



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

DIVISION

IN THE MATTER OF THE APPLICATION OF )  
MIDDLESEX WATER COMPANY FOR AUTHORITY )  
TO BORROW UP TO \$4.0 MILLION AND TO ISSUE )  
EVIDENCES OF INDEBTEDNESS PURSUANT TO THE )  
ENVIRONMENTAL INFRASTRUCTURE TRUST )  
FINANCING PROGRAM )

ORDER  
DOCKET NO. WF09020159

(SERVICE LIST ATTACHED)

BY THE BOARD<sup>1</sup>:

Middlesex Water Company ("Company" or "Petitioner"), a public utility of the State of New Jersey, by petition filed with the New Jersey Board of Public Utilities ("Board") on February 26, 2009, pursuant to N.J.S.A. 48:3-7, N.J.S.A. 48:3-9, and N.J.A.C. 14:1-5.9, requests authority to:

- a) Borrow up to \$4.0 million ("Loans") from the New Jersey Environmental Infrastructure Trust ("Trust") and the State of New Jersey, acting by and through the New Jersey Department of Environmental Protection ("State"), and make, execute and deliver to the Trust and the State documents required in connection therewith;
- b) Make, execute and deliver, if necessary, one or more Supplemental Indentures of Mortgage to Wachovia Bank, as Trustee, for the purpose of, among other things, describing the terms of Petitioner's First Mortgage Bonds ("Company Bonds"), or to make such guarantee or guarantees as are required by the State and the Trust to secure the loans; and
- c) Issue and deliver, if necessary, to the Trust and the State, up to \$4.0 million principal amount of the Company's Bonds, due 2029. Petitioner's Bonds will bear interest at approximately one-half of the interest rate of the Environmental Infrastructure Trust Fund Bonds ("Trust's Bonds") that are to be secured equally and ratably with the Company's outstanding bonds, and which are intended to be sold by competitive bidding.

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<sup>1</sup> Commissioner Frederick Butler did not participate in this matter.

Petitioner requests that this relief be granted by the Board without the requirement for a further Board Order.

Petitioner is engaged in the business of collecting, treating, and distributing water for service on a retail basis to approximately 58,500 customers in South Plainfield, Metuchen, Carteret, Woodbridge, Edison, South Amboy and portions of Clark and, on a contract basis, for sale or for treatment and pumping to several municipalities in Middlesex and Monmouth Counties. Petitioner has its principal office located in Iselin, New Jersey.

The Trust will issue and sell its tax-exempt bonds and the proceeds, together with other State monies, will be used to create a fund available for loans to qualified borrowers, all pursuant to the 2009 New Jersey Environmental Infrastructure Trust Financing Program. Loans to various entities, including the Loans to the Petitioner, will be made from the loan fund. Petitioner proposes to issue and deliver its Bonds to the Trust and the State as security for the Loans from the Trust and the State to Petitioner of up to \$4.0 million. The Trust's Bonds will be sold through one or more underwriters with a fixed rate of interest, under circumstances where competitive conditions will be maintained throughout.

The structure of the Loans will be such that approximately one-half of the Loans will be from the Trust at a rate equal to the rate on the Trust's Bonds. The other approximately one-half of the Loan is to be from the State, through the Department of Environmental Protection, without interest. In effect, therefore, the rate of interest on the Company's Bonds will be approximately one-half of the rate of the Trust's Bonds since the Loan's rate will be a blend of the zero rate of interest from the State and the actual rate of interest on the Trust's Bonds.

To evidence and secure the Loans to the Company by the Trust and the State, the Company proposes to execute and deliver to the Trust and the State, the Company's Bonds and/or other evidences of indebtedness, in a principal amount equal to the amount of the loans, having an interest rate, as described above, and maturity dates and redemption provisions designed to service the Trust's Bonds and the State's loan. It is anticipated that such Company Bonds are to be designated "Series NN Bonds" and "Series MM Bonds," due 2029.

The Company expects that the interest on the Trust's Bonds will be exempt from federal income taxation under Section 103 of the Internal Revenue Code of 1986, as amended. As a result of this exemption, the zero rate of interest on the State loan and the favorable bond rating anticipated for the Trust's Bonds, the interest rate on the Company Bonds, issued as security for the Loans, will be substantially less than the interest rate the Company otherwise would pay to investors on conventional debt financing.

The proceeds of the Loan will be used by the Company to finance a project for rehabilitating its cast-iron transmission and distribution mains, referred to as "Cleaning and Lining", under the company's continuing RENEW program. The Cleaning and Lining project is an annual program estimated to continue for over 15 years and the proceeds of the Loans will be used for the project work for the calendar year 2010. The loan amounts will not be disbursed at the time of the Loans but rather are to be distributed to the Company as needed to meet expenditures over the project's life.

By letter dated April 16, 2009, the Division of Rate Counsel proposed certain language be included in the Order of Approval. That language has been incorporated herein.

The Board, after investigation, having considered the record and exhibits submitted in this proceeding, FINDS that the proposed transactions are in accordance with the law and are in the public interest. The Board therefore AUTHORIZES the Petitioner to:

1. Borrow up to \$4.0 million from the New Jersey Environmental Infrastructure Trust and the State of New Jersey, acting by and through the New Jersey Department of Environmental Protection and make, execute and deliver Loan Agreements therefore and to make, execute and deliver to the Trust and the State documents required in connection therewith;
2. Make, execute and deliver, if necessary, one or more Supplemental Indentures of Mortgage to Wachovia Bank, as Trustee, for the purpose among other things, of describing the terms of Petitioner's First Mortgage Bonds (herein called the Company Bonds), or to make such guarantee or guarantees as are required by the State and the Trust to secure the loans; and
3. Issue and deliver, if necessary, to the Trust and the State up to \$4.0 million principal amount of Series NN and Series MM Bonds, due 2029. Petitioner's Bonds will bear interest at approximately one-half of the interest rate of the Trust's Bonds that are to be secured equally and ratably with the Company's outstanding bonds, and which are intended to be sold by competitive bidding.

This Order is subject to the following provisions:

1. This Board's approval is expressly limited to the Loans described herein and as more fully described in the Petition and supporting documents.
2. No franchise rights will be capitalized directly or indirectly by the issuance of the Bonds.
3. 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.
4. This Order shall not be construed as certification that the securities authorized to be issued and sold will be represented by tangible or intangible assets of commensurate value or investment cost.
5. This Order shall not affect nor in any way limit the exercise of the authority of this Board, or of the State of New Jersey, in any future petition or in any proceedings with respect to rates, franchises, services, financing (including the method of sale of securities), accounting, capitalization, depreciation or in any other matters affecting the Petitioner.
6. Petitioner shall submit a schedule indicating complete details of the issuance costs no later than sixty (60) days following the closing date for this transaction.
7. This Order is for the sole purpose of approving the financing and does not approve or indicate approval of the project or projects as described above for ratemaking purposes.
8. Petitioner shall furnish the Board with copies of the executed Supplemental Indentures.
9. The Bonds herein authorized to be issued shall not be redeemed at a premium, prior to maturity, without further Board approval.

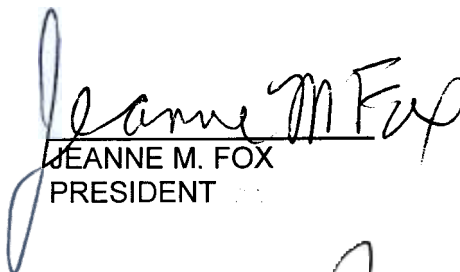
10. The authority granted in this Order, shall become effective only upon compliance with all of the stated provisions and shall become null and void and of no effect with respect to any portion thereof which has not been exercised by January 31, 2010.

DATED:


4/27/09

BOARD OF PUBLIC UTILITIES

BY:

  
JEANNE M. FOX  
PRESIDENT

  
JOSEPH L. FIORDALISO  
COMMISSIONER

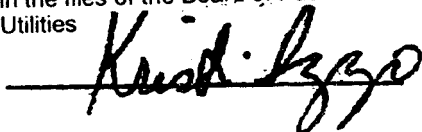
  
NICHOLAS ASSELTA  
COMMISSIONER

  
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



BOARD OF PUBLIC UTILITIES  
OFFICE OF THE ECONOMIST

**FINANCING FACT SHEET**

DOCKET NO. WF09020159

**PETITIONER:** Middlesex Water Company

**TYPE OF SECURITY:** Borrow from the New Jersey Environmental Infrastructure Trust and the State of New Jersey and issue Series NN and MM Bonds to the Trust and State.

**AMOUNT:** \$4.0 million

**MATURITY:** Due 2029

**INTEREST RATE:** 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)

**METHOD OF SALE:** Competitive bidding

**USE OF PROCEEDS:** The proceeds of the Loan will be used by the Petitioner to finance a project for rehabilitating its cast-iron transmission and distribution mains, under Middlesex Water Company's continuing RENEW program.

**NJ PRESENCE:** Petitioner collects, treats, and distributes water for service on a retail basis to approximately 59,700 customers in South Plainfield, Metuchen, Carteret, Woodbridge, Edison, South Amboy and portions of Clark and, on a contract basis, for sale or for treatment and pumping to several municipalities in Middlesex and Monmouth Counties.  
Annual NJ Revenue – \$58.3 Million

**PETITIONER'S TEAM**

**COUNSEL:** Walter G. Reinhard, Esq.

**BPU STAFF**

**ECONOMIST OFFICE:** Robert Wojciak

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

**AGENDA DATE:** April 27, 2009

**PREPARED BY:** Robert Wojciak

**REVIEWED BY:** Mark C. Beyer