



**STATE OF NEW JERSEY**  
**Board of Public Utilities**  
**Two Gateway Center**  
**Newark, NJ 07102**  
**www.nj.gov/bpu/**

ENERGY

IN THE MATTER OF THE PETITION OF PUBLIC )  
SERVICE ELECTRIC AND GAS COMPANY, ) ORDER  
PURSUANT TO N.J.S.A. 48:3-9 AND N.J.A.C. 14:1-5.9, )  
FOR AUTHORITY TO ISSUE AND SELL SHORT-TERM )  
OBLIGATIONS NOT EXCEEDING \$1.0 BILLION )  
AGGREGATE PRINCIPAL AMOUNT AT ANY ONE )  
TIME OUTSTANDING THROUGH JANUARY 3, 2011 ) DOCKET NO. EF08100911

(SERVICE LIST ATTACHED)

BY THE BOARD:

Public Service Electric and Gas Company ("Petitioner"), a public utility of the State of New Jersey, by petition filed on October 10, 2008, has requested authority, pursuant to N.J.S.A. 48:3-9 and N.J.A.C. 14:1-5.9, to issue a) short-term obligations consisting of borrowings from banks, trust companies, insurance companies or other lenders and b) promissory notes ("commercial paper") (together, "Short-term Obligations") not to exceed \$1.0 billion in aggregate principal amount at any one time outstanding, through January 3, 2011.

The request in the instant proceeding is virtually identical, except as to total principal amount, to the request in Docket No. EF06100710. In that docket, by Order dated December 21, 2006, this Board authorized Petitioner to issue Short-term Obligations, not exceeding \$750.0 million in aggregate principal amount at any one time outstanding, through January 2, 2009. The requested authority includes an additional \$250 million. According to the petition, this increased authority will provide Petitioner with the flexibility it requires to meet continued cash needs and manage cash flows during 2009 and 2010. Given that long term interest rates are currently abnormally high relative to short term interest rates, Petitioner maintains that it may be an advantage to finance with shorter maturity debt at this time with the expectation that long term rates will be lower in the future.

Petitioner states that permanent financing and refinancing for its continuing facilities improvement programs are provided through the issuance of long-term debt and equity securities and by internally generated cash. However, in addition, Petitioner needs to fund its utility obligations, including working capital, purchases of electricity and natural gas, payment of State income and other taxes, temporary funding of maturing long-term debt and managing mismatches which may occur between its cash receipts, including collections from customers,

and its cash outflows, including Basic Generation Service ("BGS") and Basic Gas Supply ("BGSS") contract payments. In order to employ internally generated cash efficiently and to provide the flexibility necessary to effectively manage cash flows, Petitioner maintains that it needs to continue to issue Short-term Obligations.

According to the petition, the requested authority will provide Petitioner with the flexibility it requires to meet continued cash needs and manage cash flows during 2009 and 2010.

To the extent that any Short-term Obligation is a renewal or extension of a short-term obligation previously issued, such renewal or extension could be payable later than twelve months after the date of the original instrument. Petitioner requests that, within the limitation of \$1.0 billion aggregate principal amount at any one time outstanding, such short-term obligations may be issued, extended or renewed from time to time through January 3, 2011 without further application to or approval of the Board.

Petitioner asserts that the interest or discount rate applicable to the Short-term Obligations will be the best rate obtainable by Petitioner for the type of transaction involved. In the case of borrowings from domestic banks and trust companies, such rate, in each instance, will normally be referenced to the prime commercial lending rate, the federal funds rate or the London Interbank Offered Rate (LIBOR), as the case may be. In the case of commercial paper, the rate will normally be the market rate or discount rate for commercial paper of comparable quality and maturity.

Petitioner represents that the proceeds from the issuance of Short-term Obligations will be added to its general funds, and will be used for utility purposes, including for working capital, interim financing of State income and other tax obligations, purchases of electricity and natural gas, temporary funding of maturing long-term debt, and payment of other current utility transactions.

The Department of the Public Advocate, Division of Rate Counsel ("Rate Counsel") has reviewed this matter and, by letter dated December 4, 2008, is not opposed to Board approval subject to the provisions below.

The Board, after its investigation, FINDS that

1. The purposes of the Short-term Obligations are necessary and proper; and
2. The Petitioner's financing is appropriate at this time.

Therefore, after investigation, having considered the record and exhibits submitted in these proceedings, being satisfied with the action proposed to be taken by Petitioner as indicated above, and finding that the transaction is to be made in accordance with law, is in the public interest, and approving the purposes thereof, the Board HEREBY ORDERS that Petitioner be and it is HEREBY AUTHORIZED to issue and sell Short-term Obligations not exceeding \$1.0 billion in aggregate principal amount at any one time outstanding, all as described above.

This Order is issued subject to the following provisions

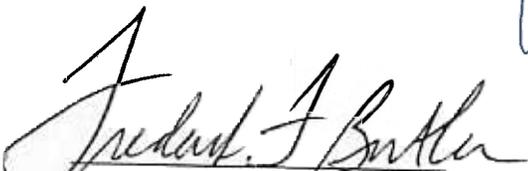
1. This Order shall not be construed as directly or indirectly fixing for any purpose whatsoever any value of the tangible or intangible assets now owned or hereafter to be owned by Petitioner.

2. This Order shall not affect or in any way limit the exercise of the authority of this Board, or of this State, in any future petition or in any proceeding with respect to rates, franchises, service, financing, accounting, capitalization, depreciation, or in any other matters affecting the Petitioner.
3. The authority granted in this Order shall become null and void and of no effect with respect to any portion which is not exercised by January 3, 2011.
4. PSE&G should be obligated to conduct its short term borrowing at lowest reasonable cost, in accordance with its commitment in Paragraph 5 of its Petition.
5. Short-term issuance authority should be used to fund utility operations and investments only, not to fund unregulated affiliates.
6. The Board's approval if the Petition should not constitute pre-approval of any cost recovery from customers or rate setting.
7. PSE&G retains the obligation to use a prudent mix of capital to finance its utility operations and investments to provide service at lowest reasonable cost.
8. Rate Counsel reserves all rights to take appropriate positions in future Board proceedings involving PSE&G.

DATED: 12/18/08

BOARD OF PUBLIC UTILITIES  
BY:

  
JEANNE M. FOX  
PRESIDENT

  
FREDERICK F. BUTLER  
COMMISSIONER

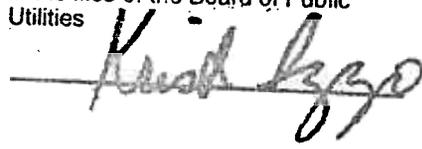
  
JOSEPH L. FIORDALISO  
COMMISSIONER

  
NICHOLAS ASSELTA  
COMMISSIONER

  
COMMISSIONER

ATTEST:

  
KRISTI IZZO  
SECRETARY

I HEREBY CERTIFY that the within document is a true copy of the original in the files of the Board of Public Utilities  


## SERVICE LIST

**In the Matter of the Petition of Public Service Electric and Gas Company, Pursuant to N.J.S.A. 48:3-9 and N.J.A.C. 14:1-5.9, for Authority to Issue and Sell Short-term Obligations Not Exceeding \$750 Million Aggregate Principal Amount at Any One Time Outstanding Through January 3, 2011,**

**Docket No. TF08100911**

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