



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		<u>ENERGY</u>
SERVICE ELECTRIC AND GAS COMPANY FOR	)	
AUTHORITY TO ISSUE AND SELL PURSUANT TO	)	
<u>N.J.S.A. 48:3-9, NEW LONG-TERM DEBT</u>	)	AMENDMENT TO THE ORDER
SECURITIES IN AGGREGATE PRINCIPAL	)	
AMOUNT OF NOT MORE THAN \$800,000,000	)	DOCKET NO. EF07080621

(SERVICE LIST ATTACHED)

BY THE BOARD

On November 29, 2007, Public Service Electric and Gas Company ("Petitioner" or "PSE&G"), a public utility of the State of New Jersey, by petition filed August 14, 2007, was granted approval by the 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 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 Board Order dated November 29, 2007 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 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.

In a letter dated March 3, 2008, PSE&G stated that it has experienced significant changes in market conditions since August 2007 when the petition was filed with the Board. Credit markets have been weakened due to concerns over the Subprime market. These concerns have lead to a flight to quality as investors have moved into U.S. Treasuries resulting in lower treasury rates that have contributed to a widening of the credit curve. Lower secondary trading volumes and increased volatility has resulted in sizable new issue premiums. New issue concessions are defined as the incremental spread over outstanding secondary bonds that investors require. As a result, the spreads in the November 29, 2007 Board Order are no longer achievable.

As a result, PSE&G would no longer be able to issue the Board approved debt at interest rates within the Market Yield Spread Table approved by the Board in Docket EF07080621 on November 29, 2007.

Based on the forgoing, PSE&G requests that the Board approve the proposed spreads as indicated in the Updated Market Yield Spread Table set forth below:

Updated Market Yield Spread Table

<u>Range of Maturities</u>	<u>Spreads in Order</u> (Basis Points)	<u>Proposed Spreads</u>
1 Yr. to less than 18 Mos.	105	110
18 Mos. to less than 2 Yrs.	115	130
2 Yrs. to less than 3 Yrs.	120	140
3 Yrs. to less than 4 Yrs.	125	150
4 Yrs. to less than 5 Yrs.	130	160
5 Yrs. to less than 7 Yrs.	135	170
7 Yrs. to less than 10 Yrs.	145	180
10 Yrs. to less than 15 Yrs.	150	190
15 Yrs. to less than 20 Yrs.	160	200
20 Yrs. to less than 35 Yrs.	175	220

The Division of Rate Counsel has reviewed this matter and, by letter dated April 1, 2008, does not oppose Board approval of the requested amendment.

This Board, after investigation, having considered the Petitioner's request in light of current market conditions, being satisfied with the actions proposed to be taken by Petitioner as indicated above and finding that the transactions are to be made 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 to include the Updated Market Yield Spread Table and HEREBY AUTHORIZES the Petitioner to issue the MTNs through December 31, 2009 in accordance with the Updated Market Yield Spread Table included herein.

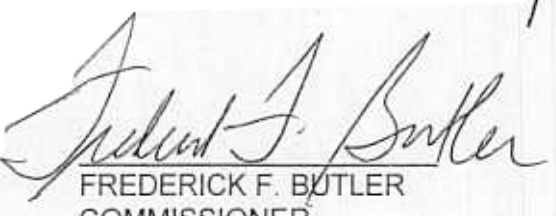
DATED:

4/8/08

BOARD OF PUBLIC UTILITIES
BY:



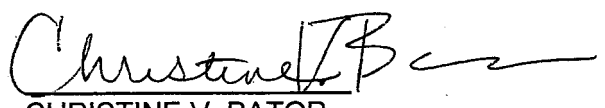
JEANNE M. FOX
PRESIDENT



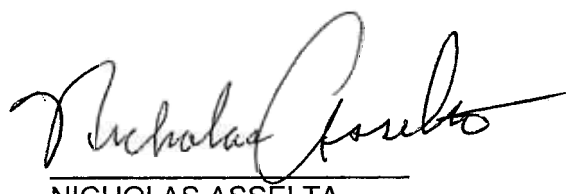
FREDERICK F. BUTLER
COMMISSIONER



JOSEPH L. FIORDALISO
COMMISSIONER



CHRISTINE V. BATOR
COMMISSIONER



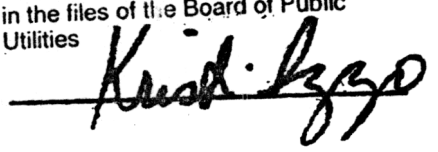
NICHOLAS ASSELTA
COMMISSIONER

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)

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