



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

IN THE MATTER OF THE PETITION OF PUBLIC)
SERVICE ELECTRIC AND GAS COMPANY FOR)
AUTHORITY THROUGH DECEMBER 31, 2009: 1))
TO EXECUTE AND DELIVER PURSUANT TO)
N.J.S.A. 48:3-7 ONE OR MORE INDENTURES OR)
SUPPLEMENTAL INDENTURES AND/OR ONE OR)
MORE PLEDGES, UNIFORM COMMERCIAL CODE)
FINANCING STATEMENTS, AND RELATED)
AGREEMENTS AND INSTRUMENTS CREATING)
ONE OR MORE ENCUMBRANCES AND/OR LIENS)
ON THE PROPERTY AND/OR ASSETS OF)
PETITIONER AND PROVIDING FOR ASSET)
DISPOSITIONS AND/OR ISSUANCE OF ITS)
MORTGAGE BONDS, DEBENTURE BONDS,)
MTNS, NOTES AND/OR OTHER DEBT)
INSTRUMENTS AND/OR CERTIFICATES ONE OR)
MORE SERIES, EACH HAVING A MATURITY DATE)
OF NOT GREATER THAN 40 YEARS; 2) TO)
PURCHASE THROUGH TENDER OFFER, OPEN)
MARKET OR NEGOTIATED TRANSACTIONS,)
REDEEM AT A PREMIUM OR DEFEASE ANY OR)
ALL OF ITS OUTSTANDING LONG-TERM DEBT)
SECURITIES AND OUTSTANDING PREFERRED)
STOCK AT OR ABOVE PAR AS LONG AS THE)
ACQUISITION THEREOF IS ACCOMPLISHED ON A)
COST-SAVING BASIS; AND 3) TO ISSUE AND)
SELL PURSUANT TO N.J.S.A. 48:3-9, NEW LONG-)
TERM DEBT SECURITIES IN AGGREGATE)
PRINCIPAL AMOUNT A) OF NOT MORE THAN)
\$800,000,000, INCLUDING TO REFUND)
\$396,285,939 OF LONG-TERM DEBT MATURING)
IN 2007, 2008, OR 2009, AND B) AS NECESSARY)
TO COVER PRINCIPAL, PREMIUMS AND)
EXPENSES INCURRED TO REFINANCE)
OUTSTANDING LONG-TERM DEBT SECURITIES,)
AND OUTSTANDING PREFERRED STOCK)
ACQUIRED AS DESCRIBED IN (2) ABOVE.)

ENERGY
SECOND AMENDMENT TO
THE ORDER

DOCKET NO. EF07080621

(SERVICE LIST ATTACHED)

BY THE BOARD:

By an Order dated November 29, 2007, Public Service Electric and Gas Company ("Petitioner" or "PSE&G"), a public utility of the State of New Jersey, was granted approval by the New Jersey Board of Public Utilities ("Board ") through December 31, 2009: (1) to execute and deliver pursuant to N.J.S.A. 48:3- 7 one or more indentures or supplemental indentures and/or more pledges, Uniform Commercial Code ("UCC") financing statements and related agreements and instruments, creating one or more encumbrances and/or liens on the property and/or assets of Petitioner and providing for Asset Dispositions and/or issuance of its First and Refunding Mortgage Bonds ("Mortgage Bonds"), Debenture Bonds, Medium-Term Notes ("MTNs"), Notes and/or other debt instruments and/or certificates in one or more series having a maturity of not greater than 40 years; (2) to purchase through tender offer, open market or negotiated transactions, redeem at a premium or defease any or all of its Outstanding Long-Term Debt Securities and Outstanding Preferred Stock at or above par as long as the acquisition is accomplished on a cost-saving basis; and (3) to Issue and sell pursuant to N.J.S.A. 48:3-9, New Long-Term Debt Securities in aggregate principal amount a) of not more than \$800,000,000, including to refund \$396,285,939 of Long-Term Debt maturing in 2007, 2008, or 2009, and b) as necessary to cover principal, premiums and expenses incurred to refinance Outstanding Long-Term Debt Securities, and Outstanding Preferred Stock acquired as described in (2) above.

In addition, the Board also granted PSE&G approval to issue and sell, in one or more series, at any time through December 31, 2009, not more than \$800,000,000 aggregate principal amount of its Mortgage Bonds ("New Bonds") and/or MTNs ("New MTNs") and/or debenture Bonds ("New Debentures") and/or Notes ("New Notes") and/or other debt instruments or evidence of indebtedness, secured or unsecured and/or certificates issued in connection with an offering of Asset-Backed Securities, as below described (collectively, "New Long-Term Debt Securities"), in order to provide it with funds for construction purposes and for other corporate purposes in order to provide safe, adequate and proper service to its customers, including to refund its 6.25% Mortgage Bonds, Series WW due 2007; its 4.00% MTN Series C due 2008; its 8.16% MTN Series A due 2009 and its 8.10% MTN Series A due 2009; plus, with respect to the foregoing, related expenses of refunding and issuance at or before their respective maturity dates or to reimburse its Treasury for funds expended and, in connection therewith, to execute and deliver such related ancillary documents as may be necessary.

The Order set a maximum interest rate for the financings of a maximum coupon spread over the applicable reference U.S. Treasury securities, determined on the date of issuance and based on the interest rate formula for the initial interest period.

With regard to the Market Yield Spread Table, the Order states:

Petitioner shall not issue MTNs at coupon rates in excess of the Market Yield Spread Table set forth. In the event that Market conditions change, Petitioner may file an updated market yield spread table with the Board for approval. Any such updated market yield spread table submitted by Petitioner for approval of the Board shall be accompanied by Petitioner's statement of the basis or rationale.

Petitioner submitted an Updated Market Yield Spread Table in a letter dated March 3, 2008, accompanied by a rationale, and requested Board approval for the revised rates. By Order dated April 8, 2008 ("Amended Order"), the Board amended the November 29, 2007 Order to include the Updated Market Yield Spread Table, and authorized Petitioner to issue MTNs through December 31, 2009 in accordance with the Updated Market Yield Spread Table.

In a letter dated October 17, 2008, PSE&G stated that there have been significant and unprecedented changes in market conditions since the Amended Order was approved by the Board. According to PSE&G, credit market conditions have been under significant stress with unprecedented volatility that has impaired all parts of the capital markets. As stated by Petitioner, credit spreads have been at unprecedented levels, and overall liquidity constraints are expected to keep upwards pressure on those credit spreads. Issuers, such as PSE&G, have experienced increasingly higher new issue concessions, meaning that investors require incremental spread over outstanding secondary bonds. Petitioner also requested an expedited method for revising the market spread table by letter to the Chief Economist.

As a result, PSE&G maintains that the spreads in the Amended Order are no longer achievable, and it can no longer issue the Board approved debt at interest rates within the Updated Market Yield Spread Table approved in that Order. By letter dated October 24, 2008, PSE&G submitted further updated rates, and withdrew its request for a modified procedure for adjusting the spreads.

Accordingly, Petitioner, following discussions with the Office of the Chief Economist and the Department of the Public Advocate, Division of Rate Counsel ("Rate Counsel"), requests that the Board authorize the issuance of MTNs with maturities of ten (10) or less with coupon rates not in excess of market yield spreads as set forth in the table below:

Second Updated Market Yield Spread Table

Range of Maturities	Spreads in Amended Order	Proposed Spreads
	(Basis Points)	
1Yr. to less than 18 Mos.	110	600
18 Mos. to less than 2 Yrs.	130	610
2 Yrs. to less than 3 Yrs.	140	620
3 Yrs. to less than 4 Yrs.	150	630
4 Yrs. to less than 5 Yrs.	160	640
5 Yrs. to less than 7 Yrs.	170	650
7 Yrs. to less than 10 Yrs.	180	660

The Division of Rate Counsel has reviewed this matter and, by letter dated October 30, 2008, does not oppose Board approval of the requested amendment. Rate Counsel offered the following:

During this time period of extremely high credit spreads, the Company should seek to limit long-term debt issuances to the extent deemed necessary to fund its immediate cash requirements. To the extent feasible, long-term debt issues of a discretionary nature should be deferred until market conditions moderate.

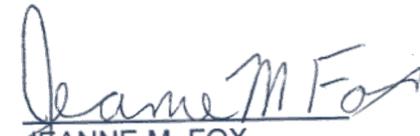
2. Long-term debt issuances under present conditions should not exceed a term of five years and preferably should be two to three years.
3. The Company's authority under the Board's order in this docket should expire on June 30, 2009 and be reassessed at the time.

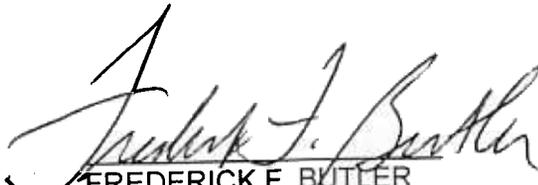
This Board, after investigation, having considered the Petitioner's request to revise the spreads in light of current market conditions, being satisfied with the actions proposed to be taken by Petitioner as indicated above, and finding that the proposed transactions are in accordance with law, are in the public interest, and approving the purposes thereof, HEREBY AMENDS the Order of Approval in this Docket dated November 29, 2007, as amended by the Order dated April 8, 2008, to include the Second Updated Market Yield Spread Table, and HEREBY AUTHORIZES the Petitioner to issue the MTNs with maturities of 10 years or less through June 30, 2009 in accordance with the Second Updated Market Yield Spread Table included herein. The Company shall inform Staff and Rate Counsel if it contemplates any additional MTN issuance during 2009 and should consider alternate methods of accessing the capital markets, including obtaining competitive bids.

The terms and conditions of the November 29, 2007 Order of Approval remain in full force and effect except as expressly modified herein.

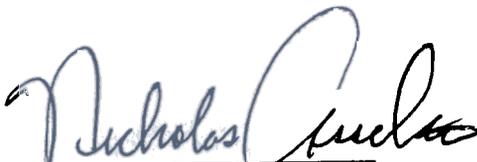
DATED: 11/7/08

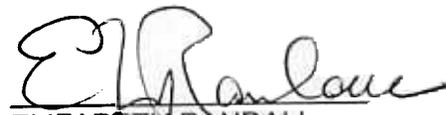
BOARD OF PUBLIC UTILITIES
BY:

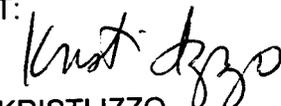

JEANNE M. FOX
PRESIDENT


FREDERICK F. BUTLER
COMMISSIONER

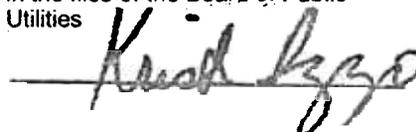

JOSEPH L. FIORDALISO
COMMISSIONER


NICHOLAS ASSELTA
COMMISSIONER


ELIZABETH RANDALL
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 for Authority to Issue and Sell pursuant to N.J.S.A. 48:3-9, New Long-Term Debt Securities in Aggregate Principal Amount of not more than \$800,000,000

Docket No. EF07080621 (Amendment)

James T. Foran, Esq.
General Corporate Counsel
Public Service Electric and Gas Company
80 Park Plaza, T5B
P.O. Box 570
Newark, New Jersey 07101

Babette Tenzer, DAG.
Dept of Law & Public Safety
Division of Law, Public Utility Section
124 Halsey Street
P.O. Box 45029
Newark, NJ 07101

Mark Beyer
Chief Economist
Board of Public Utilities
Two Gateway Center
Newark, NJ 07102

Diane Schulze, Esq.
The Division of Rate Counsel
31 Clinton Street, 11th Floor
PO Box 46005
Newark, NJ 07101

Robert Wojciak
Board of Public Utilities
Two Gateway Center
Newark, NJ 07102

Robert Schultheis
Board of Public Utilities
Two Gateway Center
Newark, NJ 07102

Kurt Lewandowski, Esq.
The Division of Rate Counsel
31 Clinton Street, 11th Floor
PO Box 46005
Newark, NJ 07101