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State of New Jersey
DIVISION OF RATE COUNSEL
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STEFANIE A. BRAND
Director

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CHRIS CHRISTIE
Governor
KIM GUADAGNO
Lt. Governor
NJ DPU
CASE MANAGEMENT

December 3, 2013

Via E-Mail & First Class Mail

Kristi Izzo, Secretary
State of New Jersey, Board of Public Utilities
44 South Clinton Street, - 9th Floor
P.O. Box 350
Trenton, New Jersey 08665-0350

**RE: IN THE MATTER OF THE APPLICATION OF MIDDLESEX
WATER COMPANY FOR AUTHORITY TO BORROW UP TO \$4.5
MILLION AND TO ISSUE EVIDENCES OF INDEBTEDNESS
PURSUANT TO THE ENVIRONMENTAL INFRASTRUCTURE
TRUST FINANCING PROGRAM
BPU DOCKET NO. WF13100971**

Dear Secretary Izzo:

Please accept for filing an original and ten copies of the Division of the Rate Counsel's ("Rate Counsel") comments regarding the above referenced matter. Enclosed is one additional copy. Please date stamp the copy as "filed" and return it in the return stamped envelope provided. Thank you for your consideration and attention to this matter.

On October 23, 2013, the Middlesex Water Company ("Middlesex" or "Company") filed a Petition with the State of New Jersey, Board of Public Utilities ("BPU" or "Board"), requesting its approval for authority to borrow up to \$4.5 million (the "Loans"), from the New Jersey Environmental Infrastructure Trust a public body corporate and politic constituting an instrumentality of the State of New Jersey (the "Trust"), and the State of New Jersey, acting by and through the New Jersey Department of Environmental Protection (the "State"), and to secure the Loans by issuing and

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delivering to the Trust and State the Company's First Mortgage Bonds (the "Company's Bonds") and/or other evidences of indebtedness in like amount.¹

Middlesex is a regulated utility of the State of New Jersey, providing water service on a retail basis to customers in South Plainfield, Metuchen, Carteret, Woodbridge, Edison, South Amboy, and portions of Clark. The Company also provides water for sale or treatment and pumping under contract to various municipalities in Middlesex and Monmouth Counties. The Company owns and operates water treatment and supply systems for these purposes.²

The purpose of the Loans is to finance the project of rehabilitating the Company's cast iron transmission and distribution mains (known as "Cleaning and Lining") under the Company's continuing RENEW program.³ The Cleaning and Lining Program is an annual program and the proceeds of the Loans will be used for the project work for the calendar year 2014.⁴ Middlesex's Board of Directors by Resolution dated September 24, 2013 authorized the borrowing of up to \$4.5 million from the NJEIT to finance the continuation of the RENEW program.⁵

NJEIT Fund Bonds (the "Trust's Bonds") will be sold and other State monies will be used to create a fund available for loans to borrowers, such as the Company. The Company states the Trust's Bonds will be sold under competitive conditions through one or more underwriters with a fixed rate of interest, and therefore requests the Board to grant the authority requested without the need for an additional Order as to pricing.⁶ Attached as Exhibit H to the Petition is a proposed timetable for this transaction describing that loan amounts will not be disbursed at the time of the loans but rather are to be distributed to the company as needed to meet expenditures over the project's construction life.⁷

Based upon the Division of Rate Counsel's review of the Petition and proposed financing arrangements; and responses to Board Staff's data requests OE-1 through OE-10 it appears that Middlesex has the financial capacity to issue the proposed debt without

¹ Petition, para.2

² Id., para. 1.

³ Id., para. 8. RENEW is a name describing the Company's Water Distribution System Rehabilitation program.

⁴ Id.

⁵ Exhibit F to Petition.

⁶ Petition, para. 3.

⁷ Id. para. 9.

jeopardizing its financial integrity. In addition, it appears that Middlesex has sufficient earnings to cover the additional debt service associated with the financing.

Approval of the Petition should not include authorization to include in rate base any specific assets to be included in the Company's rate base. The determination of whether assets are appropriate for inclusion in rate base should be deferred to a future base rate case proceeding.

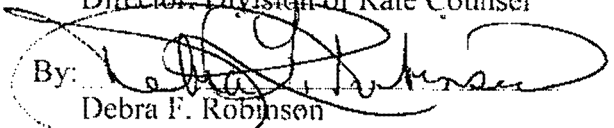
The Division of Rate Counsel proposes that any BPU Order approving Middlesex's Petition contain the following language:

1. The 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 costs.
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 proceedings with respect to rates, franchises, service, financing, accounting, capitalization, depreciation, or in any other matters affecting the Petitioner.
3. The Company shall submit a schedule indicating complete details of the issuance costs no later than thirty (30) days following the closing date for this transaction.

These provisions will satisfy the concerns of Rate Counsel that BPU approval is limited to the Loans as 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.

Very truly yours,

Stefanie A. Brand
Director, Division of Rate Counsel

By: 
Debra F. Robinson
Deputy Rate Counsel

DFR:iaa
c: Service List

**Middlesex Water Company
Application for Authority to Borrow
up to \$4.5 Million and to Issue
Evidence of Indebtedness Pursuant to
the Environmental Infrastructure
Trust Financing Program
BPU Docket No. WF13100971**

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****Receives all correspondence
except discovery.***