



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

WATER

IN THE MATTER OF THE PETITION THE ATLANTIC)
CITY SEWERAGE COMPANY FOR APPROVAL OF A)
FINANCING PROGRAM INVOLVING THE ISSUANCE)
OF LONG TERM DEBT AND THE REFINANCING OF)
EXISTING LONG TERM DEBT THROUGH)
DECEMBER 31, 2011)

ORDER

DOCKET NO. WF08070517

(SERVICE LIST ATTACHED)

BY THE BOARD:

On July 25, 2008, the Atlantic City Sewerage Company (hereinafter referred to as the "Petitioner", or "Company"), a public utility corporation of the State of New Jersey, with its principal office at Suite 300, 1200 Atlantic Avenue, Atlantic City, New Jersey 08404, filed its petition in this matter with the New Jersey Board of Public Utilities ("Board") seeking authority pursuant to N.J.S.A. 48:3-7 and 48:3-9 and N.J.A.C. §14:1-5.9 to

- a) issue and sell up to \$20,000,000 aggregate principal amount of long-term debt consisting of one or more series of Long-Term Debt (as defined below) by no later than December 31, 2011;
- b) execute and deliver one or more supplemental mortgage indentures, loan agreements, notes, and other necessary documents; and
- c) take such actions as Petitioner determines may be necessary or desirable in connection with any of the foregoing.

Petitioner operates a sewage collection and transmission system within its defined service territory, consisting of the City of Atlantic City, New Jersey. Within its service territory, Petitioner serves approximately 7,500 customers. Petitioner purchases its sewerage treatment from the Atlantic County Utilities Authority.

Petitioner seeks Board authorization to (a) issue and sell long-term debt in one or more offerings from time to time, in an aggregate principal amount not to exceed \$20,000,000 consisting of one or more series of general mortgage bonds, notes, other bonds or other evidences of indebtedness, whether secured or unsecured, fixed rate or variable rate, tax-exempt or taxable (collectively, the "Long-Term Debt"). Petitioner also seeks authorization to execute and deliver one or more supplemental mortgages, loan agreements, notes, and other necessary documents. According to the Company, the net proceeds of this transaction or series of transactions, if approved, will be used to (i) refinance outstanding long term debt as it matures or is retired or can be replaced by lower-cost issues; (ii) repay short-term debt, if any, incurred in connection with the Petitioner's operating activities, including its capital construction program; (iii) provide capital for certain projects; and (iv) pay certain issuance costs related to the proposed financings;

Petitioner contemplates issuance of the Long-Term Debt through taxable or tax-exempt issuances in conjunction with low interest loans through the New Jersey Economic Development Authority ("EDA"), and the New Jersey Environmental Infrastructure Trust ("EIT") for qualifying projects. Long-Term Debt will be used for the construction, rehabilitation, upgrade and expansion of various sections and components of the sanitary sewer system required to meet the needs and demands of Atlantic City, while maintaining the environmental integrity of the region. Specifically, the requested financing will be utilized for, among other things, the following projects: (a) the Southeast Inlet Sewer Improvement Project which includes replacement of approximately 4,100 feet of existing sanitary sewer pipe, and (b) 36-Inch New York & St. James Force Main Replacement Project which includes the replacement of two 36-inch force mains using open cut trenching and horizontal directional drilling. It may also be used for other permissible capital projects of the Petitioner.

Depending upon future market conditions and other factors, Petitioner believes it will be able to retire approximately \$8,000,000 of existing First Mortgage Bonds issued under its Mortgage Indenture (defined below), and replace such debt with more advantageous debt securities (hereinafter referred to as "Refinancing Debt") as part of the proposed Long -Term Debt . Refinancing Debt will also be secured through tax-exempt or taxable issuances in conjunction with issuances by the EDA, the EIT or otherwise.

If Petitioner issues the Long-Term Debt, including any Refinancing Debt, as First Mortgage Bonds under the terms of its indenture of mortgage dated as of December 31, 1991 with National Community Bank of New Jersey ("Mortgage Trustee", now The Bank of New York Mellon), as supplemented (the "Mortgage Indenture"), the Long-Term Debt and/or Refinancing Debt will be on parity with all other bonds issued under the Mortgage Indenture. The Mortgage Indenture constitutes a first mortgage lien on substantially all of the property of Petitioner except for certain excluded property.

As part of the grant of a first mortgage lien on substantially all of its property, Petitioner seeks authority to make, execute and deliver to the Mortgage Trustee under the Mortgage Indenture certain financing statements upon forms UCC-1, providing to the Mortgage Trustee a security interest in substantially all of the Petitioners' property, except for the excluded property.

Petitioner proposes to issue the Long-Term Debt via a public offering or private placement. In each debt issue proposed to be issued in conjunction with the EDA, the Petitioner will solicit and receive bids from a minimum of three (3) prospective purchasers for the purchase of the Long-Term Debt. For each series of bonds proposed to be issued under this petition in conjunction with the EDA, a request for proposal will be issued to prospective purchasers. The interest rate and other terms of any loans for the EDA financings will be determined through an offering of EDA bonds that would include the amounts requested by Petitioner in applications approved by the EDA. The interest rate and other terms of any Long-Term Debt issuance in conjunction with the EDA would be determined by the terms obtained for the EDA issuance.

If available, for each debt issuance proposed to be issued in conjunction with the EIT, the interest rate and other terms of any loans for EIT financings will be determined through an offering of EIT bonds that would include the amounts requested by Petitioner in applications approved by the EIT. The interest rate and other terms of any Long-Term Debt issuance in conjunction with the EIT would be determined by the terms obtained for the EIT issuance.

Petitioner is seeking authorization of the Board for the financing program described above so that it can have the flexibility to take advantage of favorable market conditions for Petitioner's securities as opportunities arise without the need for obtaining further approval of the Board, enabling Petitioner to be in the best position to attain the lowest cost of funds available for the Long-Term Debt.

In connection with one or more offerings of Long-Term Debt, Petitioner may choose to hire a financial advisor, if it is determined to be necessary and appropriate. The financial advisor, if retained by the Petitioner, will be expected to provide assistance in determining the terms and circumstances of a particular transaction and to provide advice with respect to market conditions and prospective underwriters for the proposed financing.

Petitioner is requesting authorization to issue and sell the Long-Term Debt without further approval by the Board of the specific terms and conditions as long as the Petitioner follows the procedures described above which Petitioner maintains are competitive conditions. Petitioner proposes to proceed with each such issuance and sale so long as:

- a) the accepted bid proposal terms and conditions will match those typically associated with an EDA issuance or an EIT issuance (as applicable);
- b) the accepted bid or proposal(s) produce(s) the lowest effective cost of money to the Petitioner; and
- c) the price to be paid to the Petitioner under the proposal accepted is expected to be between 98% and 102% of the principal amount of the Long-Term Debt offered for sale.

In the event these conditions are satisfied, Petitioner would accept the proposal which produces the lowest effective cost of money to Petitioner, and would further propose to issue and sell such securities in accordance with the terms thereof, without further order of this Board. No later than 24 hours prior to receipt of the proposal(s) received through the EDA process Petitioner will provide the Board with information as to the date and time scheduled for receipt of the bid proposals or other offering. At that time, Petitioner will also provide the Board with information relating to Petitioner's then current assessment of the financial markets, including:

- a) Recent sales of comparable securities issues, if any;
- b) Yields on outstanding comparable utility securities issues; and,
- c) Other relevant information needed to assess the reasonableness of the effective cost of funds.

As soon as practicable following the acceptance of any proposal resulting in the issuance and sale of any Long-Term Debt, Petitioner will submit to the Board the terms of the accepted proposal as well as the respective terms of each of the other proposals received including the interest rates, the prices to be paid, and the effective cost of funds to Petitioner under each proposal.

By letter dated October 9, 2008, the Division of the Rate Counsel notified the Board that it has reviewed the Petition and supporting Documents and is not opposed to its approval.

The Board, after investigation, having considered the petition and exhibits submitted in this proceeding, as well as any supplemental information provided by the Petitioner, FINDS that the above-proposed issue or issuances of Long-Term Debt are in accordance with the law, and the Board HEREBY APPROVING the purposes thereof, HEREBY ORDERS that the Petitioner be and is HEREBY AUTHORIZED through December 31, 2011 to:

- 1) pursuant to N.J.S.A. 48:3-7 and N.J.S.A. 48:3-9, issue and sell up to \$20,000,000 aggregate principal amount of its Long-Term Debt;
- 2) make, execute and deliver one or more underwriting agreements, official statements, bond purchase agreements, reoffering agreements, remarketing agreements and repurchase agreements (in the case of variable rate securities), loan and security agreements and indentures or trust agreements in connection with the issuance of Long-Term Debt and such other documents, agreements, instruments and indentures as may be necessary or appropriate in connection therewith;
- 3) hire a financial advisor in connection with one or more of the offerings of Long-Term Debt if that is determined to be necessary and appropriate;
- 4) take such other actions as are necessary or desirable in connection with such issuances, including without limitation, make, execute and deliver one or more supplemental mortgage indentures, loan agreements, notes, security agreements and such other documents and instruments as may be necessary or desirable in connection with the issuance of any series of Long-Term Debt;
- 5) redeem, refinance, convert and/or defease any or all of its outstanding long-term debt securities so long as the redemption, refinancing, conversion and/or defeasance is accomplished on a cost saving basis; and/or
- 6) enter into such swap, hedge or other forms of derivative agreements or arrangements in connection with the Long-Term Debt as Petitioner believes are in its best interest.

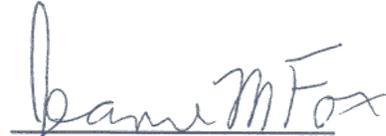
This Order is issued subject to the following provisions:

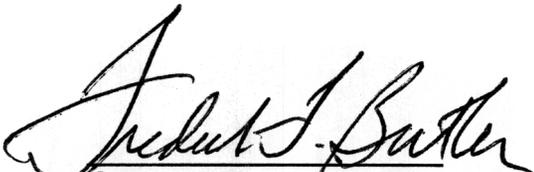
1. Petitioner may issue Long-Term Debt as set forth above in compliance with this Order. No further Order of this Board shall be necessary for the Petitioner to complete the financing or financings of the Long-Term Debt proposed if the conditions of this Order are met.
2. Petitioner shall, as promptly as is practicable following the end of each month during which the Long-Term Debt is sold, file with the Board a statement which shall set forth the Long-Term Debt transactions concluded during such month including the names of the agents and details of the transactions with the agents. Such statement shall also set forth (a) the principal amount, maturity date, redemption provisions, commissions and the interest rate spread over comparable United State Treasury securities for any Long-Term debt sold, and (b) the principal amount of the Long-Term Debt remaining authorized for issuance and sale in this Docket.
3. Petitioner shall issue the Long-Term Debt solely as provided for in this Order.
4. Petitioner shall furnish the Board with copies of each indenture, trust agreement, supplemental indenture, and similar instrument as executed.
5. Petitioner shall furnish this Board with copies of all final and complete documents as executed and filed with other regulatory agencies, if any.
6. Petitioner shall semi-annually file with this Board, a statement setting forth: (a) the amount of Long-Term Debt issued pursuant to this Order; and (b) details with respect to the disbursement of proceeds from such issuances.
7. This Order shall not be construed as a certification that the securities authorized to be offered for sale will be represented by tangible or intangible assets of commensurate value or investment costs.
8. This Order shall not effect nor in any way limit the exercise or authority of this Board, or this State, in any future petition or in any proceeding with respect to rates, franchises, services, financing, capitalization, depreciation, or any other matters affecting the Petitioner.

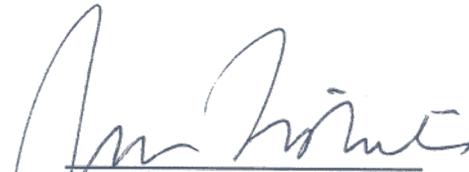
9. This Order shall not be construed as directly or indirectly fixing, for any purpose whatsoever, any value of the tangible or intangible assets now owned or hereafter to be owned by Petitioner.

DATED: 10/23/08

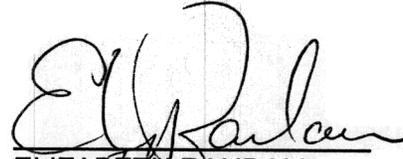
BOARD OF PUBLIC UTILITIES
BY:


JEANNE M. FOX
PRESIDENT


FREDERICK F. BUTLER
COMMISSIONER


JOSEPH L. FIORDALISO
COMMISSIONER

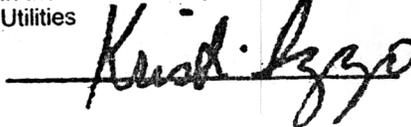

NICHOLAS ASSELTA
COMMISSIONER


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



I/M/O of the Petition of Atlantic City
Sewerage Company for Approval of A
Financing Program Involving The
Issuance of Long Term Debt and The
Refinancing of Existing Long Term Debt
through December 31, 2011
BPU Docket No. WF08070517
SERVICE LIST

Stefanie A. Brand, Esq.,
Director
Division of Rate Counsel
31 Clinton Street – 11th Floor
P.O. Box 46005
Newark, New Jersey 07101

*Debra F. Robinson, Esq.
Managing Attorney Water &
Wastewater
Division of Rate Counsel
31 Clinton Street – 11th Floor
P.O. Box 46005
Newark, New Jersey 07101

Collin Bailey, Legal Associate
Division of Rate Counsel
31 Clinton Street – 11th Floor
P.O. Box 46005
Newark, New Jersey 07101

Kristi Izzo, Secretary
Board of Public Utilities
Two Gateway Center
Newark, New Jersey 07102

Mark C. Beyer, Chief Economist
Office of the Economist
Board of Public Utilities
Two Gateway Center
Newark, New Jersey 07102

Robert Wojciak
Office of the Economist
Board of Public Utilities
Two Gateway Center
Newark, New Jersey 07102

Elise Goldblat, DAG
Dept. of Law & Public Safety
Division of Law
124 Halsey Street – 5th Floor
P.O. Box 45029
Newark, New Jersey 07102

Louis Walters, President
Atlantic City Sewerage Company
1200 Atlantic Avenue, Suite 300
Atlantic City, New Jersey 08404

Carl Cordek, Chairman
Atlantic City Sewerage Company
1200 Atlantic Avenue, Suite 300
Atlantic City, New Jersey 08404

Ira G. Megdal, Esq.
Cozen O' Connor
457 Haddonfield Road
P.O. Box 5459
Suite 300
Cherry Hill, NJ 08002

Lisa Wolf, Esq.
Cozen O' Connor
457 Haddonfield Road
P.O. Box 5459
Suite 300
Cherry Hill, NJ 08002

Dave Peterson
Chesapeake Regulatory Consul. Inc.
10351 Southern Maryland Blvd.
Suite 202
Dunkirk, MD 20754