



STATE OF NEW JERSEY
Board of Public Utilities
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Trenton, New Jersey 08625-0350
www.nj.gov/bpu/

WATER

IN THE MATTER OF THE PETITION OF SUEZ WATER)
NEW JERSEY INC. FOR AUTHORITY TO REDEEM) ORDER
\$130 MILLION PRINCIPAL AMOUNT EDA BONDS)
) DOCKET NO. WF17091022

Parties of Record:

Stefanie A. Brand, Esq., Director, New Jersey Division of Rate Counsel
Kelly K. Ruggiero, Esq., SUEZ Water New Jersey Inc.

BY THE BOARD:¹

On September 28, 2017, SUEZ Water New Jersey Inc. ("Petitioner," "Company" or "SWNJ") filed a petition with the New Jersey Board of Public Utilities ("Board") seeking approval to redeem \$130 million of tax-exempt New Jersey Economic Development Authority Variable Rate Revenue Refunding Bonds ("EDA Bonds").

BACKGROUND

Petitioner is a public utility corporation of the State of New Jersey subject to the jurisdiction of the Board. Petitioner maintains its principal business office located at 461 From Road, Suite 400, Paramus, New Jersey 07652.

Petitioner is engaged in the business of collecting, treating and distributing water for retail service to customers located in the northern and western portions of the State. Specifically, SWNJ serves approximately 200,000 customers located in portions of Bergen, Hudson, Passaic, Morris, Hunterdon and Sussex Counties. SWNJ also supplies water service to municipalities, including the Township of Saddle Brook, the Borough of Fairlawn, the Borough of Saddle River, the Borough of Allendale, the Borough of Mahwah, the Village of Ridgewood and the Borough of Ramsey.

The Company filed a petition with the Board on August 23, 1996 for authority to issue and deliver up to \$130,000,000 of EDA Bonds, and the Board issued an Order dated October 25, 1996 approving same ("1996 Order") in Docket No. WF96080616. The variable rate EDA Bonds were thereafter converted to fixed rate EDA Bonds as permitted by the 1996 Order. Ordering

¹ Commissioner Upendra J. Chivukula did not participate.

clause (9) of said Order provided that the fixed rate EDA Bonds were not to be redeemed at a premium prior to maturity without further Board approval.

DISCUSSION

On September 28, 2017, the Company filed a petition with the Board seeking approval to redeem \$130 million principal amount EDA bonds ("Redemption"). The requested Redemption of the EDA Bonds will result in a premium of 102% or a cost of approximately \$2.6 Million. In its petition, the Company also requested authority to amortize: (i) any of the unamortized costs associated with the EDA Bonds; and (ii) the premium to be paid on the EDA Bonds, over the life of the new debt.

In connection with the Redemption, the Petitioner's parent company, SUEZ Water Resources Inc., plans to launch a private placement of approximately \$275 million to, among other things, refinance the Petitioner's EDA Bonds related debt at the parent company level ("Refinance"). The lower interest rates will result in an approximate total savings of \$7 Million of the EDA Bonds over the remaining life of the current bonds (or 8 years for SWNJ). This will result in a reduction in the overall cost of debt for SUEZ Water Resources from 5.15% at August 31, 2017 to approximately 4.75% based upon the projected debt rate.

The Redemption and Refinance will allow the Company to lower its overall cost of capital while providing quality service to the public at the lowest possible cost. The issuance and sale of the new bonds in connection with the Refinance, under current market conditions, would bear an interest rate significantly lower than the existing interest rate of the EDA Bonds and would therefore enable the Petitioner to optimize interest savings. The proposed Redemption would therefore be of financial benefit to the Petitioner and its customers.

Petitioner requested expeditious disposition of this matter because protracted regulatory process could delay the consummation of the transaction; if current market conditions were to suddenly change, the financial benefits to be derived from the transaction could be reduced. However, while the Petitioner has asked for expeditious review of this matter to optimize the financial benefits of the current market, Petitioner also requires flexibility as to the timing of the transaction. Therefore, Petitioner respectfully requested that approval for the Redemption, if any, remain viable for a period of six months following the date of the Board's Order approving the transaction.

The Division of Rate Counsel has reviewed this matter and, by letter dated November 15, 2017, stated that it does not oppose approval of the petition. Rate Counsel recommends that: (1) this Order shall not be construed as directly or indirectly fixing, for any purposes whatsoever, any value of any tangible or intangible assets now owned or hereafter to be owned by the Petitioner; and (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 future petition or in any proceeding with respect to rates, franchises, services, financing, accounting, capitalization, depreciation, or in any other matter affecting the Petitioner.

FINDINGS AND CONCLUSIONS:

The Board, having reviewed the Petition and the entire record, and consistent with the 1996 Order, **FINDS** that the Redemption is necessary and proper for the public convenience and properly conserves the public interests.

The Board **HEREBY AUTHORIZES** the Petitioner's request: (i) to redeem \$130 Million of EDA Bonds; (ii) to amortize any unamortized costs associated with the existing EDA bonds over the life of the new debt at the Petitioner's parent level; and (iii) to amortize the premium to be paid on the EDA bonds over the life of the new debt at the Petitioner's parent level.

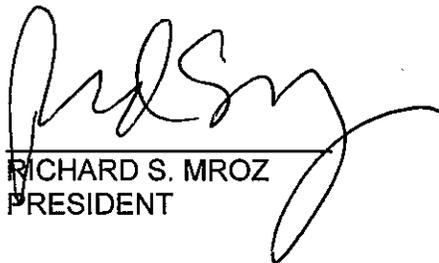
Accordingly, the Board **HEREBY AUTHORIZES** the Redemption, subject to the following conditions:

1. The Board's approval of the Redemption shall remain viable for a period of six (6) months following the date of this Order.
2. This Order shall not affect or in any way limit the exercise of the authority of the Board or of the State, in any future petition or in any proceeding with respect to rates, franchises, services, financing, accounting, capitalization, depreciation, or in any other matter affecting the Petitioner.
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.

This Order shall become effective on December 29, 2017.

DATED: 12/19/17

BOARD OF PUBLIC UTILITIES
BY:



RICHARD S. MROZ
PRESIDENT



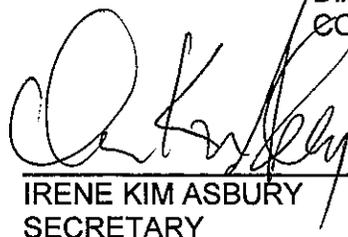
JOSEPH L. FIORDALISO
COMMISSIONER



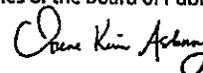
MARY-ANNA HOLDEN
COMMISSIONER



DIANNE SOLOMON
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



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AUTHORITY TO REDEEM \$130 MILLION PRINCIPAL AMOUNT EDA BONDS
DOCKET NO. WF17091022**

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