



**STATE OF NEW JERSEY**  
**Board of Public Utilities**  
44 South Clinton Avenue, 9<sup>th</sup> Floor  
Post Office Box 350  
Trenton, New Jersey 08625-0350  
[www.nj.gov/bpu/](http://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 )  
\$25,000,000, AND TO APPROVE REFINANCING OF )  
EXISTING DEBT ) DOCKET NO. WF20030202

**Parties of Record:**

**Stefanie A. Brand, Esq., Director**, New Jersey Division of Rate Counsel  
**Courtney L. Schultz, Esq.**, Saul Ewing Arnstein & Lehr LLP, on behalf of Aqua New Jersey, Inc.

BY THE BOARD:

Aqua New Jersey, Inc. (“Company” or “Petitioner”), a public utility of the State of New Jersey, filed with the New Jersey Board of Public Utilities (“Board”) a verified petition dated March 2, 2020, 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 Essential Utilities, Inc. (“Essential”) a note to refinance \$59,385,000 of the \$60,885,000 long-term debt currently outstanding and owed to Essential (the “Refinanced Debt”) and to provide new long-term debt (the “New Debt”) in the principal amount of up to \$25,000,000 (the “Note”); and
2. Take such actions as are necessary to effectuate the transactions described in the Petition.

Petitioner states that its parent, Essential, has redeemed debt and issued new debt and intends to downstream a portion of the proceeds of that debt issuance to Petitioner. In exchange for a portion of the proceeds of the debt issuance, Petitioner seeks authority to execute a Note to Essential for long-term debt in a principal amount of up to \$85,885,000 (of which \$59,385,000 relates to the Refinanced Debt and \$25,000,000 relates to the New Debt). Petitioner states that the proceeds of the down-streamed New Debt will be used to rebalance the Company’s capital structure.

Petitioner has issued bonds for sale through a private placements. However, due to the relatively small size of the Company's debt issuance, it is less economically favorable to issue debt under the Company's name. Petitioner's debt is less marketable because it does not file United States Security and Exchange Commission 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 a debt issuance that was done at the parent company level and is being down-streamed to the Company. Petitioner asserts there are significant advantages to this approach. Essential is well-known in the financial markets and is followed by numerous securities analysts. Furthermore, Petitioner states that the transaction costs associated with this down-streamed debt should be lower than 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 completing these transactions at the parent level (through private and public offerings) are anticipated to be less than those previously incurred in the Company's private placements of debt.

By letter dated April 16, 2020, the New Jersey Division of Rate Counsel stated that it has reviewed the petition and discovery responses and defers to the Board on approval of the Company's petition.

#### **DISCUSSION AND FINDINGS:**

Regarding the proposed transactions, N.J.S.A. 48:3-9(a)(2) 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." Also, N.J.A.C. 14:1-5.9(a) sets forth the required information to be submitted with a petition "for authority to issue any stocks, bonds, notes, or other evidence of indebtedness, payable in more than one year from the date thereof, and to execute mortgages." In addition, N.J.A.C. 14:1-5.9(b) provides: "Whenever approval is granted under the provisions of N.J.S.A. 48:3-9 for the issue of stocks, notes, bonds or other evidences of indebtedness, the company securing such approval shall semiannually file with the Board a statement setting forth: 1. The amount of stocks, notes, bonds or other evidences of indebtedness, issued under the order of approval; and 2. The extent to, and in detail, the manner in which the proceeds thereof have been disbursed."

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 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 down-streamed debt appears to be the most appropriate for Petitioner at this time and should provide maximum flexibility at the lowest cost. The Board also concludes that the refinancing is also appropriate.

The Board, after investigation into this matter, being satisfied with the action sought to be taken by Petitioner, **FINDS** that the proposed transactions are to be made in accordance with law, are in the public interest, and approving the purposes hereof, **HEREBY ORDERS** that Petitioner be, and is **HEREBY AUTHORIZED** to make, execute and deliver to Essential Utilities, Inc. a note for long-term debt in a principal amount of up to \$85,885,000.

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:

**Proposed Terms for Refinanced Debt**

<u>Structure</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Amount</u>
Sr. Unsecured Note	3.566%	5/1/2029	\$26,393,333
Sr. Unsecured Note	4.276%	5/1/2049	<u>32,991,667</u>
Sub Total			\$59,385,000

**Proposed Terms for New Debt**

<u>Structure</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Amount</u>
Sr. Unsecured Note	3.566%	5/1/2029	\$11,111,111
Sr. Unsecured Note	4.276%	5/1/2049	<u>13,888,889</u>
Sub Total			\$25,000,000

**Previously Issued Debt**

Sr. Unsecured Note	3.57%	11/3/2041	\$1,500,000
<b>Total</b>			<b>\$85,885,000</b>

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.

1. 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.
2. 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.
3. 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.
4. 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, 2020.
5. Petitioner shall comply with N.J.A.C. 14:1-5.9, as necessary.

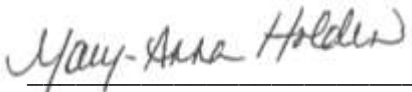
This Order shall become effective on May 15, 2020.

DATED: May 5, 2020

BOARD OF PUBLIC UTILITIES  
BY:



JOSEPH L. FIORDALISO  
PRESIDENT



MARY-ANNA HOLDEN  
COMMISSIONER



DIANNE SOLOMON  
COMMISSIONER



UPENDRA J. CHIVUKULA  
COMMISSIONER



ROBERT M. GORDON  
COMMISSIONER

ATTEST:



AIDA CAMACHO-WELCH  
SECRETARY

IN THE MATTER OF THE PETITION OF AQUA NEW JERSEY, INC. FOR  
AUTHORITY TO ENTER INTO LONG-TERM DEBT IN AN AMOUNT UP TO  
\$25,000,000, AND TO APPROVE REFINANCING OF EXISTING DEBT

DOCKET NO. WF20030202

SERVICE LIST

Dawn Peslak, Controller  
Aqua New Jersey, Inc.  
10 Black Forest Road  
Hamilton, NJ 08691  
[dpeslak@aquamerica.com](mailto:dpeslak@aquamerica.com)

Courtney L. Schultz, Esq.  
Saul Ewing Arnstein and Lehr, LLP  
1500 Market Street  
Centre Square West, 38<sup>th</sup> Floor  
Philadelphia, PA 19102  
[Courtney.schultz@saull.com](mailto:Courtney.schultz@saull.com)

Division of Rate Counsel  
140 East Front Street, 4<sup>th</sup> Floor  
Post Office Box 003  
Trenton, NJ 08625-0003

Stefanie A. Brand, Esq., Director  
[sbrand@rpa.nj.gov](mailto:sbrand@rpa.nj.gov)

Debra F. Robinson, Esq.  
[drobinson@rpa.nj.gov](mailto:drobinson@rpa.nj.gov)

Department of Law and Public Safety  
Division of Law, Public Utilities Section  
R.J. Hughes Justice Complex, 7<sup>th</sup> Floor West  
25 Market Street  
Post Office Box 112  
Trenton, NJ 08625

Pamela L. Owen, Esq.  
Assistant Section Chief  
[pamela.owen@law.njoag.gov](mailto:pamela.owen@law.njoag.gov)

Alex Moreau, DAG  
[alex.moreau@law.njoag.gov](mailto:alex.moreau@law.njoag.gov)

Board of Public Utilities  
Post Office Box 350  
Trenton, NJ 08625-0350

Dr. Benjamin Witherell  
Chief Economist  
[Benjamin.Witherell@bpu.nj.gov](mailto:Benjamin.Witherell@bpu.nj.gov)

Christine Lin, Analyst  
Office of the Economist  
[christine.Lin@bpu.nj.gov](mailto:christine.Lin@bpu.nj.gov)

Michael Kammer, Director  
Division of Water  
[mike.kammer@bpu.nj.gov](mailto:mike.kammer@bpu.nj.gov)

Suzanne Patnaude, Esq.  
Legal Specialist  
[suzanne.patnaude@bpu.nj.gov](mailto:suzanne.patnaude@bpu.nj.gov)