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CASE MANAGEMENT

State of New Jersey  
DIVISION OF RATE COUNSEL  
140 EAST FRONT STREET, 4<sup>TH</sup> FL  
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TRENTON, NEW JERSEY 08625

CHRIS CHRISTIE  
Governor

KIM GUADAGNO  
Lt. Governor

STEFANIE A. BRAND  
Director

November 13, 2014

**Via Email and Hand Delivery**

Kristi Izzo, Secretary  
State of New Jersey, Board of Public Utilities  
44 South Clinton Avenue, 9<sup>th</sup> Floor  
P.O. Box 350  
Trenton, New Jersey 08625

**RE: IN THE MATTER OF THE APPLICATION OF MIDDLESEX  
WATER COMPANY FOR AUTHORITY TO BORROW UP TO \$5.0  
MILLION AND TO ISSUE EVIDENCES OF INDEBTEDNESS  
PURSUANT TO THE ENVIRONMENTAL INFRASTRUCTURE  
TRUST FINANCING PROGRAM  
BPU DOCKET NO. WF14101084**

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. Please date stamp the additional copy as "filed" and return it in the enclosed, self-addressed, stamped envelope. Thank you for your consideration and attention to this matter.

On October 20, 2014, the Middlesex Water Company ("Middlesex" or "Company") filed an Errata Notice and Correction of its Petition, initially dated September 29, 2014 with the State of New Jersey, Board of Public Utilities ("BPU" or "Board"). The Petitioner requested Board approval for authority to borrow up to \$5,000,000 (the "Loans"), from the New Jersey Environmental Infrastructure Trust a

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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 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.

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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.

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. 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 2015. Middlesex’s Board of Directors by Resolution dated September 23, 2014 authorized the borrowing of up to \$5,000,000 from the NJEIT to finance the continuation of the RENEW program.

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. 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 life.

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

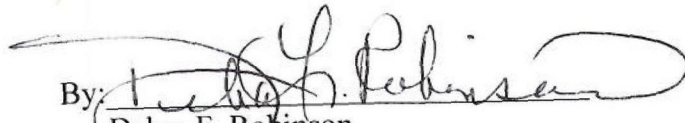
These provisions will satisfy the concerns of Rate Counsel that BPU approval is limited to the Loans as described herein, and should not indicate authorization to include

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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

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DFR:iaa  
c: Service List

**I/M/O Application of Middlesex  
Water Company for Authority to  
Borrow up to \$5.0 Million and to  
Issue Evidences of Indebtedness  
Pursuant to the Environmental  
Infrastructure Trust Financing  
Program  
BPU Docket No. WF14101084**

**SERVICE LIST**

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*\*Receives all correspondence except  
discovery.*

*\*\*Receives all documents by  
e-mail only.*

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