



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) WATER
AQUA NEW JERSEY, INC. FOR AUTHORITY)
TO ENTER INTO LONG-TERM DEBT IN AN) ORDER AUTHORIZING BORROWING
AMOUNT UP TO \$15,000,000) AND ISSUANCE OF INDEBTEDNESS
)
) DOCKET NO. WF08040216
)

(SERVICE LIST ATTACHED)

BY THE BOARD:

Aqua New Jersey, Inc. (Company or Petitioner), a public utility of the State of New Jersey, filed a petition on April 10, 2008, pursuant to N.J.S.A. 48:3-9 and N.J.A.C. 14:1-5.9, requesting authority to:

1. Make, execute and deliver to Aqua America, Inc. a note (Note) for long-term debt in a principal amount up to \$15,000,000; and
2. Take such actions as are necessary to effectuate the transaction described in the Petition.

Petitioner states that its parent, Aqua America, Inc., intends to issue debt and to downstream all or a portion of the proceeds of that debt issuance to Petitioner. In exchange for the proceeds of the debt issuance, if approved by the Board, Petitioner will execute a Note to Aqua America, Inc. for long-term debt in a principal amount of up to \$15,000,000. Petitioner states that the proceeds of the downstreamed debt will be used to refinance existing short-term debt on more attractive terms and conditions.

Petitioner notes that, due to the relatively small size of the Company's debt issuance as well as the fact that Petitioner's stock is not publicly traded, it has previously placed its bonds for sale through private placement. Petitioner does not file SEC reports, is not followed by securities analysts, and is not widely known in the securities markets.

In this request, Petitioner states that it is seeking Board approval to participate in a debt issuance that would be done at the parent company level and then be downstreamed to the Company. Petitioner asserts there are significant advantages to this approach. Aqua America,

Inc. is well-known in the financial markets and is followed by numerous securities analysts. Furthermore, Petitioner states that the transaction costs associated with this downstreamed debt should be lower than either a public offering or a private placement by the Company due to the higher underwriting fees, legal fees, and other costs associated with these transactions. Petitioner estimates that the costs of the proposed transaction will be several thousand dollars lower than of either a public offering or a direct private placement.

The policy of the Board has been to encourage competitive bidding for the sale of a utility's securities, unless it can be shown that through another method of sale, such as a negotiated public offering or private placement, there would be significant cost savings. These savings will be to the benefit of the ratepayers and the method of sale should be advantageous to the utility.

Based on its review of the proposed financing, the Board concludes that the proposed issuance of the Note will be in the best interests of Petitioner's customers. The proposed use of downstreamed debt appears to be appropriate for Petitioner at this time, and should provide maximum flexibility at the lowest cost.

By letter dated July 17, 2008, the Division of Rate Counsel (Rate Counsel) submitted its comments on this petition. Rate Counsel stated that it is not opposed to approval of the petition provided that the approval is limited to the execution of the note as described, does not include authorization to include any specific asset or amounts in the rate base, and does not authorize any other ratemaking treatment.

The Board, after review of this matter, FINDS that the proposed transaction is in accordance with law, and is in the public interest. Approving the purposes hereof, the Board HEREBY AUTHORIZES Petitioner to make, execute and deliver to Aqua America, Inc. a note for long-term debt in a principal amount not to exceed \$15,000,000.

This Order is issued subject to the following provisions:

1. The Board's approval is expressly limited to the execution of a note upon the following terms: a principal amount not to exceed \$15,000,000 senior unsecured, at a coupon rate of 5.40%, and for a term of 14 years. If such terms are not obtainable, Petitioner shall forthwith submit to the Board the proposed terms of sale, and verify that the terms of the offer which Petitioner proposes to accept are reasonable.
2. 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.
3. This Order shall not be construed as a certification that the securities offered for sale will be represented by tangible or intangible assets of commensurate value or investment cost.
4. This Order shall not affect or in any way limit the exercise of the authority of this Board, or of this State, 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
Petitioner.

5. The authority granted in this Order shall become null and void and of no effect
with respect to any portion thereof which is not exercised by December 31, 2008.

DATED: 8/1/08

BOARD OF PUBLIC UTILITIES
BY:


JEANNE M. FOX
PRESIDENT


FREDERICK F. BUTLER
COMMISSIONER


JOSEPH L. FIORDALISO
COMMISSIONER

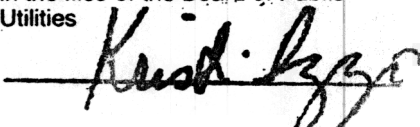

NICHOLAS ASSELTA
COMMISSIONER


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



SERVICE LIST

Docket No. WF08040216

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**BOARD OF PUBLIC UTILITIES
OFFICE OF THE ECONOMIST**

**FINANCING FACT SHEET
DOCKET NO. WF08040216**

PETITIONER: Aqua New Jersey Inc.

AMOUNT: \$15,000,000

TYPE OF SECURITY: Long term debt

MATURITY: 14 Year Term

INTEREST: 5.40%

METHOD OF SALE: The Company is not issuing debt directly but is requesting approval to participate in a debt issuance at the parent level and down streamed by Aqua America Inc. The Company cited significant advantages as Aqua America Inc. is well known in the financial markets which will allow it to attract more favorable bids from more potential investors.

USE OF PROCEEDS: The proceeds from this financing will be used to convert existing short term debt to long-term debt. The short term debt being converted served as interim financing for the company's construction work in progress.

NJ PRESENCE: Annual NJ Revenue – \$27,045,343
NJ Customers – 150,000

PETITIONER'S TEAM

COUNSEL: Colleen A. Foley, Esq.

BPU STAFF

ECONOMIST OFFICE: Robert Wojciak

D A G: Babette Tenzer

AGENDA DATE: July 30, 2008

PREPARED BY: Robert Wojciak

REVIEWED BY: Mark C. Beyer