

February 19, 2014

Stacy A. Mitchell

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VIA UPS OVERNIGHT



Kristi Izzo, Board Secretary
Board of Public Utilities
44 South Clinton Avenue
PO Box 350
Trenton NJ 08625

FEB 20 2014

BOARD OF PUBLIC UTILITIES
MAIL ROOM

Re: In the Matter of the Petition of The Atlantic City Sewerage Company for Approval of a Financing Program Involving the Issuance of Long Term Debt Through December 31, 2017
BPU Docket No: WF14020168

Dear Secretary Izzo:


On behalf of the Petitioner, The Atlantic City Sewerage Company, we hereby submit an original and ten (10) copies of the Petition and Exhibits in the referenced matter.

Please stamp the extra copy of the Petition as "Filed" and return it in the enclosed self-addressed stamped envelope.

Also enclosed is an additional copy of this letter, with a self-addressed stamped envelope to send back to our office once a docket number has been assigned.

Sincerely,

COZEN O'CONNOR, PC

By  Stacy A. Mitchell

SAM/kn
Enclosures

cc: Division of Law (2 copies)
Division of Rate Counsel (2 copies)

CMS
Beslow(2)
DAG
RPA
B. WOJCIAK
M. KAMMER
WATER(4)

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**STATE OF NEW JERSEY
BOARD OF PUBLIC UTILITIES**

IN THE MATTER OF THE PETITION OF	:	
THE ATLANTIC CITY SEWERAGE COMPANY	:	PETITION
FOR APPROVAL OF A FINANCING PROGRAM	:	
INVOLVING THE ISSUANCE OF LONG TERM DEBT	:	
THROUGH DECEMBER 31, 2017	:	DOCKET NO.

TO THE HONORABLE BOARD OF PUBLIC UTILITIES:

The Atlantic City Sewerage Company (hereinafter referred to as the "Petitioner", "ACSC" or "Company"), a public utility corporation of the State of New Jersey, with its principal office at Suite 300, 1200 Atlantic Avenue, Atlantic City, New Jersey 08404, hereby petitions this Honorable Board (hereinafter referred to as "Board" or "BPU") for authority pursuant to N.J.S.A. 48:3-7 and 48:3-9 and N.J.A.C. §14:1-5.9 for authority to: (1) issue and sell up to \$10,000,000 aggregate principal amount of long-term debt consisting of one or more series of Long-Term Debt (as defined below); (2) execute and deliver one or more supplemental mortgage indentures, loan agreements, notes, and such other documents; and (3) take such actions as Petitioner determines may be necessary or desirable in connection with any of the foregoing. Petitioner makes the following statements and submits the following information in support of this Petition:

1. Petitioner operates a sewage collection and transmission system within its defined service territory, consisting of the City of Atlantic City, New Jersey. Within its service territory, Petitioner serves approximately 7,626 customers. Petitioner purchases its sewerage treatment from the Atlantic County Utilities Authority.

2. Petitioner is seeking the authorization of the Board to: (a) issue and sell long-term debt in one or more offerings from time to time, and not later than December 31, 2017, in an aggregate principal amount not to exceed \$10,000,000 consisting of one or more series of First Mortgage Bonds.; (b) execute and deliver one or more supplemental mortgages,

loan agreements, notes, and such other documents; and (c) take such actions as Petitioner determines may be necessary or desirable in connection with any of the foregoing.

3. The Petitioner contemplates issuance of the new Long-Term Debt (hereinafter referred to as "Long-Term Debt") through either tax-exempt issuances in conjunction with issuances by the New Jersey Economic Development Authority ("EDA") or taxable issuances through bank loans. The use of proceeds from Petitioner's issuance of Long-Term Debt will be for the construction, rehabilitation, upgrade and expansion of various sections and components of the sanitary sewer system required to meet the needs and demands of Atlantic City, while maintaining the environmental integrity of the region.

4. The Long-Term Debt will be issued pursuant to an indenture of mortgage dated as of December 31, 1991 ("Original Indenture"), by and between the Company and National Community Bank of New Jersey ("Mortgage Trustee", now The Bank of New York Mellon), as supplemented by one or more supplemental indentures (the "Supplemental Indentures") to the Original Indenture, as heretofore amended and supplemented (collectively, the "Mortgage Indenture"). The Mortgage Indenture constitutes a first mortgage lien on substantially all of the property of Petitioner except for certain excluded property. All Bonds issued under the Mortgage Indenture will be *pari passu*.

5. In furtherance of granting a first mortgage lien on substantially all of its property, Petitioner will make, execute and deliver to the Mortgage Trustee under the Mortgage Indenture certain financing statements upon forms UCC-1, providing to the Mortgage Trustee a security interest in substantially all of the Petitioners' property, except for certain excluded additions.

6. Petitioner proposes to issue the Long-Term Debt via a public offering or private placement. Accordingly, in each debt issue under this petition, the Petition will solicit and receive bids from a minimum of three (3) prospective purchasers for the purchase of the Long-Term Debt. For each series of bonds issued under this shelf Petition, a request for proposal

will be issued to prospective purchasers. For the taxable debt, the interest rate will be determined by the overall lowest cost of funds to the petitioner and other terms of the loans will be consistent with the terms of the Petitioners outstanding debt. For the tax-exempt debt, the interest rate and other terms of any loans for the EDA financings will be determined through an offering of EDA bonds that would include the amounts requested by Petitioner in applications approved by the EDA. The interest rate and other terms of any Long-Term Debt issuance in conjunction with the EDA would be determined by the terms obtained for the EDA issuance.

7. Petitioner is seeking authorization of the Board for the financing program described above so that it can have the flexibility to take advantage of favorable market conditions for Petitioner's securities as opportunities arise without obtaining further approval of the Board. By granting Petitioner the authority it seeks, Petitioner will be in the best position to attain the lowest cost of funds available for long-term debt.

8. In connection with the financing contemplated by this Petition, Petitioner proposes to:

(a) Make, execute and deliver one or more Supplemental Indentures to ACSC's Mortgage Indenture for secured debt;

(b) Make, execute and deliver one or more underwriting agreements, official statements, bond purchase agreements, loan and security agreements and indentures and such other documents, agreements, instruments and indentures as may be necessary or appropriate for any of the proposed financings.

9. The following is a summary of the proposed terms for financing:

(a) The terms and conditions of the Long-Term Debt, including purchase price, interest or dividend rate, maturity date, sinking fund provisions, if any, and redemption provisions, if any, will be established by Petitioner.

(b) The Long-Term Debt will be issued under and subject to the Mortgage Indenture and any Supplemental Indentures thereto as may be required..

10. The Petitioner may hire a financial advisor in connection with one or more of the offerings of Long-Term Debt, as it deems necessary or appropriate. The financial advisor, if retained by the Petitioner, will be expected to provide assistance in determining the terms and circumstances of a particular transaction and to advise Petitioner with respect to market conditions and prospective underwriters for the proposed financing.

11. By this Petition, Petitioner requests authorization to issue and sell the Long-Term Debt without further approval by the Board of the specific terms and conditions thereof under the procedures described herein which constitute competitive conditions. Petitioner proposes to proceed with each such issuance and sale so long as:

(a) For Tax-exempt debt- the accepted bid proposal terms and conditions will match the EDA issuance.

(b) For either taxable or tax-exempt debt, the accepted bid or proposal(s) produce(s) the lowest effective cost of money to the Petitioner; and

(c) The price to be paid to the Petitioner under the proposal accepted is expected to be between 98% and 102% of the principal amount of the Long-Term Debt offered for sale.

12. In the event the conditions set forth above are satisfied, Petitioner would accept the proposal which produces the lowest effective cost of money to Petitioner and would further propose to issue and sell such securities in accordance with the terms thereof, without further order of this Board. No later than 24 hours prior to receipt of the proposal(s) received through the offering process Petitioner will provide the Board with information as to the date and time scheduled for receipt of the bid proposals or other offering. At that time, Petitioner will also

provide the Board with information relating to Petitioner's then current assessment of the financial markets, including:

- (a) Recent sales of comparable securities issues, if any;
- (b) Yields on outstanding comparable utility securities issues; and,
- (c) Other relevant information needed to assess the reasonableness

of the effective cost of funds.

As soon as practicable following the acceptance of any proposal resulting in the issuance and sale of any Long-Term Debt hereunder, Petitioner will submit to the Board the terms of the accepted proposal as well as the respective terms of each of the other proposals received including the interest rates, the prices to be paid, and the effective cost of funds to Petitioner under each proposal.

13. Petitioner has no pending investigations, issues or alleged offenses of any kind whatsoever before the United States Environmental Protection Agency, nor the New Jersey Department of Environmental Protection.

14. Petitioner hereby incorporates herein by reference thereto and makes a part hereto, the following information contained in the Petitioner's Annual Report to the Board of Public Utilities for the year ended December 31, 2012, filed with your Honorable Board in 2013, on the pages hereafter referred to:

- (a) Balance Sheets as of the beginning and end of 2012, pages 9 and 10.
- (b) Sewerage Plant in Service by accounts as of the beginning and the end of 2012, pages 13 and 14.
- (c) Additions to and retirements from Sewerage Plant in Service for the year 2012, page 15.
- (d) As to the capital stock of the Petitioner authorized, issued and outstanding at December 31, 2012, pages 4 and 21.

(e) As to each issue or series of long-term indebtedness of the Petitioner, the principal amount authorized to be issued, date of issue, date of maturity, rate of interest and principal amount outstanding as of December 31, 2012, page 23. For the period January 1, 2013 through December 31, 2013, the Company has paid \$902,000 against the principal amount outstanding.

(f) The amount of interest charged to income and the rates thereof during the year ended December 31, 2012, page 23.

(g) The amount of dividends paid upon the capital stock during the year ended December 31, 2012, page 11.

(h) A detailed income statement for the year ended December 31, 2012, page 12.

15. Information relating to the current financial condition of Petitioner as required by N.J.A.C. 14:1-5.9(a)(9) is as follows (as of December 31, 2012):

(a)	<u>CAPITAL STOCK</u>	<u>AMOUNT</u>
	Common Stock \$0 par value; 80,000 shares authorized; 69,500 issued and outstanding	\$695,000
	Additional Paid in Capital	\$251,315

(b) FIRST MORTGAGE BONDS OUTSTANDING DECEMBER 31, 2012

<u>Series</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Authorized</u>	<u>Outstanding</u>
1998	5.45%	11/24/98	04/01/28	\$6,000,000	\$4,530,000
2002 B	Variable	06/27/02	12/01/21	\$2,040,000	\$1,835,000
2008	4.99%	12/29/08	12/29/28	\$6,000,000	\$5,248,708
2010	3.65%	12/17/10	12/01/30	\$8,000,000	<u>\$7,463,335</u>
Total First Mortgage Bonds Outstanding					<u>\$19,077,043</u>

The mortgage is a first lien upon virtually all of the Petitioner's real and personal property except certain items such as cash, investments, inventories and transportation equipment,

and other excluded property. The trustee under the Mortgage Indenture is The Bank of New York Mellon.

(c) OTHER INDEBTEDNESS AT DECEMBER 31, 2012: None.

(d) INTEREST CHARGED TO INCOME: The amount of interest charged to income during 2012, by bond series, is portrayed on Exhibit A to this Petition.

(e) DIVIDEND PAID: The amount of dividends paid on Common Stock during the fiscal year ended December 31, 2012 was \$875,700.

(f) FINANCIAL STATEMENTS: Comparative Consolidated Financial Statements for the fiscal years ended December 31, 2011 and 2012, including balance sheets at each date, and related statements of income and retained earnings and of cash flows for the years then ended are attached hereto as Exhibit B. The firm of Kreisler Miller has audited these Financial Statements.

16. In support of this Petition, the following Exhibits are annexed hereto:

(a) Exhibit A - Schedule of Interest charged to income-2012.

(b) Exhibit B - Petitioner's Consolidated Financial Statements for the years ended December 31, 2011 and 2012, including statement of cash flows.

(c) Exhibit C - Schedule of Estimated Issuance Costs.

(d) Exhibit D - Pro forma Capital Structure as of December 31, 2012, giving effect to the contemplated transactions.

(e) Exhibit E - A general timetable for the sale of the Long-Term Debt.

(f) Exhibit F- Certified copy of the Resolution of the Board of Directors authorizing the proposed financing dated December 4, 2013.

17. No franchise or right is proposed to be capitalized, directly or indirectly, by the Company as a result of, or in connection with, the proposed issue and sale of securities

referred to in this Petition. It is the intention of the Petitioner, in good faith, to use the proceeds of the Bonds to be issued as a result of this Petition for the purpose set forth in this Petition.

18. Petitioner will provide a draft of the form of Supplemental Indenture to ACSC's Mortgage Indenture or other evidence of indebtedness for each series of Long-Term Debt issued hereunder at the time of offering for such series.

WHEREFORE, the Petitioner respectfully requests that this Honorable Board grants authority to the Petitioner to:

(1) Pursuant to N.J.S.A. 48:3-7 and N.J.S.A. 48:3-9, issue and sell up to \$10,000,000 aggregate principal amount of their Long-Term Debt;


(2) Take such other action as Petitioner deems necessary or desirable in connection with such issuances, including without limitation, make, execute and deliver one or more supplemental mortgage indentures, loan agreements, notes, security agreements and such other documents and instruments as may be necessary or desirable in connection with the issuance of any series of Long-Term Debt; and

(3) Provide such other relief as the Board deems just, reasonable and proper.

Respectfully submitted,

THE ATLANTIC CITY SEWERAGE COMPANY
By: COZEN O'CONNOR

Dated: February 19, 2014



Stacy A. Mitchell

Copies of all notices or correspondence
with respect to this proceeding should
be sent to:

COZEN O'CONNOR
Attn: Stacy A. Mitchell, Esquire
Liberty View Building
457 Haddonfield Road, Suite 300
PO Box 5459
Cherry Hill, NJ 08002
856-910-5019


VERIFICATION

STATE OF NEW JERSEY)
) ss:
COUNTY OF ATLANTIC)

Louis M. Walters, of full age, being duly sworn according to law upon his oath deposes and says:

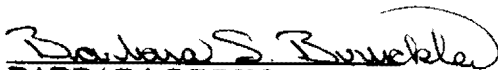
1. I am President of The Atlantic City Sewerage Company, and I have reviewed the contents of the attached Petition.

2. The statements as contained therein are true to the best of my knowledge, information and belief, and it is the intention of the Petitioner, The Atlantic City Sewerage Company, in good faith to use the proceeds of the securities proposed to be issued for the purposes set forth in the Petition.



Louis M. Walters
President
The Atlantic City Sewerage Company

Sworn and Subscribed
before me this 18th day
of February, 2014.


BARBARA S BRUCKLER
NOTARY PUBLIC
NEW JERSEY

MY COMMISSION EXPIRES 10-2-16

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