If the damages exceed the "limit of liability", the President is to submit to Congress a plan for providing additional compensation to the injured parties. Congress could impose further revenue raising measures on the nuclear industry to pay claims. PSE&G's maximum aggregate assessment per incident is $210.2 million (based on PSE&G's ownership interests in Hope Creek, Peach Bottom and Salem) and its maximum aggregate annual assessment per incident is $26.5 million.

PSE&G purchases all property insurance available, including decontamination expense coverage and premature decommissioning coverage, with respect to loss or damage to its nuclear facilities. PECO has advised PSE&G that it maintains similar insurance coverage with respect to Peach Bottom. Under the terms of the various insurance agreements, PSE&G could be subject to a maximum retrospective assessment for a single incident of up to $28.5 million. Certain of the policies also provide that the insurer may suspend coverage with respect to all nuclear units on a site without notice if the Nuclear Regulatory Commission (NRC) suspends or revokes the operating license for any unit on a site, issues a shutdown order with respect to such unit or issues a confirmatory order keeping such unit shut down.

PSE&G is a member of an industry mutual insurance company, NEIL, which provides replacement power cost coverage in the event of a major accidental outage at a nuclear station. The policies provide for a weekly indemnity payment of $3.5 million for 52 weeks, subject to a 21-week waiting period. The policies provide for weekly indemnity payments of $2.3 million for a 104 week period beyond the first year's indemnity. The premium for this coverage is subject to retrospective assessment for adverse loss experience. Under the policies, PSE&G's present maximum share of any retrospective assessment in any year is $11.3 million.

PSE&G URANIUM ENRICHMENT DECONTAMINATION AND DECOMMISSIONING FUND

In accordance with the National Energy Policy Act (NEPA), domestic utilities that own nuclear generating stations are required to pay a cumulative total of $150 million each year (adjusted for inflation) into a decontamination and decommissioning fund, based on their past purchases of enrichment services from the United States Department of Energy (DOE) Uranium Enrichment Enterprise (now a federal government corporation known as the United States Enrichment Corporation (USEC)). These amounts are being collected over a period of 15 years or until $2.25 billion (adjusted for inflation) has been collected. Under this legislation, the nuclear facilities operated by PSE&G, Salem and Hope Creek, aggregate 3.09% of the total amount of enrichment services sold to the domestic commercial nuclear industry and the nuclear facilities operated by PECO, Peach Bottom and other nuclear facilities not co-owned by PSE&G,

NOTE 5. COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

PSE&G URANIUM ENRICHMENT DECONTAMINATION AND DECOMMISSIONING FUND (Concluded)

aggregate 3.95%. In 1993, PSE&G paid approximately $4 million and deferred the balance of $56 million. Due to subsequent adjustments to the 1993 fiscal year amount and adjustment for inflation, PSE&G has deferred, at April 30, 1994, a balance of $61 million. While PSE&G expects to recover such deferred amounts in its LEAC commencing October 1, 1994, it cannot predict the outcome, amount or timing of any recovery associated with this matter.

CONSTRUCTION AND FUEL SUPPLIES

PSE&G has substantial commitments as part of its ongoing construction program which includes capital requirements for nuclear fuel. PSE&G's construction program is continuously reviewed and periodically revised as a result of changes in economic conditions, revised load forecasts, changes in the scheduled retirement dates of existing facilities, changes in business plans, site changes, cost escalations under construction contracts, requirements of regulatory authorities and laws, the timing of and amount of electric and gas rate changes and the ability of PSE&G to raise necessary capital. Pursuant to an integrated electric resource plan (IRP), PSE&G periodically reevaluates its forecasts of future customers, load and peak growth, sources of electric generating capacity and DSM to meet such projected growth, including the need to construct new electric generating capacity. The IRP takes into account assumptions concerning future demands of customers, effectiveness of conservation and load management activities, the long-term condition of PSE&G's plants, capacity available from electric utilities and other suppliers and the amounts of cogeneration and other nonutility capacity projected to be available.

Based on PSE&G's 1994-1998 construction program, construction expenditures are expected to aggregate approximately $4.2 billion, which includes $483 million for nuclear fuel and $133 million of AFDC and capitalized interest during the years 1994 through 1998. The estimate of construction requirements is based on expected project completion dates and includes anticipated escalation due to inflation of approximately 4%, annually. Therefore, construction delays or higher inflation levels could cause significant increases in these amounts. PSE&G expects to generate internally a majority of the funds necessary to satisfy its construction expenditures over the next five years, assuming adequate and timely rate relief, as to which no assurances can be given. In addition, PSE&G does not presently anticipate any difficulties in obtaining sufficient sources of fuel for electric generation or adequate gas supplies during the years 1994 through 1998.

NOTE 5. COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

SALEM STATION

Not included in PSE&G's estimated construction expenses is the capital cost of compliance with the New Jersey Department of Environmental Protection and Energy (NJDEPE) draft permit issued October 3, 1990 pursuant to the Federal

Water Pollution Control Act with respect to Salem 1 and 2 which, if adopted as proposed, would require the immediate shutdown of both units pending retrofit with cooling towers. On June 24, 1993, NJDEPE issued a revised draft permit that would permit Salem to continue to operate with once-through cooling and would require PSE&G to make certain plant modifications and to take certain other actions to enhance the ecology of the affected water body. The public comment period with respect to the revised draft permit expired on January 15, 1994. While a final permit is expected to be issued sometime in the second quarter of 1994, no assurances can be given as to the timing of any final agency determination. The capital cost of complying with the revised permit is estimated at approximately $75 million, PSE&G's share of which is included in its estimate of construction expenses. Nevertheless, if cooling towers are ultimately required, PSE&G estimates that it would take at least four years, and between $720 million and $2.0 billion in capital, operation and maintenance costs and replacement power costs to retrofit Salem with cooling towers. PSE&G's share of any such costs would be 42.59%.

BERGEN STATION REPOWERING

PSE&G is presently engaged in Phase I of a construction project to renovate (or "repower") the Bergen Station pursuant to an air pollution control permit issued by the NJDEPE on May 27, 1993. The current effort would maintain the existing electric supply of the station (with a small increase from 629 MW to 669 MW), improve operational reliability and efficiency and significantly improve the environmental effects of operation of the facility. Phase II of the project, if it is undertaken by PSE&G, would increase the capacity of Bergen by an additional 650 MW.

On July 12, 1993, an association of competitors of PSE&G appealed the NJDEPE's issuance of the air permit for Phase I of the project to the Appellate Division of the New Jersey Superior Court, alleging that PSE&G is first required to obtain a Certificate of Need under the New Jersey Need Assessment Act (Need Assessment Act). The NJDEPE determined that the Need Assessment Act was inapplicable to this renovation project. Obtaining a Certificate of Need would be a complex procedure entailing proceedings of at least a two year duration before the NJDEPE, the outcome of which could not be assured. As of March 31, 1994, Phase I of the renovation project was about 67% complete and PSE&G had spent approximately $191 million on this effort. The final cost is estimated to be approximately $400 million.

BERGEN STATION REPOWERING (Concluded)

Briefs have been filed in the appeal and an oral argument before the appellate division is scheduled for June 13, 1994. PSE&G continue to believe that a Certificate of Need is not required for Phase I of the project. However, if a Certificate of Need were ultimately required by the courts after exhaustion of all appeals, the permits needed to operate the plant could not be issued until after a Certificate of Need was obtained. PSE&G intends to continue this renovation project and to vigorously defend its position through all available means.

ENVIRONMENT

GENERAL

Certain Federal and State laws authorize the United States Environmental Protection Agency (EPA) and NJDEPE, among other agencies, to issue orders and bring enforcement actions to compel responsible parties to take investigative and remedial actions at any site that is determined to present an imminent and substantial danger to the public or the environment because of an actual or threatened release of one or more hazardous substances. Because of the nature of PSE&G's business, including the production of electricity, the distribution of gas and, formerly, the manufacture of gas, various by-products and substances are or were produced or handled which contain constituents classified as hazardous. PSE&G generally provides for the disposal or processing of such substances through licensed independent contractors. However, these statutory provisions impose joint and several responsibility without regard to fault on all responsible parties, including the generators of the hazardous substances, for certain investigative and remediation costs at sites where these substances were disposed of or processed. PSE&G has been notified with respect to a number of such sites and the remediation of these potentially hazardous sites is receiving greater attention from the government agencies involved. Generally, actions directed at funding such site investigations and remediation include all suspected or known responsible parties. PSE&G does not expect its expenditures for any such site to be material.

PSE&G MANUFACTURED GAS PLANT REMEDIATION PROGRAM

In March 1988, NJDEPE notified PSE&G that it had identified the need for PSE&G, pursuant to a formal arrangement, to systematically investigate and, if necessary, resolve environmental concerns extant at PSE&G's former manufactured gas plant sites. To date, NJDEPE and PSE&G have identified 38 former gas plant sites. PSE&G is currently working with NJDEPE under a program to assess, investigate and, if necessary, remediate environmental concerns at its former gas plant sites (Remediation Program). The Remediation Program is periodically

NOTE 5. COMMITMENTS AND CONTINGENT LIABILITIES (Concluded)

ENVIRONMENT (Concluded)

PSE&G MANUFACTURED GAS PLANT REMEDIATION PROGRAM (Concluded)

reviewed and revised by PSE&G based on regulatory requirements, experience with the Remediation Program and available technologies. The cost of the Remediation Program cannot be reasonably estimated, but experience to date indicates that costs of at least $20 million per year could be incurred over a period of more than 30 years and that the overall cost could be material.

Costs incurred through March 31, 1994 for the Remediation Program amounted to $42.8 million, net of insurance recoveries. In addition, at December 31, 1993, PSE&G's liability for estimated remediation costs, net of insurance recoveries, through March 31, 1996 aggregated $113 million. In accordance with a Stipulation approved by the BRC on January 21, 1992, PSE&G is recovering $32 million of its actual remediation costs to reflect costs incurred through September 30, 1992, net of insurance recoveries, over a six-year period. PSE&G will recover $5.3 million in each of its next three LGAC periods ending in 1996, net of insurance recoveries. The regulatory treatment of the remediation costs covered by this Stipulation was not changed in the BRC's September 15, 1993 written order, allowing continued collection under the terms of the January 21, 1992 Stipulation. The decision of September 15, 1993 concluded that PSE&G had met its burden of proof for establishing the reasonableness and prudence of remediation costs incurred in operating and decommissioning these facilities in the past. The remediation costs incurred during the period July 1, 1992 through September 30, 1992 were subject to audit and verification in PSE&G's 1992-93 LGAC. The audit has been completed and resulted in no disallowance of any cost. The order also approved a mechanism for costs incurred since October 1, 1992, allowing the recovery of actual costs plus carrying charges, net of insurance recoveries, over a seven-year period through PSE&G's LEAC and LGAC, with 60% charged to gas customers and 40% charged to electric customers.

In November 1988, PSE&G filed suit against certain of its insurers to recover the costs associated with addressing and resolving environmental issues of the Remediation Program. PSE&G has settled its claim with one insurer and there is a trial scheduled for October 1994 with the remaining insurers. Pending full recovery of Remediation Program costs through rates or under its insurance policies, neither of which can be assured, PSE&G will be required to finance the unreimbursed costs of its Remediation Program.

NOTE 6. POSTRETIREMENT BENEFITS OTHER THAN PENSIONS

In accordance with SFAS 106, the BRC's December 31, 1992 base rate order, provided that (1) PSE&G's pay-as-you-go basis Other Postemployment Benefits (OPEB) costs will continue to be included in cost of service and will be recoverable in base rates on a pay-as-you-go basis; (2) prudently incurred OPEB costs, that are accounted for on an accrual basis in accordance with SFAS 106, will be recoverable in future rates; (3) PSE&G should account for the differences between its OPEB costs on an accrual basis and the pay-as-you-go basis being recovered in rates as a regulatory asset. During January 1993 and subsequent to the receipt of the Order, the FASB's EITF concluded that deferral of such costs is acceptable provided regulators allow SFAS 106 costs in rates within approximately five years of the adoption of SFAS 106 for financial reporting purposes, with any cost deferrals recovered in approximately twenty years. PSE&G intends to request the BRC for full SFAS 106 recovery in accordance with the EITF's view of such standard and believes that it is probable that any deferred costs will be recovered from utility customers within such twenty year time period. Accordingly, PSE&G is accounting for the differences between its SFAS 106 accruals cost and the cash cost currently recovered through rates as a regulatory asset. PSE&G's accrued OPEB costs deferred were $140.8 million on March 31, 1994.

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS

Following are the significant changes in or additions to information reported in Enterprise's Annual Report to the SEC on Form 10-K for 1993, affecting the consolidated financial condition and the results of operations of Enterprise and its subsidiaries. This discussion refers to the Consolidated Financial Statements and related Notes of Enterprise and should be read in conjunction with such statements and notes.

As of March 31, 1994, PSE&G comprised 86% of Enterprise assets. For the first quarter and twelve months ended March 31, 1994, PSE&G's revenues were 94% and 93%, respectively, of Enterprise's revenues and PSE&G's earnings available to Enterprise for such periods were 92% and 96%, respectively, of Enterprise's net income.

COMPETITION

Ongoing initiatives affecting PSE&G's electric and gas utility businesses associated with the transition to a competitive market environment can be expected to have an increasingly significant impact on Enterprise and PSE&G. Federal legislation, including the National Energy Policy Act (NEPA), as well as regulatory initiatives at both the Federal and state levels that are designed to promote competition and lessen regulation of the energy supply relationships can be expected to result in additional pressures on sales retention due to energy prices, especially with respect to larger industrial and commercial customers. Growth potential is limited in PSE&G's mature service territory.

The shifting of rate regulation from traditional concepts based upon cost recovery to concepts based upon market competition and service appears to be accelerating. As a result, added emphasis will be placed upon cost containment, and utilities and their regulators will need to develop flexible ratemaking strategies to minimize adverse impacts which might otherwise occur to revenues and earnings. The manner in which regulators address evolving competitive issues will also affect utility credit quality.

This transition to a competitive market environment may also affect utilities' asset values as a result of changes from traditional utility cost-recovery ratemaking. A shift from such regulatory method to a market-price determination of asset values could result in unrecoverable costs and create "stranded assets". Such assets could include electric generating units constituting excess capacity, inefficient units whose cost may be too high to be fully supported by competitively set rates, and certain regulatory assets whose costs may not be fully recoverable in a deregulated environment. If changes in rate regulation ultimately require a recognition of any such stranded assets, write-downs for utilities, including PSE&G, could occur. At this time management cannot predict the level of stranded assets or other unrecoverable costs resulting from industry deregulation, if any, or whether utility regulators will allow recovery of any such industry transition costs from customers. However, such amounts could be material.

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS

ENTERPRISE EARNINGS

Earnings per share of Enterprise Common Stock were 94 cents for the quarter ended March 31, 1994, an increase of 3 cents per share of Common Stock from the comparable 1993 quarter, after giving effect to the issuance of additional shares of Common Stock. Earnings per share of Enterprise Common Stock were $2.54 for the twelve month period ended March 31, 1994, an increase of 26 cents per share of Common Stock from the comparable 1993 period, after giving effect to the issuance of additional shares of Common Stock. (See Liquidity and Capital Resources - External Financing.) The changes are summarized as follows:

Increase or (Decrease)	
Three Months Ended	Twelve Months Ended

	March 31, 1994 vs. 1993		March 31, 1994 vs. 1993	
	Millions	Per Share	Millions	Per Share
PSE&G				
Revenues (net of fuel costs and gross receipts taxes)	$ 63	$ 0.26	$ 312	$ 1.33
Peach Bottom Settlement - net of Federal income taxes of $7 million	-	-	14	0.06
Other operation expenses	(13)	(0.06)	(75)	(0.32)
Maintenance expenses	(19)	(0.08)	(31)	(0.13)
Depreciation and amortization expenses	(6)	(0.03)	(17)	(0.07)
Federal income taxes	(9)	(0.04)	(90)	(0.38)
Interest charges	9	0.04	18	0.07
Other income	(3)	(0.01)	(3)	(0.01)
Other	(5)	(0.02)	3	0.01
Preferred stock dividend requirements	(1)	-	(6)	(0.03)
Earnings Available to Enterprise	16	0.06	125	0.53
EDHI	(1)	-	(43)	(0.18)
Net Income	$ 15	0.06	$ 82	0.35
Effect of additional shares of Enterprise Common Stock issues ..		(0.03)		(0.09)
Total		$ 0.03		$ 0.26
Average Shares of Common Stock Outstanding 1993	236,918,796		234,126,820	
Average Shares of Common Stock Outstanding 1994	243,776,766		242,354,605	

ENTERPRISE EARNINGS - (Continued)

PSE&G

PSE&G's earnings available to Enterprise increased by $16 million, or 8%, for the quarter ended March 31, 1994 from the quarter ended March 31, 1993. The increase was principally due to PSE&G's higher electric and gas sales resulting from the colder weather during the first quarter of 1994. Also contributing to the increase in earnings were lower interest charges resulting from refinancing of debt at lower interest rates. Adversely affecting net income were higher operation expenses (comprised primarily of labor, employee benefits costs and miscellaneous nuclear production costs), higher maintenance expenses at Hope Creek nuclear station and Mercer generating station and increased federal income taxes resulting from higher pre-tax income.

Excluding the $14 million net effect of the 1992 settlement of litigation against PECO in connection with the 1987 shutdown of Peach Bottom by the NRC, PSE&G's earnings available to Enterprise increased $111 million, or 23%, for the twelve month period ended March 31, 1994 from the comparable twelve month period of 1993. The principal factors contributing to the increase were PSE&G's higher electric and gas base rates that became effective January 1, 1993 and increased weather-related utility sales. In addition, lower interest charges resulting from refinancing of debt at lower interest rates contributed to the increase in earnings. Partially offsetting the increase in earnings were higher other operation expenses (comprised primarily of labor, employee benefits costs and miscellaneous nuclear production costs), higher federal income taxes resulting from increased pre-tax operating income and an increase in the Federal corporate income tax rate, effective January 1993, higher maintenance expenses at various nuclear and fossil generating stations and higher depreciation and amortization.

EDHI

EDHI's decrease in net income of $1 million, or 4%, for the quarter ended March 31, 1994 compared to the quarter ended March 31, 1993 was primarily due to lower gas volumes for EDC, higher administrative and general expenses of CEA and the effect of EDHI's change in accounting for income taxes, adopted January 1, 1993. Partially offsetting the decrease were higher income from CEA's power projects and PSRC's investments.

Excluding the 1993 property impairment to certain of EGDC's properties, which reduced net income by $51 million, after tax, EDHI's net income for the twelve month period ended March 31, 1994 increased by $8 million, or 12%, compared to the twelve month period ended March 31, 1993. The increase was due principally to higher gas prices of EDC and improved performance on certain projects of CEA.

ENTERPRISE EARNINGS - (Concluded)

DIVIDENDS

Dividends paid to holders of Enterprise Common Stock during the three and twelve month periods ended March 31, 1994 increased $2 million and $16 million, respectively, over the comparable 1993 periods. The increase in such dividend payments was due to the issuance of additional shares of Enterprise Common Stock. (See Liquidity and Capital Resources.)

Dividends paid to holders of PSE&G's Preferred Stock during the three and twelve month periods ended March 31, 1994 increased $1 million and $6 million, respectively, over the comparable 1993 periods. The increase in such dividend payments was due to the issuance of additional shares of PSE&G's Preferred Stock, partially offset by lower dividend payment rates on certain preferred stock issues resulting from redemptions. (See Liquidity and Capital Resources.)

REVENUES

PSE&G ELECTRIC

Revenues increased $16 million, or 2%, during the first quarter of 1994 and $249 million, or 7%, during the twelve months ended March 31, 1994. The significant components of these changes follow:

	Increase or (Decrease)	
	Three Months Ended March 31, 1994 vs. 1993	Twelve Months Ended March 31, 1994 vs. 1993
	(Millions)	
Kilowatthour sales	$ 32	$111
Base rate increase effective January 1, 1993	-	183
Recovery of energy costs	(19)	(61)
NJGRT	2	18
Other operating revenues	1	(2)
Total Electric Revenues	$ 16	$249

REVENUES - (Continued)

PSE&G ELECTRIC - (Concluded)

Changes in kilowatthour sales by customer category are described below:

	Increase or (Decrease)	
	Three Months Ended March 31, 1994 vs. 1993	Twelve Months Ended March 31, 1994 vs. 1993
Residential	2.3%	8.2%

Commercial	4.4	4.3
Industrial	0.1	(0.4)
Non-Jurisdictional	(47.3)	(22.3)

The 2% increase and 7% increase, respectively, in revenues during the quarter and twelve month period ended March 31, 1994 over the comparable 1993 quarter and period was due to greater sales to residential and commercial customers resulting from the colder 1994 winter season and improvement in New Jersey's economy.

PSE&G GAS

Revenues increased $172 million, or 27%, and $157 million, or 10%, for the three and twelve month periods ended March 31, 1994 over the similar periods ended March 31, 1993. The significant components of these changes follow:

	Increase or (Decrease)	
	Three Months Ended March 31, 1994 vs. 1993	Twelve Months Ended March 31, 1994 vs. 1993
	(Millions)	
Therm sales	$ 31	$ (1)
Base rate increase effective January 1, 1993	-	26
Recovery of fuel costs	129	139
NJGRT	9	3
Other operating revenues	3	(10)
Total Gas Revenues	$172	$157

REVENUES - (Concluded)

PSE&G GAS - (Concluded)

Changes in gas sold or transported by customer category are described below:

	Increase or (Decrease)	
	Three Months Ended March 31, 1994 vs. 1993	Twelve Months Ended March 31, 1994 vs. 1993
Residential	12.3%	3.8%
Commercial	8.2	1.9
Industrial	12.8	11.6
Transportation Service	(17.6)	(5.4)

The gas revenue increase of 27% and 10%, respectively, for the quarter and twelve month period ended March 31, 1994 over the comparable quarter and twelve month period of 1993 was primarily attributable to the colder 1994 winter season and improvement in New Jersey's economy. Sales to cogenerators was the largest contributor to the increase in industrial sales as cogeneration average customer usage for electric generation continued to increase. Transportation service sales reflect significantly more interruptions due to the colder 1994 winter season when compared to 1993.

EDHI

EDHI's revenues increased $9 million, or 10%, during the first quarter of 1994 over the first quarter of 1993, and $36 million, or 9%, during the twelve month period ended March 31, 1994 over the twelve month period ended March 31, 1993. The significant factors contributing to such results are as follows:

REVENUES - (Concluded)

EDHI - (Concluded)

	Increase or (Decrease)	
	Three Months Ended March 31, 1994 vs. 1993	Twelve Months Ended March 31, 1994 vs. 1993
	(Million)	
CEA	$ 4	$ 18
EDC	(1)	15
PSRC	7	3
EGDC	(1)	-
	$ 9	$ 36

The 10% increase in revenues for the quarter ended March 31, 1994 over the comparable 1993 quarter was due to PSRC's income from investments and greater income from CEA's power projects.

The 9% increase in revenues for the twelve months ended March 31, 1994 over the comparable 1993 period was primarily due to an increase in gas prices at EDC and greater income from CEA's power projects.

PSE&G - ELECTRIC ENERGY COSTS

Electric energy costs decreased $19 million, or 10%, and $69 million, or 9%, in the first quarter and twelve months ended March 31, 1994, respectively, from the comparable 1993 periods. The significant components of these changes follow:

	Increase or (Decrease)	
	Three Months Ended March 31, 1994 vs. 1993	Twelve Months Ended March 31, 1994 vs. 1993
	(Millions)	
Change in prices paid for fuel and power purchases	$ 32	$ 43
Kilowatthour generation	5	33
Adjustment of actual costs to match recoveries through revenues (A) ...	(56)	(145)
Total Electric Energy Costs....	$(19)	$(69)

(A) Reflects the change in deferred over(under) recovered energy costs.

The decrease in total costs during the first quarter of 1994 from the comparable 1993 quarter was principally due to the underrecovery of energy costs, partially offset by a 37% increase in purchased power costs, principally from nonutility generators (NUGs).

The decrease in total costs for the twelve month period ended March 31, 1994 from the comparable 1993 period was principally the result of an adjustment in the recovery of energy costs resulting from the base rate case decision effective January 1, 1993, partially offset by an 8% increase in nuclear generation and a 20% increase in purchased power costs, principally from NUGs.

GAS SUPPLY COSTS

Gas supply costs increased $132 million, or 40%, and $162 million, or 19% in the first quarter and twelve months ended March 31, 1994, respectively, from the comparable 1993 periods. The significant components of these changes follow:

	Increase or (Decrease) Three Months Ended March 31, 1994 vs. 1993	Twelve Months Ended March 31, 1994 vs. 1993
	(Millions)	
Change in prices paid for gas supplies	$ 41	$122
Therm sendout	45	47
Refunds from pipeline suppliers	(8)	16
Adjustment of actual costs to match recoveries through revenues (A) ...	54	(23)
Total Gas Supply Costs	$132	$162

(A) Reflects the change in deferred over(under) recovered gas costs.

The increase in total costs was principally due to greater sales to NUGs and other customers, higher gas costs and higher therm sendout resulting from the colder 1994 winter season compared to the 1993 winter season.

LIQUIDITY AND CAPITAL RESOURCES

Enterprise's liquidity is affected by maturing debt (see Note 4 - Long-Term Debt of Notes to Consolidated Financial Statements) investment and acquisition activities and the capital requirements of PSE&G's construction program. (For additional information see Note 5 - Commitments and Contingent Liabilities of Notes to Consolidated Financial Statements.)

PSE&G

For the three month period ended March 31, 1994, PSE&G had utility plant additions, excluding AFDC, of $168 million, an increase of $42 million from the corresponding period in 1993. For the twelve month period ended March 31, 1994, PSE&G had utility plant additions, excluding AFDC, of $905 million, an increase of $140 million from the corresponding period ended in 1993. Construction expenditures were related to improvements in PSE&G's existing power plants, transmission and distribution system, gas system and common facilities.

PSE&G expects that it will be able to generate internally a majority of its capital requirements including construction expenditures over the next five years, assuming adequate and timely rate relief as to which no assurances can be given. (See Note 5 - Commitments and Contingent Liabilities of Notes to Consolidated Financial Statements.)

Legislation effective January 1, 1992 phases in an acceleration of payment of the New Jersey Gross Receipts and Franchise Tax (NJGRT) during 1992-94, so that for 1994 and for each year thereafter PSE&G will be paying its estimated current year's NJGRT liability in April of each such year. In April 1993, PSE&G paid $899 million (its 1992 NJGRT plus 50% of its estimated 1993 NJGRT). In April 1994, PSE&G paid $847 million (the remainder of its 1993 NJGRT plus its 1994 estimated NJGRT). Pending collection from customers, PSE&G is required to finance such NJGRT payments.

EDHI

During the next five years, a majority of EDHI's capital requirements are expected to be provided from operational cash flows. EDHI intends to focus its efforts on CEA and EDC, its energy-related core businesses. CEA is expected to be the primary vehicle for its business growth and EDC is projected to attain and maintain a reserve base at approximately 900 billion cubic feet equivalent, approximately 11% above the year-end 1993 level. PSRC will limit new investments, while EGDC will exit the real estate business in a prudent manner. Over the next several years, EDHI and its subsidiaries will also be required to refinance a portion of their maturing debt in order to meet their capital requirements. Any inability to extend or replace maturing debt at current levels and interest rates may affect future earnings and result in an increase in EDHI's cost of capital.

LIQUIDITY AND CAPITAL RESOURCES (Continued)

PSRC is a limited partner in various partnerships and is committed to make investments from time to time, upon the request of the respective general partners. On March 31, 1994, $139 million remained as PSRC's unfunded commitment subject to call.

EDHI and each of its subsidiaries are subject to restrictive business and financial covenants contained in existing debt agreements and are required to not exceed various debt to equity ratios which vary from 3:1 to 1.75:1. EDHI is also required to maintain a twelve months earnings before interest and taxes to interest (EBIT) coverage ratio of at least 1.35:1. As of March 31, 1994 and 1993, EDHI had consolidated debt to equity ratios of 1.24:1 and 1.76:1 and, for the twelve months ended March 31, 1994 and 1993, EBIT coverage ratios, which exclude the effects of EGDC, of 2.23:1 and 1.90:1, respectively. Compliance with applicable financial covenants will depend upon future levels of earnings, among other things, as to which no assurance can be given. (See Note 4 - Long-Term Debt of Notes to Consolidated Financial Statements.)

INTERNAL GENERATION OF CASH FROM OPERATIONS

Enterprise's cash provided by operating activities increased by $96 million to $703 million for the three months ended March 31, 1994 compared to the corresponding period in 1993. This increase was primarily due to a decrease in accounts receivable and an increase in accrued taxes. (For more information see Net Income and Revenues.)

Although net income increased by $82 million, Enterprise's net cash provided by operating activities for the twelve months ended March 31, 1994 decreased by $170 million to $1.104 billion when compared to the corresponding period in 1993. This decrease was primarily due to a smaller recovery of electric energy and gas costs through PSE&G's LEAC and LGAC and increased NJGRT payments. Partially offsetting these cash outflows was the increase in net income, the loss from property impairment, increased deferred income taxes and an increase in accounts payable. (For additional information see Net Income and Revenues.)

LIQUIDITY AND CAPITAL RESOURCES (Continued)

EXTERNAL FINANCINGS

Cash Flows from Financing Activities:

	Three Months Ended March 31,		Twelve Months Ended March 31,	
	1994	1993	1994	1993
	(Millions)			
Enterprise:				
Issuance of Common Stock (A)	$ 28	$ 175	$ 127	$ 274
Cash Dividends Paid on Common Stock (B)	(132)	(130)	(524)	(508)
PSE&G: (C)				
Net decrease in Short-Term Debt (D)	(431)	(143)	(13)	(15)
Issuance of Long-Term Debt (E)	400	500	1,873	1,100
Redemption of Long-Term Debt and Other Obligations	(67)(E)	(94)	(1,690)	(950)
Amortization (Deferral) of Debt Expense - net	3	(1)	(54)	(12)
Issuance of Preferred Stock	75 (F)	75	75	150
Redemption of Preferred Stock	(45)(F)	-	(45)	-
Other	(1)	(1)	(1)	(1)

Total PSE&G	(66)	336	145	272
EDHI:				
Net decrease (increase) in Short-Term Debt (G)	(28)	16	(134)	(29)
Issuance of Long-Term Debt	-	60	105	90
Redemption of Long-Term Debt and Other Obligations	(30)	(117)	(281)	(142)
Other	-	1	(7)	4
Total EDHI	(58)	(40)	(317)	(77)
Net cash (used in) provided by financing activities	$ (228)	$ 341	$ (569)	$ (39)

(A) During the first three months of 1994, Enterprise issued and sold 1,009,674 shares of Common Stock through its DRIP and employee stock purchase plan. The net proceeds from such sales, aggregating approximately $28

LIQUIDITY AND CAPITAL RESOURCES - (Continued)

million, were used by Enterprise to make equity investments in EDHI. EDHI utilized such funds to repay outstanding debt at maturity. Book value per share was $21.49 at March 31, 1994, compared to $20.94 at March 31, 1993 and $21.07 at December 31, 1993. (See Note 3 - Common Stock of Notes to Consolidated Financial Statements.)

(B) See DIVIDENDS.

(C) Under the terms of PSE&G's Mortgage and Restated Certificate of Incorporation at March 31, 1994, PSE&G would qualify to issue an additional $3.952 billion of Bonds at a rate of 8.125% or $3.330 billion of Preferred Stock at a rate of 7.875%.

In addition, as a prerequisite to the issuance of additional Bonds, PSE&G's mortgage requires a 2:1 ratio of earnings to fixed charges as computed thereunder. For the twelve months ended March 31,1994 such ratio was 3.41:1.

The BRC has authorized PSE&G to issue not more than $800 million of its short-term obligations at any one time outstanding, consisting of commercial paper and other unsecured borrowings from banks and other lenders through December 31, 1994. On March 31, 1994, PSE&G had no short-term debt outstanding.

PSE&G has a $600 million revolving credit agreement with a group of commercial banks which expires on September 17, 1994. On March 31, 1994, there was no short-term debt outstanding under this credit agreement.

(D) Includes commercial paper issued and/or redeemed by PSE&G Fuel Corporation (Fuelco) and guaranteed by PSE&G pursuant to a commercial paper program supported by a bank revolving credit facility to finance the acquisition of a 42.49% undivided interest in the nuclear fuel for Peach Bottom. Fuelco has a $150 million commercial paper program through June 1996. On March 31, 1994, Fuelco had $102 million of its commercial paper outstanding.

(E) Enterprise's long-term debt aggregated $5.6 billion as of March 31, 1994, of which $4.8 billion was attributable to PSE&G and $800 million to EDHI.

On February 10, 1994, the Pollution Control Financing Authority of Salem County New Jersey issued and sold on behalf of PSE&G $50 million principal amount of its 5.45% Pollution Control Revenue Bonds, 1994 Series A (Public Service Electric and Gas Company Project) (New Authority Bonds). The New Authority Bonds will be serviced and secured by an equal principal amount of PSE&G's Pollution Control Series O Bonds. The net proceeds of the New Authority Bonds were loaned to PSE&G to finance a portion of certain pollution control facilities. PSE&G applied the net proceeds of the Authority's loan to refund and redeem higher cost long-term debt obligations.

LIQUIDITY AND CAPITAL RESOURCES - (Continued)

On March 1, 1994, PSE&G redeemed all of its First and Refunding Mortgage Bonds (Bonds) $60 million principal amount 4-5/8% Series due 1994. On March 15, 1994 PSE&G issued $175 million principal amount 7-3/8% Series TT Bonds due 2014 and $175 million principal amount of its 6-3/4% Series UU Bonds due 2006. The net proceeds of such Bonds were used by PSE&G to finance a portion of its construction program and to reimburse its treasury for funds expended to refund and redeem certain of its debt obligations, including the payment of short-term obligations incurred for such purposes.

(F) In February 1994, PSE&G sold 600,000 shares of its 6.75% Cumulative Preferred Stock -- $25 Par and 600,000 shares of its 6.92% Cumulative Preferred Stock ($100 Par). The net proceeds of $15 million from the sale of the Preferred Stock -- $25 Par were used by PSE&G to redeem all of the 150,000 outstanding shares of PSE&G's 8.08% Cumulative Preferred Stock ($100 Par). The net proceeds of $60 million from the sale of the Cumulative Preferred Stock ($100 Par) were added to the general funds of PSE&G and used to pay a portion of its then outstanding short-term debt obligations, which were principally incurred to fund a portion of its construction expenditures. On March 1, 1994, PSE&G redeemed all of the 300,000 shares of its 8.16% Cumulative Preferred Stock ($100 Par).

Under authority granted by the BRC, expiring December 31, 1995, PSE&G is authorized to issue an additional $330 million of Preferred Stock after giving effect to the 1994 issuances of Preferred Stock.

(G) Funding has a commercial paper program, supported by a commercial bank letter of credit and credit facility, through November 18, 1995 in the amount of $225 million. As of March 31, 1994, Funding had $16.6 million outstanding under this program.

Funding has a $225 million revolving credit facility which terminates on November 18, 1995. As of March 31, 1994, Funding had no borrowings on this facility.

NUCLEAR OPERATIONS

Salem Nuclear Generating Station, Unit 1 (Salem 1) experienced a automatic reactor shutdown which occurred on April 7, 1994 due to excessive grass from the Delaware River clogging the station's water intake structure. Subsequent to the shutdown a precautionary Alert was declared at 1:16 p.m. and this emergency classification was terminated at 8:20 p.m. No abnormal releases of radiation to the environment occurred during the event and there was no threat to the public health and safety. Salem 1 has remained out of service while PSE&G and the NRC have investigated the event and PSE&G has implemented remedial actions that must be completed prior to returning the unit to service. PSE&G agreed not to restart the unit until approval is obtained from the NRC.

LIQUIDITY AND CAPITAL RESOURCES - (Concluded)

On April 7, 1994 the NRC sent an augmented inspection team (AIT) to Salem to investigate the event. The AIT completed its on-site investigation on April 15, 1994 and presented its preliminary findings at a public meeting held at the station site on April 26, 1994. The AIT concluded that the event had challenged the reactor coolant system pressure boundary, that operator error had occurred which complicated the event, that management had allowed equipment problems to exist which made operations difficult for plant operators, and that some equipment was degraded by the event, but overall the plant performed as designed. The AIT further concluded that operator use of emergency operating procedures was good and that investigation and trouble-shooting efforts were good. PSE&G's investigation of the event has resulted in conclusions similar to those of the AIT.

On May 9, 1994, PSE&G and the NRC staff presented their findings to the NRC Commissioners, and PSE&G described the actions it has taken to prepare Salem 1 for restart. On May 11, 1994, Senator Joseph Biden, representing Delaware, wrote to the NRC expressing his concerns regarding early restart of the unit and requested assurances "that all outstanding mechanical and management problems have been resolved and that a fine in the maximum amount will be levied upon the licensee." Nevertheless, PSE&G believes that the event has been thoroughly analyzed and that all necessary corrective actions have been identified so as to permit the unit to return to service. PSE&G expects to request authorization to restart the unit shortly. PSE&G cannot determine what action, if any, the NRC may take in this matter or when PSE&G will be permitted to restart the unit.

Salem Unit 2 and Hope Creek Generating Station, both located adjacent to Salem 1 and operated by PSE&G, are presently in operation.

PUBLIC SERVICE ELECTRIC AND GAS COMPANY

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - (Continued)

Following are changes in or additions to the significant factors reported in PSE&G's Annual Report to the SEC on Form 10-K for 1993, affecting the consolidated financial condition of PSE&G and its subsidiaries as reflected in their consolidated results of operations. This discussion refers to the consolidated financial statements and related notes herein of PSE&G and should be read in conjunction with such statements and notes.

Except as modified below, the information required by this item is incorporated herein by reference to the following portions of Enterprise's MD&A, insofar as they relate to PSE&G and its subsidiaries: Net Income; Dividends; Revenues -- PSE&G Electric; PSE&G Gas; PSE&G Electric Energy Costs; Liquidity and Capital Resources - PSE&G and External Financings.

GAS SUPPLY COSTS

Gas supply costs increased $129 million, or 38%, and $141 million, or 16%, in the first quarter and twelve months ended March 31, 1994, respectively, from the comparable 1993 periods. The significant components of these changes follow:

	Increase or (Decrease)	
	Three Months Ended March 31, 1994 vs. 1993	Twelve Months Ended March 31, 1994 vs. 1993
	(Millions)	
Change in prices paid for gas supplies	$ 38	$ 99
Therm sendout	45	49
Refunds from pipeline suppliers	(8)	16
Adjustment of actual costs to match recoveries through revenues (A) ..	54	(23)
Total Gas Supply Costs	$129	$141

(A) Reflects the change in deferred over(under) recovered gas costs.

The increase in total costs was principally due to greater sales to NUGs and other customers, higher gas costs and higher therm sendout resulting from the colder 1994 winter season compared to the 1993 winter season.

PUBLIC SERVICE ELECTRIC AND GAS COMPANY

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - (Concluded)

INTERNAL GENERATION OF CASH FROM OPERATIONS

PSE&G's cash provided by operating activities increased by $119 million to $661 million for the three months ended March 31, 1994 compared to the corresponding period in 1993. This increase was primarily due to an increase in net income, a smaller increase in accounts receivable and a decrease in fuel and materials and supplies inventories. (For additional information see PSE&G - Net Income and Revenues.)

PSE&G's net cash provided by operating activities for the twelve months ended March 31, 1994 decreased by $195 million to $930 million when compared to the corresponding period in 1993. This decrease was primarily due to a smaller recovery of electric energy and gas costs through PSE&G's LEAC and LGAC and increased NJGRT payments. Partially offsetting these cash outflows was the increase in net income, an increase in deferred income taxes and an increase in accounts payable. (For additional information see PSE&G - Net Income and Revenues.)

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

Certain information reported under Item 1 of Part I of Enterprise's and PSE&G's Annual Reports to the Securities and Exchange Commission on Form 10-K for 1993 (the "Form 10-K") is updated below. References are to the related pages and paragraph(s) of the Form 10-K.

Form 10-K, Page 28, Paragraphs 4 and 5

(21) In United States of America v. Superior Tube Company, et al., Docket No. 89-7421 in the U.S. District Court for the Eastern District of Pennsylvania, the Commonwealth of Pennsylvania filed a Complaint In Intervention aligning itself as a plaintiff.

PSE&G has recently participated with twenty-one (21) other defending parties in negotiations concerning a de minimis settlement of the claims of the United States and the Commonwealth of Pennsylvania.

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED

PART II. OTHER INFORMATION - (Continued)

Item 4. Submission of Matters to a Vote of Security Holders

Enterprise's Annual Meeting of Stockholders was held on April 19, 1994. Proxies for the meeting were solicited pursuant to Regulation 14A under the Securities Exchange Act of 1934, there was no solicitation of proxies in opposition to management's nominees as listed in the proxy statement and all of management's nominees were elected to the board of directors. Details of the voting are provided below:

Item 1 - Election of Directors

	Votes For	Votes Withheld
Class I - Term Expiring 1997		
Ernest H. Drew	198,549,375	2,267,472
James C. Pitney	198,428,791	2,388,056

Item 2 - Appointment of Deloitte & Touche as Independent Auditors for 1994

Votes For	197,910,551
Votes Against	1,275,624
Votes Abstaining	1,748,046

There were no broker non votes with respect to either item.

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED

PART II. OTHER INFORMATION - (Continued)

Item 5. Other Information.

Certain information reported under Item 1 of Part I of Enterprise's and PSE&G's Annual Reports to the Securities and Exchange Commission on Form 10-K for 1993 (the "Form 10-K") is updated below. References are to the related pages and paragraph(s) of the Form 10-K.

Form 10-K, page 3, paragraph 2

NEPA, however, does not pre-empt state regulation of retail "wheeling", i.e., the transportation of electricity by a transmission owner from a third party generator to a retail customer. In April 1994, several states, but not New Jersey, issued proposed regulations to either mandate phased-in intra-state retail wheeling by utilities or authorize limited retail wheeling by utilities on an experimental basis. The BRC is presently conducting hearings concerning the desirability of amending New Jersey law to provide the BRC with greater flexibility in tariff design. While neither Enterprise nor PSE&G is able to predict the ultimate outcome or effect of such initiatives, in the aggregate such initiatives indicate an acceleration of the trend to deregulate the electric power industry. (See Management's Discussion and Analysis of Financial Condition and Results of Operations - Competition.)

Form 10-K, page 5, paragraph 7

The second component of PSE&G's IRP consists of expected additions to nonutility generation (NUG) from cogenerators, independent power producers and refuse burning generators. These additions are projected to be 139 MW and are scheduled for service by 1998. NUG projects are expected to grow from approximately 4% of resources to 7% by 2004. This growth, if accomplished, is expected to reduce the need for PSE&G to build or acquire additional generating facilities or capacity, other than what is described below.

The third and final component of PSE&G's IRP consists of utility projects. These projects include programs to revitalize and modernize PSE&G's existing power production system , making the system environmentally cleaner and more economically efficient to operate. As part of the continuing program, PSE&G will convert its existing Bergen Generating Station to combined cycle operation in 1995, which will reduce emissions, increase efficiency and provide 40 MW of increased capacity. A second phase at Bergen is being considered which could add 650 MW in the 1998 to 2000 time frame. These environmentally clean and efficient additions at Bergen Generating Station would allow PSE&G to retire approximately 750 MW of older, less efficient generating units by 2000, if economically and environmentally desirable.

Item 5. Other Information.

Form 10-K, page 9, paragraph 5

For a discussion of the recent outage at the Salem Nuclear Generating Station, Unit I see Management's Discussion and Analysis of Financial Condition and Results of Operations - Nuclear Operations.

Form 10-K, page 10, paragraph 6

In February 1989, PECO, on behalf of the co-owners of Peach Bottom, filed a proof of loss with Nuclear Electric Insurance Limited (NEIL) for replacement power costs associated with the 1983 outages of Peach Bottom Unit No. 3. On January 19, 1993, the arbitrators issued a decision in favor of NEIL and denied PECO's claim. On April 19, 1993, PECO filed a motion in the United States District Court for the Southern District of New York to vacate the arbitration decision, which was denied on March 4, 1994.

PECO filed a request with the NRC to amend its Facility Operating Licenses for Peach Bottom Units 2 and 3 to extend the expiration dates to August 2013 and July 2014, respectively, 40 years from the dates of issuance. By letter dated March 28, 1994, the NRC approved PECO's request to extend the license expiration dates.

Form 10-K, page 20, first paragraph

In response to a BRC directive, PSE&G surveyed EMF levels at 19 schools located within 100 feet of its electric transmission lines. In April 1994, the survey results were provided to the BRC and officials of such schools. The survey has generated requests by five schools for additional information and has resulted in a heightened concern about the emerging EMF issue in one school district. PSE&G cannot predict what actions, if any, it may hereafter be required to take to address such concerns, the costs of which could be material.

Item 6. Exhibits and Reports on Form 8-K.

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

Exhibit Number	Document
12	Computation of Ratios of Earnings to Fixed Charges plus Preferred Stock Dividend Requirements (Enterprise)
12(a)	Computation of Ratios of Earnings to Fixed Charges (PSE&G)
12(b)	Computation of Ratios of Earnings to Fixed Charges plus Preferred Stock Dividend Requirements (PSE&G)

(b) The following report on Form 8-K was filed by Enterprise and PSE&G during the first quarter of 1994 and the period covered by this report under Item 5:

Date of Report	Item Reported
January 21, 1994	Item 5. Other Events (Credit Ratings and Unaudited Operating Results)

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrants have duly caused these reports to be signed on their respective behalf by the undersigned thereunto duly authorized.

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
PUBLIC SERVICE ELECTRIC AND GAS COMPANY
(Registrants)

By PATRICIA A. RADO
Patricia A. Rado
Vice President and Controller
(Principal Accounting Officer)

Date: May 13, 1994

EXHIBIT 12

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED

COMPUTATION OF RATIOS OF EARNINGS TO FIXED CHARGES
PLUS PREFERRED STOCK DIVIDEND REQUIREMENTS

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31,					12 MONTHS ENDED MARCH 31,
	1989	1990	1991	1992	1993	1994
	(THOUSANDS OF DOLLARS)					
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Net Income......................	$ 523,435	$ 403,662	$ 543,035	$ 504,117	$ 595,519(A)	$ 615,642
Plus Income Taxes...............	207,644	144,652	274,146	253,276	316,010	335,713
Net Income Before Income Taxes...	731,079	548,314	817,181	757,393	911,529	951,355
Fixed Charges and Preferred Stock Dividend Requirements:						
Interest Charges...............	408,661	457,017	478,321	524,025	502,534	494,480
Interest Factor in Rentals.....	8,908	9,162	9,311	9,591	11,090	11,393
Preferred Stock Dividend Requirements (Pre-tax)......	39,729	38,544	42,676	46,748	58,112	60,917
Total..................	457,298	504,723	530,308	580,364	571,736	566,790
Earnings Before Fixed Charges and Preferred Stock Dividend Requirements..................	$1,188,377	$1,053,037	$1,347,489	$1,337,757	$1,483,265	$1,518,145
Ratio...........................	2.60	2.09	2.54	2.30	2.59	2.68

</TABLE>

(A) Excludes cumulative effect of $5.4 million change in accounting for EDHI's income taxes.

EXHIBIT 12(A)

PUBLIC SERVICE ELECTRIC AND GAS COMPANY

COMPUTATION OF RATIOS OF EARNINGS TO FIXED CHARGES

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31,					12 MONTHS ENDED MARCH 31,
	1989	1990	1991	1992	1993	1994
	(THOUSANDS OF DOLLARS)					
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Net Income......................	$ 544,374	$ 537,619	$ 545,479	$ 475,936	$ 614,868	$ 631,903
Plus Income Taxes...............	214,299	209,360	261,912	223,782	307,414	321,016
Net Income Before Income Taxes...	758,673	746,979	807,391	699,718	922,282	952,919
Fixed Charges						
Interest Charges...............	333,717	346,020	358,517	401,902	389,956	383,594
Interest Factor in Rentals.....	8,908	9,162	9,311	9,591	11,090	11,393
Total..................	342,625	355,182	367,828	411,493	401,046	394,987
Earnings Before Fixed Charges....	$1,101,298	$1,102,161	$1,175,219	$1,111,211	$1,323,328	$1,347,906
Ratio...........................	3.21	3.10	3.20	2.70	3.30	3.41

</TABLE>

EXHIBIT 12(B)

PUBLIC SERVICE ELECTRIC AND GAS COMPANY

COMPUTATION OF RATIOS OF EARNINGS TO FIXED CHARGES
PLUS PREFERRED STOCK DIVIDEND REQUIREMENTS

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31,					12 MONTHS ENDED MARCH 31,
	1989	1990	1991	1992	1993	1994
	(THOUSANDS OF DOLLARS)					
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Net Income...........................	$ 544,374	$ 537,619	$ 545,479	$ 475,936	$ 614,868	$ 631,903
Plus Income Taxes....................	214,299	209,361	261,912	223,782	307,414	321,016
Net Income Before Income Taxes.......	758,673	746,980	807,391	699,718	922,282	952,919
Fixed Charges and Preferred Stock Dividend Requirements:						
Interest Charges...................	333,717	346,020	358,517	401,902	389,956	383,594
Interest Factor in Rentals.........	8,908	9,162	9,311	9,591	11,090	11,393
Preferred Stock Dividend Requirements (Pre-tax)..........	40,236	40,116	42,703	46,675	56,957	59,459
Total......................	382,861	395,298	410,531	458,168	458,003	454,446
Earnings Before Fixed Charges and Preferred Stock Dividend...........	$1,101,298	$1,102,162	$1,175,219	$1,111,211	$1,323,328	$1,347,906
Ratio................................	2.88	2.79	2.86	2.43	2.89	2.97

</TABLE>