



Agenda Date: 5/22/18  
Agenda Item: 5B

**STATE OF NEW JERSEY**  
**Board of Public Utilities**  
44 South Clinton Avenue, 3<sup>rd</sup> Floor, Suite 314  
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 \$17,500,000 )  
)  
)  
)  
) ORDER  
  
DOCKET NO. WF18030342

**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. ("Petitioner" or "Company"), a public utility of the State of New Jersey, filed a petition dated March 23, 2018, 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 \$17,500,000; and
2. 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 down-stream 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 the authority to execute the Note to Aqua America, Inc. for long-term debt in a principal amount up to \$17,500,000. Petitioner states that the proceeds of the down-streamed debt will be used to rebalance the Company's capital structure.

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 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. 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 down-streamed 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.

By letter dated May, 4, 2018, the New Jersey 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.

### **DISCUSSION AND FINDING**

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 has determined 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.

Accordingly, the Board, after investigation into this matter, 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 hereof, **HEREBY ORDERS** that Petitioner be, and 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 \$17,500,000.

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: a principal amount not to exceed \$17,500,000 unsecured, a weighted average coupon rate of 3.57%, and a term of 9 years. 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.
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),

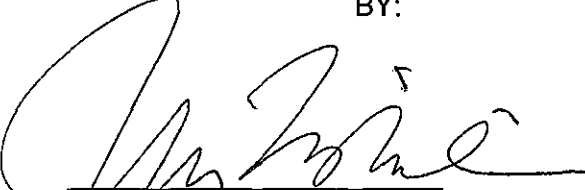
accounting, capitalization, depreciation or in any other matters affecting Petitioner.

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, 2018.

This Order shall become effective on June 1, 2018.

DATED: 5/22/18

BOARD OF PUBLIC UTILITIES  
BY:




JOSEPH L. FIORDALISO  
PRESIDENT



MARY-ANNA HOLDEN  
COMMISSIONER



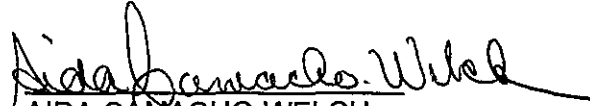
DIANNE SOLOMON  
COMMISSIONER



UPENDRA J. CHIVUKULA  
COMMISSIONER



ROBERT M. GORDON  
COMMISSIONER

ATTEST:   
AIDA CAMACHO-WELCH  
SECRETARY

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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ENTER INTO LONG-TERM DEBT IN AN AMOUNT UP TO \$17,500,000  
DOCKET NO. WF18030342**

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