



October 16, 2007

Mr. Robert H. Herz, Chairman  
Financial Accounting Standards Board  
401 Merritt 7  
P.O. Box 5116  
Norwalk, CT 06856-5116



LETTER OF COMMENT NO. 9

Subject: Request for deferral of SFAS 157 "Fair Value Measurements"

Dear Mr. Herz:

Public Service Enterprise Group (PSEG) is an energy company with a diversified business mix, operating primarily in the Northeastern and Mid Atlantic United States and in other selected markets. In 2006, PSEG reported operating revenues of approximately \$12 billion and total assets of approximately \$29 billion.

PSEG has been working for about one year to prepare for the implementation of SFAS 157. We believe this standard is a very important step toward providing our financial statement users with more transparent information within our industry and across industries about how fair value is measured and presented in our financial statements. We have actively participated in regular discussion groups, industry-wide meetings, training sessions with the major auditing firms and direct communications with our auditors and the FASB. While these interactions have been helpful, they have also highlighted significant issues to both issuers and auditors that have yet to be addressed. We believe that further guidance and additional time is required so that the FAS 157 framework can be implemented consistently.

PSEG initially considered early adopting this pronouncement effective January 1, 2007. We ultimately decided not to go forward because we encountered significant implementation issues. The objective of this pronouncement is to "establish a framework for measuring fair value" which, for most financial services firms, is relatively straightforward. For an energy company carrying significant assets and liabilities at fair value where active, liquid and transparent markets do not exist, the exercise of applying the required framework is significantly more complex and much more subjective.

Our subsidiary, PSEG Power, transacts business primarily in the electricity and natural gas markets. These transactions can be complex and are sometimes structured as hedges in accordance with SFAS 133. These transactions may also be exchange traded contracts or simply "bilateral" contracts that possess similar commercial terms as an exchange traded contract. Issues regarding the application of credit risk, liquidity reserves, transaction costs and transportation costs must all be factored when calculating an "exit price" once a principal market is determined. The theory and mechanics of integrating these concepts into our systems has proven to be quite difficult and in some cases impractical. Does the

consideration of credit risk alter the effectiveness calculation on certain hedges? Is the principal market considered that where the greatest volume of activity has historically been transacted or do we look to the future to determine where the highest volume levels will be transacted? We are still working through valuation models and hierarchy classifications for which the guidance is not very specific.

In addition to various energy contracts, our company holds billions of dollars within our pension funds. At this juncture, it is still unclear whether or not pension assets are scoped into the 157 framework.

There are many other implementation issues that have been brought to the FASB in other forums however our goal is not to reiterate each issue at this time. Our purpose in communicating with the Board is to emphasize that the value of a fair value framework will be lost if we do not collectively pursue consistency in application within our industry and more broadly, across industries. At this point in the implementation timeline, significant uncertainties still exist due to the amount of open issues we are still discussing with industry groups and our independent audit firms.

The volume and complexity of issues that have been discussed over the past several months would indicate the need for additional time to dispose of the issues to assure effective and consistent implementation. We respectfully request the Board consider a one year delay.

*Sincerely,*

Derek DiRisio  
Vice President and Controller  
Public Service Enterprise Group