



**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	)	ORDER OF APPROVAL
NEW JERSEY-AMERICAN WATER COMPANY	)	
INC. FOR APPROVAL OF A FINANCING	)	
PROGRAM INVOLVING THE REFINANCING	)	AMENDMENT TO THE ORDER
OF EXISTING LONG TERM DEBT AND THE	)	
ISSUANCE OF NEW LONG-TERM DEBT	)	
THROUGH DECEMBER 31, 2009	)	DOCKET NO. WF08050348

(SERVICE LIST ATTACHED)

**BY THE BOARD:**

On August 20, 2008, New Jersey-American Water Company ("NJAWC", "Petitioner" or "Company") was granted Board approval through December 31, 2009 to (1) Issue and sell up to \$475,000,000 in aggregate principal amount of long-term debt consisting of one or more series of Long-Term Debt; (2) Execute and deliver one or more series of supplemental mortgage indentures, loan agreements, notes, and such other documents; and (3) Take such other actions as Petitioner determines may be necessary or desirable in connection with any of the foregoing.

The approval granted by the Board on August 20, 2008 limited the interest rate on debt issuances to the Market Yield Spread Table below. Condition 3 of the Order states "Petitioner shall not issue Long-Term Debt at coupon rates in excess of those that would result from the Market Yield Spread Table set forth in this Order unless authorized by Order of this Board upon submission by Petitioner of a request to amend this Order so as to permit Petitioner to issue Long-Term Debt at coupon rates in excess of those that would result from the current Market Yield Spread Table, accompanied by Petitioner's statement of the basis or the rationale therefore."

By a letter dated April 17, 2009, New Jersey American Water petitioned the Board to amend the August 20, 2008 Order to update the market yield spread table set forth therein. The Company explained that due to the significant turmoil of the credit markets, bankruptcy of Lehman Brothers in mid-September, and the melt down of the mortgage securities market, the market entered into an unprecedented period of volatility, with lenders tightening their lending standards and investors demanding significantly higher credit spreads to purchase bonds. At the same time, investors sought the safety of U.S. Treasury securities and the Government instituted policies to provide more liquidity and to lower interest rates, leading to a significant drop in Treasury rates.

A contributing factor to the request to revise the Market Yield Spread Table is the significant yield premium investors are demanding for AMT bonds. The Company has determined that \$10.5 million of the NJWAC bonds issued via NJEDA cannot be refinanced to non-AMT status because they were issued before January 1, 2004. The American Recovery and Reinvestment Act of 2009 does allow certain "new money", private activity, tax exempt bonds and certain refinancings of bonds issued since January 1, 2004, to be refinanced on the basis of interest not being subjected to the Federal Alternative Minimum Tax ("AMT").

In a letter dated April 24, 2009 the Company explained that since April 17, 2009 the potential market for a long-term debt issuance by NJAWC has become more favorable. As a result NJAWC updated the amended Market Yield Spread Table that it proposed in its April 17, 2009 letter. Those requested spreads are presented in the following table.

The Company requests the Market Yield Spread Table to be amended as follows:

<u>Range of Maturities</u>	<u>Maximum Coupon Spread Over U.S. Treasury Securities (Basis Points)</u>		
	<u>August 20, 2008 Order</u>	<u>April 17, 2009</u>	<u>April 24, 2009</u>
1 Month to less than 1 Yr.	250	670	540
1 Yr. to less than 18 Mos.	250	650	520
18 Mos. to less than 2 Yrs.	250	670	540
2 Yrs. to less than 3 Yrs.	250	640	510
3 Yrs. to less than 4 Yrs.	300	620	490
4 Yrs. to less than 5 Yrs.	300	625	500
5 Yrs. to less than 7 Yrs.	300	640	510
7 Yrs. to less than 10 Yrs.	325	630	500
10 Yrs. to less than 15 Yrs.	350	590	460
15 Yrs. to less than 20 Yrs.	350	620	490
20 Yrs. to 40 Yrs.	350	650	530

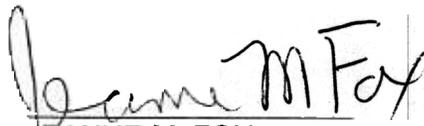
The Division of Rate Counsel ("Rate Counsel") has reviewed this request and, by letter dated April 30, 2009 is not opposed to its approval.

The Board, after review of the request to amend the Order signed August 20, 2008 in this docket by the inclusion of the Revised Market Yield Spread Table FINDS that the proposed action is in accordance with the law, is in the public interest and approving the purposes thereof, HEREBY AMENDS the Order of Approval in this Docket dated August 20, 2008 to include the Revised Market Yield Spread Table and HEREBY AUTHORIZES the Petitioner to issue the

Long-term debt through December 31, 2009 in accordance with the Revised Market Yield Spread Table included herein.

DATED: 5/15/09

BOARD OF PUBLIC UTILITIES  
BY:

  
JEANNE M. FOX  
PRESIDENT

  
FREDERICK F. BUTLER  
COMMISSIONER

  
JOSEPH L. FIORDALISO  
COMMISSIONER

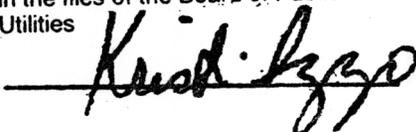
  
NICHOLAS ASSELTA  
COMMISSIONER

  
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 New Jersey-American Water Company, Inc. for Approval of a Financing Program Involving the Refinancing of Existing Long Term Debt and the Issuance of New Long-Term Debt Through December 31, 2009.**

**Docket No. WF08050348  
Amendment to the Order**

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BOARD OF PUBLIC UTILITIES  
OFFICE OF THE ECONOMIST

**FINANCING FACT SHEET**

DOCKET NO. WF08050348  
(Amendment to the Order)

**PETITIONER:** New Jersey American Water Company, Inc

**AMENDMENT:** New Jersey American Water Company is requesting that the Market Yield Spread Table approved by the Board on August 20, 2008 be amended with an updated Market Yield Spread Table to reflect current market conditions. *(Updated Spread Table is included in the Board Memo and Order.)*

**AMOUNT:** \$475,000,000

**TYPES OF SECURITY:** 1.) New Jersey Economic Development Authority (EDA),  
2.) low interest loans through the New Jersey Environmental Infrastructure Trust Fund Financing Program (Trust Fund),  
3.) tax-exempt issuances in conjunction with issuances by American Water Capital Corp. (AWWC),  
4.) taxable unsecured issuances in conjunction with issuances either directly by the Company or in conjunction with AWWC

**MATURITY:** Various Maturities up to 40 years.

**INTEREST:** EDA interest will equal one half of the Trust's bonds. (Blend of the zero rate of interest from the State and the actual rate of interest on the Trust's Bonds),  
The interest rate on Long Term Debt will be based on the rate for other utility offerings in such private or public markets having similar terms and credit ratings at the time of issuance.

**METHOD OF SALE:** The sale of Long-Term Debt may be conducted by a private sale or public offering.

**USE OF PROCEEDS:** Provide funds for the ongoing construction program, refinance outstanding Long Term Debt, repay short-term debt incurred in connection with the Company's operating activities and construction program, provide capital for certain acquisitions, and pay issuance costs related to the proposed financings.

**NJ PRESENCE:** NJ Revenue – \$507,356,533

NJ Customers – 590,250 water customers and  
approximately 27,000 sewer customers in 177  
municipalities

**PETITIONER'S TEAM**

**COUNSEL:** Suzana Loncar, Esq.

**BPU STAFF**

**ECONOMIST OFFICE:** Robert Wojciak

**D A G:** Kenneth J. Sheehan, Esq.

**AGENDA DATE:** May 14, 2009

**PREPARED BY:** Robert Wojciak

**REVIEWED BY:** Mark C. Beyer