



Agenda Date: 1/18/12
Agenda Item: 5A

STATE OF NEW JERSEY
Board of Public Utilities
44 South Clinton Avenue, 9th Floor
Post Office Box 350
Trenton, New Jersey 08625-0350
www.nj.gov/bpu/

WATER/WASTEWATER

IN THE MATTER OF THE PETITION OF AQUA NEW)
JERSEY, INC. FOR AUTHORITY TO BORROW UP TO)
\$2,200,000 AND TO ISSUE EVIDENCE OF)
INDEBTEDNESS PURSUANT TO THE NEW JERSEY)
ENVIRONMENTAL INFRASTRUCTURE TRUST)
FINANCING PROGRAM)

ORDER

DOCKET NO. WF11120877

Parties of Record:

Colleen A. Foley, Esq. Saul Ewing LLP for the Petitioner
Stefanie A. Brand, Esq., Director, New Jersey Division of Rate Counsel

BY THE BOARD:

Aqua New Jersey, Inc. ("Company" or "Petitioner"), a public utility of the State of New Jersey, by a petition filed with the New Jersey Board of Public Utilities ("Board") on December 16, 2011, pursuant to N.J.S.A. 48:3-7 and 48:3-9 and N.J.A.C. 14: 1-5.9, requests authority to:

(a) Borrow up to \$2,200,000 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 to make, execute and deliver to the Trust and the State, any and all documents required in connection therewith;

(b) Make, execute and deliver to U.S. Bank National Association (or its successor), as Trustee, a Supplemental Indenture to an original indenture dated as of October 1, 1957, for the purpose among other things, of describing the terms of Petitioner's First Mortgage Bonds in one or more series (hereinafter the "Company's Bonds"); and

(c) Issue and deliver to the Trust and the State up to a combined total of \$2,200,000 principal amount of the Company's Bonds, due no later than December 31, 2032. The Company anticipates that the Trust Bonds will be sold through one or more underwriters.

Petitioner requests that the relief set forth in Paragraphs (a) through (c) above be granted by the Board without the requirement for a further Board Order as to pricing.

The Trust will issue and sell its tax-exempt bonds (the "Trust Bonds") and the bond proceeds, together with other State monies, will be used to create a fund available for loans to qualified borrowers, all pursuant to the 2012 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 the Company Bonds to the Trust and the State as security for the Loans from the Trust and the State to Petitioner in an amount up to \$2,200,000. The Trust Bonds will be sold through one or more underwriters selected 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

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 issuance of the Company Bonds will be used by Petitioner to finance the replacement and rehabilitation of water mains located in the Company's Northern, Eastern and Southern Divisions, and to pay any issuance expenses and related costs.

Petitioner has stated that no franchise or right will be capitalized directly or indirectly by the issuance of the Company Bonds.

By letter dated January 5, 2012, 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, is satisfied that the proposed transactions to be undertaken by Petitioner, as indicated above, are in accordance with law, and are in the public interest. The Board therefore AUTHORIZES Petitioner to:

- a) Borrow up to \$2,200,000 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 to make, execute and deliver to the Trust and the State, any and all documents required in connection therewith;
- b) Make, execute and deliver one or more Supplemental Indentures of Mortgage to U.S. Bank National Association (or its successor), as Trustee; and
- c) Issue and deliver to the Trust and the State up to \$2,200,000 principal amount of First Mortgage Bonds, due no later than December 31, 2032.

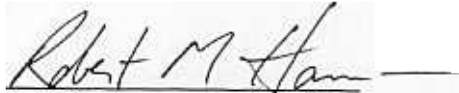
This Order is issued subject to the following provisions:

- 1) This Order shall not be construed as directly or indirectly fixing for any purposes whatsoever any value of the tangible or intangible assets now owned or hereafter to be owned by the Petitioner; nor as certifying that the securities authorized to be issued and sold will be represented by tangible or intangible assets of commensurate value or investment cost.
- 2) This Order shall not affect nor in any way limit the exercise of the authority of this Board or of this State, in any further 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 matter affecting the Petitioner.
- 3) No franchise rights will be capitalized directly or indirectly by the issuance of the Bonds.
- 4) The Bonds herein authorized to be issued shall not be redeemed at a premium, prior to maturity, without further Board approval.
- 5) Petitioner shall furnish the Board with copies of the executed Supplemental Indentures.
- 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) This Board's approval is expressly limited to the Loan described herein and as more fully described in the Petition and supporting documents.
- 9) The authority granted in this Order shall become null and void and of no effect with respect to any portion which is not exercised on or before December 31, 2012.


This Order shall be effective on January 28, 2012.

DATED: *1/18/12*

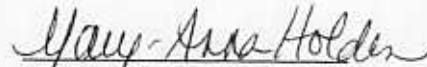
BOARD OF PUBLIC UTILITIES
BY:


ROBERT M. HANNA
PRESIDENT


JEANNE M. FOX
COMMISSIONER


JOSEPH L. FIORDALISO
COMMISSIONER

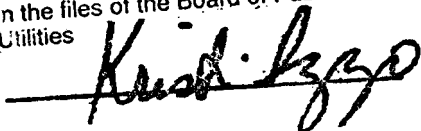

NICHOLAS ASSELTA
COMMISSIONER


MARY-ANNA HOLDEN
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. WF11120877

**In the Matter of the Petition of Aqua New Jersey, Inc. for Authority To Borrow Up To
\$2,200,000 And To Issue Evidence Of Indebtedness Pursuant To The New Jersey
Environmental Infrastructure Trust Financing Program**

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