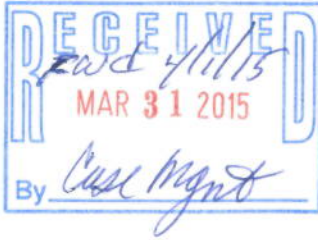




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MAR 31 2015

BOARD OF PUBLIC UTILITIES  
MAIL ROOM



State of New Jersey  
DIVISION OF RATE COUNSEL  
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TRENTON, NEW JERSEY 08625

CHRIS CHRISTIE  
Governor

KIM GUADAGNO  
Lt. Governor

STEFANIE A. BRAND  
Director

March 27, 2015

**VIA HAND DELIVERY**

Hon. Kenneth J. Sheehan, Secretary  
**State of New Jersey, Board of Public Utilities**  
44 South Clinton Avenue, 9<sup>th</sup> Floor  
Trenton, New Jersey 08625-0350

**RE: I/M/O The Application of Middlesex Water Company for Authority to Issue UP to 3,000,000 Shares of Common Stock Under Its Dividend Reinvestment and Common Stock Purchase Plan  
BPU Docket No.: WF15020146**

Dear Secretary Sheehan:

Please accept for filing an original and ten copies of the Division of 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 to the courier. Thank you for your consideration and attention to this matter.

**Background**

On February 5, 2015 Middlesex Water Company ("Middlesex" or the "Company") filed an application with the State of New Jersey Board of Public Utilities ("Board") requesting its approval pursuant to N.J.S.A. 48:3-9 and N.J.A.C. 14:1-5.9 to issue and sell up to 3,000,000 shares of its Common Stock, No Par Value, through its Dividend Reinvestment and Common Stock Purchase Plan ("Plan").

Middlesex is a public water utility of the State of New Jersey subject to the jurisdiction of the Board. The Company is engaged in the business of collecting, treating and distributing water for service on a retail basis to customers in South Plainfield,

*S. Vachon*  
*Case Mgmt*  
*severe. Just copied (hard)*  
*6 copies - 20 minutes*

Metuchen, Carteret, Woodbridge, Edison, South Amboy and portions of Clark, portions of the Borough of Sayreville, and portions of Downe Township in Cumberland County; and on a contract basis, to the township of Edison, the Borough of Highland Park, the Old Bridge Municipal Utilities Authority, the City of Rahway, and Marlboro Township; and on a special contractual basis, for water treatment and pumping services, to the township of East Brunswick. The Company owns and operates water treatment and supply systems for these purposes.

In its application, the Company has represented that it plans to use the proceeds from the sale of Common Stock pursuant to the Plan for general working capital needs, ongoing capital improvements and for other corporate purposes.<sup>1</sup>

### **Analysis**

The Company has represented that the purpose of the Plan is to provide participants with a convenient and economical way of reinvesting cash dividends paid on shares of Common Stock, as well as optional cash payments, for shares of Common Stock without payment of any brokerage commission fee or service charge. Shares of Common Stock purchased under the Plan by participants will be acquired directly from the Company.<sup>2</sup>

The Company asserts that issuing stock under the Plan rather than in the open market avoids brokerage fees and other expenses, with the result of a substantial cost saving for the Company.<sup>3</sup>

As of December 31, 2014, Middlesex has outstanding 16,124,106 shares of Common Stock of 40,000,000 shares authorized by its Restated Certificate of Incorporation.<sup>4</sup>

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<sup>1</sup> Petition, pgs 4, para 15.

<sup>2</sup> Petition, pg 3, para 11.

<sup>3</sup> Id pg 3, para 12.

<sup>4</sup> Id pg 3, para 13.

## Recommendation

The Division of Rate Counsel has reviewed the Application and is not opposed to its approval. Approval of the Application to issue and sell up to 3,000,000 shares of its Common Stock, No Par Value, through its Dividend Reinvestment and Common Stock Purchase Plan should not include authorization to include in rate base any specific assets that may be acquired as a result of this Application.

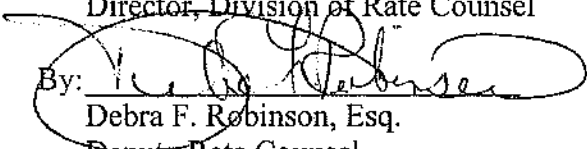
Accordingly, the Division of Rate Counsel recommends that any Board Order approving the Company's Petition contain the following language:

1. This Board's approval is expressly limited to the sale of Common Stock, No Par Value described herein and as more fully described in the Application and supporting documents.
2. This Order shall not be construed as directly or indirectly fixing, for any purposes whatsoever any value of any tangible or intangible assets now owned or hereafter to be owned by the Petitioner.
3. 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 proceeding with respect to rates, franchises, service, financing, accounting, capitalization, depreciation, or in any other matter affecting the Petitioner.

These provisions will satisfy the concerns of the Division of Rate Counsel that Board approval is limited to the sale of Common Stock, No Par Value as described herein, and should not include authorization to include any specific assets or amounts in rate base, or include authorization for any other ratemaking treatment.

Respectfully submitted,

Stefanie A. Brand, Director  
Director, Division of Rate Counsel

By:   
Debra F. Robinson, Esq.  
Deputy Rate Counsel

DFR/dn  
cc: Service List

**I/M/O Middlesex Water Company For  
Approval To Issue Up to 300, 000 Shares  
of Common Stock Under Its Dividend  
Reinvestment and Common Stock  
Purchase Plan  
BPU Dkt. No. WF15020146**

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

**\*\* *Receives e-mail only.***