



Agenda Date: 12/17/09
Agenda Item: 5A

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

WATER/WASTEWATER

IN THE MATTER OF THE PETITION OF)
ENVIRONMENTAL DISPOSAL CORP. FOR)
AUTHORIZATION TO: (1) INCREASE THE)
OUTSTANDING BALANCE OF A \$15.0 MILLION)
LOAN PREVIOUSLY APPROVED BY THE)
BOARD BY \$1.0 MILLION AND (2) EXECUTE)
MODIFICATIONS TO EXISTING LOAN)
DOCUMENTS AND NEW LOAN DOCUMENTS,)
INCLUDING A MORTGAGE, AS REQUIRED BY)
THE LENDER TO ACCOMPLISH SAME.)

ORDER

DOCKET NO. WF09100859

Edward K. DeHope, Esq., Riker Danzig Scherer Hyland Perretti LLP Headquarters Plaza
One Speedwell Avenue Morristown, New Jersey 07962

BY THE BOARD:

On October 21, 2009, Environmental Disposal Corp. ("EDC"), a public utility engaged in the business of collection, treatment and disposal of municipal sewage, filed a petition with the Board seeking approval, pursuant to N.J.S.A. 49:3-7, 3-9 and N.J.A.C. 14:1-5.9, to increase by \$1,000,000 the outstanding balance of a \$15,000,000 loan with CoBank, ACB ("CoBank") previously approved by the Board; and to enter into a new mortgage to secure the new loan. Various documents from CoBank related to the new loan and new mortgage were provided along with the petition. EDC stated that the proceeds of the new loan are to be utilized for capital projects identified by Dr. Andrew Higgins of Applied Water Management, which has operated the EDC sewer system for nearly thirteen years. The largest capital project, the replacement of two centrifuges in EDC's sewerage treatment plant, is estimated to cost \$561,000. Nine other projects having an aggregate estimated cost of slightly less than \$500,000 also were identified by Dr. Higgins. EDC's Board of Directors has approved the new loan and new mortgage with the stipulation that the new loan's proceeds solely be used for the design and construction of capital projects to benefit the EDC sewer system. On October 30, 2009, EDC provided updated copies of the Amended and Restated Real Estate Mortgage and Security Agreement and Real Estate Mortgage and Security Agreement provided by CoBank.

EDC seeks Board approval to amend its \$15,000,000 existing loan with CoBank, which was approved by the Board in an Order Authorizing Loan and Issuance of Stock dated December 16, 1998 in Docket No. WF98080708 ("1998 Order"). The original loan had a balance of

\$10,440,866 at December 31, 2008 and will have a balance of approximately \$9,735,000 at December 31, 2009. The amendment would allow for the addition of \$1,000,000 to the outstanding balance of the senior secured 20-year term loan maturing March 20, 2019, approved by the 1998 Order and now in its eleventh year of amortization, in order to fund EDC's enumerated capital improvement projects. The new loan would be a separate loan repaid over the same term as the original loan.

In order to issue the new loan, CoBank is requiring modification and updating of the existing loan documents. The terms are set forth in an Amended and Restated Master Loan Agreement ("Amended MLA"), an Amended and Restated Real Estate Mortgage and Security Agreement, which harmonizes the mortgage from the 1998 loan with the Amended MLA and a Real Estate Mortgage and Security Agreement ("New Mortgage") for the new loan. The security for the new loan will be a perfected first priority lien on, and security interest in, all real and personal, tangible and intangible, present and future assets of EDC as set forth in the New Mortgage.

EDC anticipates that it will lock the interest rate of the new loan as soon as possible after Board approval of same and anticipates the overall interest rate will be between 6 and 6.5 percent.

On December 3, 2009, the Department of the Public Advocate, Division of Rate Counsel, provided the Board with its comments on the proposed financing. Rate Counsel does not object to approval of the petition, and recommended that the Board Order approving the Company's Petition contain certain language that has been included in this Order.

Based upon the foregoing facts, after investigation, and having considered the petition and exhibits and response to data requests provided by EDC, and being satisfied that EDC's proposed actions are in accordance with law, and approving the purposes thereof, the Board HEREBY ORDERS that EDC is HEREBY AUTHORIZED to: increase the balance of its loan with CoBank, ACB, previously approved by the Board, by \$1,000,000 and execute the documents necessary to effect such increase, including an Amended and Restated Master Loan Agreement, an Amended and Restated Real Estate Mortgage and Security Agreement and a Real Estate Mortgage and Security Agreement, substantially in the form of the documents provided by EDC in this proceeding, and such other documents as are necessary to secure the new loan; and utilize the proceeds of the new loan for the capital projects identified in the Petition; and take such other action as may be required to consummate the transaction identified in the Petition.

This Order is subject to the following provisions:

1. The overall rate of interest on the new loan for the nine-year period for which the rate shall be fixed, inclusive of transaction costs, shall not exceed 7 percent, unless the Board by supplemental order shall approve a higher rate.
2. Petitioner shall furnish the Board with executed copies of the loan documents referenced herein within ten days of closing, noting all changes in said documents from those upon which this Order is based, and there shall be no material substantive changes without prior approval of the Board.
3. The loan shall not be prepaid at a premium without further Board approval.
4. 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 EDC; nor as certifying that the securities authorized to be issued 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 this State, in any future petition or in any proceedings with respect to rates, franchises, service, financing (including method of sale of securities), accounting, capitalization, depreciation, or in any other matters affecting EDC.
6. The Board's approval is expressly limited to the Loan described herein and as more fully described in the Petition and supporting documents.
7. This Order shall not be construed as certification that the Loan herein authorized will be represented by tangible or intangible assets of commensurate value or investment cost.
8. The authority granted in this Order shall become null and void and of no effect with respect to any portion which is not exercised within sixty (60) days of this Order being served upon EDC.

DATED: 12/17/09

BOARD OF PUBLIC UTILITIES
BY:


JEANNE M. FOX
PRESIDENT


FREDERICK F. BUTLER
COMMISSIONER


JOSEPH L. FIORDALISO
COMMISSIONER

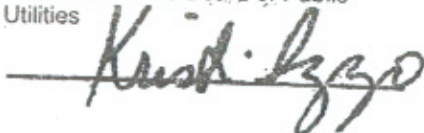

NICHOLAS ASSELTA
COMMISSIONER


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 Environmental Disposal Corp. for Authorization to:
(1) Increase the Outstanding Balance of a \$15 Million Loan and (2) Execute
Modifications to Existing Loan Documents and New Loan Documents, Including a
Mortgage, as Required by the Lender to Accomplish Same**

Docket No. WF09100859

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