



Agenda Date: 6/29/16
Agenda Item: 5D

STATE OF NEW JERSEY
Board of Public Utilities
44 South Clinton Avenue, 3rd Floor, Suite 314
Post Office Box 350
Trenton, New Jersey 08625-0350
www.nj.gov/bpu/

WATER

IN THE MATTER OF THE PETITION OF AQUA NEW)
JERSEY, INC. FOR AUTHORITY TO ENTER INTO)
LONG-TERM DEBT IN AN AMOUNT UP TO)
\$22,000,000.00) ORDER
DOCKET NO. WF16040284

Parties of Record:

Stefanie A. Brand, Esq., Director, New Jersey Division of Rate Counsel
Colleen Foley, Esq., Saul Ewing LLC, on behalf of Aqua New Jersey, Inc.

BY THE BOARD:

Aqua New Jersey, Inc. (the "Company"), a public utility of the State of New Jersey, filed a verified petition dated April 12, 2016, 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 \$22,000,000.00; and
2. To take such actions as are necessary to effectuate the transaction described in the Petition.

Petitioner states that its parent, Aqua America, Inc., has issued debt and intends to downstream a portion of the proceeds of those debt issuances to Petitioner. In exchange for a portion of the proceeds of the debt issuances, Petitioner seeks authority to execute a Note to Aqua America, Inc. for long-term debt in a principal amount up to \$22,000,000.00. Petitioner states that the proceeds of the down streamed debt will be used to refinance existing debt.

Petitioner notes that it has previously issued bonds for sale through private placement 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. Petitioner does not file Securities and Exchange Commission ("SEC") reports, is not followed by securities analysts, and is not widely known in the securities markets. In this request, Petitioner states that it will not be issuing debt directly but rather is seeking Board approval to participate in debt issuances that were done at the parent company level, a portion of which is being 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 such transactions. Petitioner estimates that the costs of the proposed transaction will be lower than that 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 cost savings. These savings should 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 interest of Petitioner's customers. The proposed method of using downstreamed debt appears to be the most appropriate for Petitioner at this time and should provide maximum flexibility at the lowest cost.

By letter dated June 7, 2016, the Division of Rate Counsel ("Rate Counsel") filed comments, stating that it does not object to approval of the Petition, based on its review of the Petition and Petitioner's responses to Board Staff's data requests. (Rate Counsel Comments at 1-2.) However, Rate Counsel proposes that Board approval be "limited to the transaction specifically described herein, and should not indicate authorization to include any specific assets or amounts in rate base, or indicate authorization for any other ratemaking treatment." Id. at 2.

N.J.S.A. 48:3-9 provides in part: "The board shall approve any such proposed issue, with or without hearing at its discretion, when satisfied that such issue is to be made in accordance with law and the purpose thereof is approved by the board."

The Board, after its review of the Petition and the entire record, being satisfied with the action sought to be taken by Petitioner, **FINDS** that the proposed transaction is to be made in accordance with law, is in the public interest, and approving the purposes thereof, **HEREBY ORDERS** that Petitioner is **HEREBY AUTHORIZED** to make, execute and deliver to Aqua America, Inc. a note for long-term debt in a principal amount not to exceed \$22,000,000.00.

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 \$22,000,000.00 unsecured, with a weighted average coupon rate of 3.65%, and a weighted average term of approximately fourteen (14) years. If such terms are not obtainable, Petitioner shall forthwith submit to the Board the proposed terms 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, 2016.

This Order shall become effective on July 9, 2016.

DATED: 6/29/16

BOARD OF PUBLIC UTILITIES
BY:



RICHARD S. MROZ
PRESIDENT



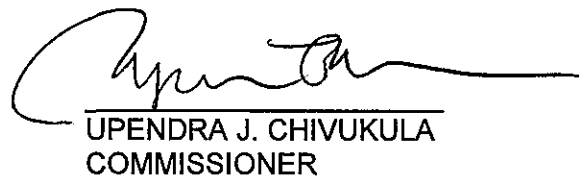
JOSEPH L. FIORDALISO
COMMISSIONER



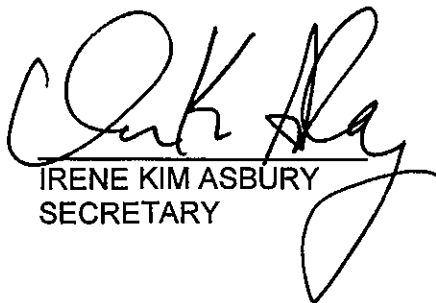
MARY-ANNA HOLDEN
COMMISSIONER



DIANNE SOLOMON
COMMISSIONER

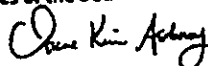


UPENDRA J. CHIVUKULA
COMMISSIONER

ATTEST: 

IRENE KIM ASBURY
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 AQUA NEW JERSEY, INC. FOR AUTHORITY TO
ENTER INTO LONG-TERM DEBT IN AN AMOUNT UP TO \$22,000,000.00
DOCKET NO. WF16040284**

SERVICE LIST

Susan T. Rauth, Controller
Aqua New Jersey, Inc.
10 Black Forest Road
Hamilton, New Jersey 08691
strauth@aquaamerica.com

Colleen Foley, Esq.
Saul Ewing LLP
One Riverfront Plaza, 15th Floor
1037 Raymond Boulevard
Suite 1520
Newark, New Jersey 07102
cfoley@saule.com

Stefanie A. Brand, Esq., Director
Division of Rate Counsel
140 East Front Street, 4th Floor
Post Office Box 003
Trenton, NJ 08625-0003
sbrand@rpa.state.nj.us

Debra F. Robinson, Esq.
Managing Attorney Water & Wastewater
Division of Rate Counsel
140 East Front Street, 4th Floor
Post Office Box 003
Trenton, NJ 08625-0003
drobinson@rpa.state.nj.us

Darlene Duque-Garcia, Paralegal
Division of Rate Counsel
140 East Front Street, 4th Floor
Post Office Box 003
Trenton, New Jersey 08625-0003
Dduque-garcia@rpa.state.nj.us

Alex Moreau, Esq.
Deputy Attorney General
Division of Law
Dept. of Law & Public Safety
124 Halsey Street
Post Office Box 45029
Newark, New Jersey 07101-45029
Alex.moreau@dol.lps.state.nj.us

Irene Kim Asbury, Esq.
Secretary of the Board
Board of Public Utilities
44 South Clinton Avenue, 3rd Floor, Suite 314
Post Office Box 350
Trenton, New Jersey 08625-0350
irene.asbury@bpu.state.nj.us

Mark C. Beyer, Chief Economist
Office of the Economist
Board of Public Utilities
44 South Clinton Avenue, 3rd Floor, Suite 314
Post Office Box 350
Trenton, New Jersey 08625-0350
Mark.beyer@bpu.state.nj.us

Christine Lin
Office of the Economist
Board of Public Utilities
44 South Clinton Avenue, 3rd Floor, Suite 314
Post Office Box 350
Trenton, New Jersey 08625-0350
Christine.lin@bpu.state.nj.us

Maria Moran, Director
Division of Water
Board of Public Utilities
44 South Clinton Avenue, 3rd Floor, Suite 314
Post Office Box 350
Trenton, New Jersey 08625-0350
Maria.moran@bpu.nj.gov

Michael Kammer, Chief
Division of Water
Board of Public Utilities
44 South Clinton Avenue, 3rd Floor, Suite 314
Post Office Box 350
Trenton, New Jersey 08625-0350
Michael.kammer@bpu.nj.gov

Caroline Vachier, Esq.
Deputy Attorney General
Division of Law
Dept. of Law & Public Safety
124 Halsey Street
Post Office Box 45029
Newark, New Jersey 07101-45029
Caroline.vachier@dol.lps.state.nj.us