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PSEG

May 31, 2013

Technical Director
File Reference No. 2012-260
Financial Accounting Standards Board
401 Merritt 7
Post Office Box 5116
Norwalk, CT 06856-5116

Submitted via email to director@fasb.org

File References: 2012-260, Proposed ASU, *Financial Instruments – Credit Losses*

Dear Ms. Cosper:

Public Service Enterprise Group, Inc. ("PSEG") is a diversified energy company operating primarily in the Northeastern and Mid-Atlantic United States with revenues over $9 billion in 2012. We support and encourage the FASB and the International Accounting Standards Board (IASB) continued efforts to converge their respective accounting frameworks and are pleased to respond to your request for comment on the above Exposure Draft (ED). Our comments are mainly in the context of our "available for sale" investments which consist of financial instruments in externally managed and restricted funds, primarily nuclear decommissioning trust funds (NDT's) and other similar funds such as Rabbi trust funds.

The underlying investments in such funds are generally restricted by statute from PSEG's administrative control and managed by third-party fund managers. Investments may be bought or sold at the fund manager's discretion subject to the overall governing trust provisions and related investment objectives. Individual investment managers have full discretion under the "core" guidelines which generally include outperforming a specific bond index or achieving a ranking within a certain quartile of a peer universe measured over a period of years. Our policies also specify credit quality minimums for fixed income securities and certain transaction types are explicitly prohibited (e.g. derivatives, commodities or securities lending). Concentration limits are in place to ensure the portfolio is not too heavily weighted in equities vs. bonds (or vice versa), any single issuer, currency denomination or industry.

Our primary comments on the revised ED's proposals relate to assessing credit losses on hundreds of purchased debt securities within our NDT fund. Although we support both Boards' objectives in moving away from today's "incurred" loss model to an "expected" loss model, we do not believe this model is relevant or practical for the $800 million of "investment grade" debt securities held within our NDT and Rabbi Trust funds. Debt securities are acquired and recorded at fair value which inherently considers the possibility of credit loss from both a recognition and measurement perspective. We do not believe the requirement to recognize an additional "Day One" credit loss is necessary when the risk of impairment is considered remote.

In addition to the above theoretical concern, we believe the requirement to separately track and report credit-driven fair value changes for every FV-OCI instrument will create an enormous administrative burden and cost that is not justified by a meaningful user benefit, particularly for any entity whose FV-OCI instruments are managed and priced by external third parties.

While we currently have sufficient processes and controls in place to ensure the accurate valuation and fair value disclosure of such investments, these controls are typically executed under a risk-based approach through the use of portfolio level analyses and sample-based instrument pricing reviews. A company like PSEG, that outsources the valuation of its NDT investments to a third party, does not obtain the type of granular information on an instrument-by-instrument basis needed to comply with the revised credit loss ED's proposal to separately track credit-driven fair value changes. If the Board were to finalize this proposal as is, we would likely incur substantial costs to negotiate the receipt of such information assuming third party providers are willing to provide such information, which is unlikely given the proprietary nature of market information policies. Further, the internal cost and effort to validate and use this information (if available), at the scale required for purposes of meeting the Board's requirements, would not only negate the benefits of using a third party provider's pricing service component, but also require our internal resources to perform significant incremental analysis and testing within an extremely limited timetable for SEC large accelerated filers.

Along with the actual administration of the above-described investments being performed by a third party trustee, the computation and reporting of the underlying instrument fair values are also performed and provided by third parties. Since each investment manager may have its own unique approach to assessing credit loss, this increases the likelihood of inconsistent treatment for the same type of security across investment managers (and therefore across public reporting enterprises).

If the Board proceeds with its proposed requirement to separately track credit-driven fair value changes on debt securities, we believe the concept of a "practical expedient" could be extremely helpful in avoiding significant amounts of resources dedicated to analyzing securities that we would anticipate having "insignificant" amounts of expected credit loss. However, it is critical that the "insignificant expected credit loss" criteria can be applied appropriately without incurring the same amount of effort and costs to classes of assets or individual assets that would otherwise be subject to the proposed credit loss guidance. We believe specific implementation guidance on applying this practical expedient would be extremely helpful, specifically in clarifying the role of credit ratings in assessing credit loss for purchased debt securities.

We also believe the "practical expedient" does not go far enough due to the proposed criteria limiting its use to those securities with fair values at or above amortized cost. In such cases, preparers would be prohibited from applying the practical expedient to extremely low risk securities (e.g. US Government or US Government-backed securities and other corporate investment grade debt securities) where fair values are temporarily below cost due to factors other than credit (e.g. interest rates). In these instances where individual or classes of securities could be "underwater", especially in periods of rising interest rates, an entity would likely be forced to record credit losses when the risk of default is extremely low. We believe the use of a "practical expedient" as described in the ED, should be broadened to include classes of securities where there is generally no expectation of significant credit losses regardless of their current fair value estimates.

We appreciate the opportunity to provide our input on the proposed ASU. We would be pleased to discuss our comments and provide any additional information that you may find helpful.

Very truly yours,

Derek E DiRisio

Derek M. DiRisio
Vice President, Controller and Chief Accounting Officer