



Agenda Date: 2/10/11  
Agenda Item: 5B

**STATE OF NEW JERSEY**  
**Board of Public Utilities**  
**Two Gateway Center, Suite 801**  
**Newark, NJ 07102**  
**[www.nj.gov/bpu/](http://www.nj.gov/bpu/)**

WATER

IN THE MATTER OF THE PETITION OF UNITED  
WATER NEW JERSEY INC. FOR AUTHORITY TO  
ISSUE AND SELL UP TO \$75 MILLION DOLLARS  
PRINCIPAL AMOUNT TAXABLE BONDS

ORDER

)  
) DOCKET NO. WF10120914

Carla E. Hjelm, Senior Corporate Attorney United Water attorney for the Petitioner

BY THE BOARD:

United Water New Jersey Inc. ("United Water" or "Company"), a public utility corporation of the State of New Jersey, filed a petition with the New Jersey Board of Public Utilities ("Board") on December 7, 2010, requesting authority pursuant to N.J.S.A. 48:3-9 and N.J.A.C. 14:1-5.9, to do the following:

To issue and deliver and permit to remain unpaid up to seventy-five million dollars (\$75,000,000) principal amount of taxable Bonds, in one or more series secured by the Company's promissory notes, with a final maturity of each not to exceed thirty (30) years from date of issue by private placement through a competitive process with a placement agent ("Bonds").

To amortize costs associated with this issuance as well as any of the unamortized costs associated with the existing forty million dollars (\$40,000,000) of tax-exempt First Mortgage Bonds over the life of the Bonds;

To amortize the premium to be paid on the preferred stock and any unamortized costs associated with the preferred stock over the life of the Bonds.

The Company has stated that it will apply the proceeds from the sale and delivery of the Bonds to redeem forty million dollars (\$40,000,000) of its tax-exempt, First Mortgage bonds, twenty-six million dollars (\$26,000,000) of its short term notes, and nine million dollars (\$9,000,000) of preferred stock (collectively the "Redemption").

According to the petition, any approvals needed pursuant to Blue-Sky laws from public authorities which regulate the sale of securities will be sought in accordance with the laws, rules and regulations that govern such sales. No franchise or right is proposed to be capitalized directly or indirectly by the issuance of the Bonds.

The Company maintains that issuance of the Bonds in conjunction with the Redemption will result in a lower cost of capital and reduced interest rate risk. The Company asserts that the issuance and sale of the Bonds, under current market conditions, would bear an interest rate significantly lower than the existing interest rate of approximately 5.85% on the redeemed bonds and the tax effective rate of approximately 6.97% on the redeemed stock, and would therefore enable the Petitioner to optimize interest and/or dividend savings. United Water commits to notifying the Board of the interest rate and other terms and conditions as soon as practicable after the completion of the interest rate pricing.

The Division of Rate Counsel has reviewed this matter and by letter dated January 31, 2011, stated that it does not object to the Board's approval of this petition subject to certain conditions. Rate Counsel's recommended language has been included in this Order with the exception of the 5.00% limitation on the interest rate. Instead, the Company may proceed with the financing provided that it results in net present value savings to ratepayers.

Based on its review of the petition and the recommendations of Rate Counsel and Staff, the Board concludes that the proposed issuance of the Bonds and the Redemption will be in the best interests of the Company's customers. Based on the information provided, the proposed method of sale appears to be the most appropriate at this time, and should provide maximum flexibility for the marketing of the Bonds at the lowest possible cost.

Therefore, the Board, after investigation, FINDS that the transaction is in accordance with law and is in the public interest, and approving the purposes thereof, HEREBY AUTHORIZES United Water :

- (a) To issue and deliver, by private placement through a competitive process with a placement agent, pursuant to N.J.S.A 48:3-9 and N.J.A.C. 14:1-5.9, up to seventy-five million dollars (\$75,000,000) in aggregate principal amount of promissory notes to support the issuance and sale, by private placement through a competitive process with a placement agent, of up to seventy-five million dollars (\$75,000,000) principal amount of taxable bonds, in one or more series, with a final maturity of each not to exceed thirty (30) years from date of issue;
- (b) To secure the Bonds, by the Company's promissory notes;
- (c) To amortize costs associated with up to seventy-five million dollars (\$75,000,000) principal amount of taxable bonds over the life of the Bonds;
- (d) To amortize any of the unamortized costs associated with the existing forty million dollars (\$40,000,000) of tax-exempt First Mortgage bonds over the life of the Bonds; and

- (d) To amortize the premium to be paid on the preferred stock and any unamortized costs of the preferred stock over the life of the Bonds.

This Order is issued subject to the following provisions:

- (1) This Board's approval is limited to the offering of the Bonds in the amount not to exceed \$75,000,000 for sale on a long-term basis. The Company may proceed with the financing provided that it results in net present value savings to ratepayers
- (2) The Board's approval is expressly limited to the offering of taxable Bonds for sale on a long term basis of between seven (7) and thirty (30) years. If such terms are not obtainable through private placement, the Company shall submit to the Board for its approval the alternative proposed terms of sale, and shall certify that the terms of the offer which it proposes to accept are reasonable.
- (3) The Bonds shall not be redeemed at a premium prior to maturity without further Board approval.

This Order shall not affect or in any way limit the exercise of the authority of this Board or of the State in any future petition or in any proceeding with respect to rates, franchises, services, accounting, financing (including method of sale of securities) other than the financing addressed in the petition in this proceeding, capitalization, depreciation or any other matter affecting United Water.

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 the Company.

This Order shall not be construed as a certification that the securities proposed to be issued will be represented by tangible or intangible assets of commensurate value or investment cost.

- (7) The Board's approval of this petition does not constitute pre-approval of any cost recovery from customers or of any ratemaking treatment of the transactions authorized by this Order.

(8) The authority granted in this Order shall become null and void if not exercised by June 30, 2011.

DATED: 2/10/11

BOARD OF PUBLIC UTILITIES  
BY:

  
LEE A. SOLOMON  
PRESIDENT

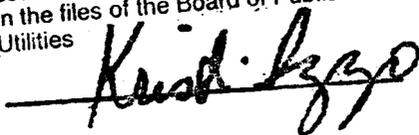
  
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COMMISSIONER

  
JOSEPH L. FIORDALISO  
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



**In The Matter Of The Petition Of United Water New Jersey Inc. For Authority To Issue And  
Sell Up To \$75 Million Dollars Principal Amount Taxable Bonds  
Docket No. WF10120914**

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