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BOARD OF PUBLIC UTILITIES
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September 21, 2015

VIA OVERNIGHT MAIL

Hon. Irene Kim Asbury, Board Secretary
New Jersey Board of Public Utilities
44 South Clinton Avenue, 9th Floor
Trenton, New Jersey 08625-0350

WF 15091086

**Re: In the Matter of the Petition of New Jersey-American Water Company, Inc. for Approval of a Financing Program Involving the Refinancing of Existing Long-Term Debt and the Issuance of New Long-Term Debt Through December 31, 2018
BPU Docket No.**

Dear Secretary Asbury:

On behalf of New Jersey-American Water Company, Inc., enclosed please find the original and eleven (11) copies of a Petition, with accompanying Exhibits, in connection with the above-captioned matter. Kindly file the Petition and date stamp the enclosed copy as "filed" and return it in the self-addressed, prepaid envelope provided.

By copy of this letter, two copies each of the Petition and Exhibits are being served via overnight mail on the Department of Law and Public Safety and the Director, Division of Rate Counsel.

Please do not hesitate to contact me if you have any questions.

Respectfully submitted,

Suzana Duby
Corporate Counsel

SD:dlc
Enclosures

cc w/enc.: Department of Law and Public Safety (via overnight mail)
Director, Division of Rate Counsel (via overnight mail)

CMS
Legal
DAG
RPA
M. Kammer
M. Moran
M. Koczur
J. Kane

CAS

STATE OF NEW JERSEY
BOARD OF PUBLIC UTILITIES

IN THE MATTER OF THE PETITION OF NEW JERSEY-AMERICAN WATER COMPANY, INC. FOR APPROVAL OF A FINANCING PROGRAM INVOLVING THE REFINANCING OF EXISTING LONG TERM DEBT AND THE ISSUANCE OF NEW LONG-TERM DEBT THROUGH DECEMBER 31, 2018 : : : PETITION : : : : : DOCKET NO. : :

TO THE HONORABLE COMMISSIONERS OF THE NEW JERSEY BOARD OF PUBLIC UTILITIES:

Petitioner, New Jersey-American Water Company, Inc. ("NJAWC", "Petitioner" or the "Company"), a public utility corporation of the State of New Jersey, with its principal office at 1025 Laurel Oak Road, Voorhees, New Jersey 08043, hereby petitions this Honorable Board (sometimes 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 \$400,000,000 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 its petition:

I. BACKGROUND

1. NJAWC is a regulated public utility corporation, engaged in the production, treatment and distribution of water and collection of sewage within its defined service territory within the State of New Jersey. Said service territory includes portions of the following counties:

Atlantic, Bergen, Burlington, Camden, Cape May, Essex, Gloucester, Hunterdon, Mercer, Middlesex, Monmouth, Morris, Ocean, Passaic, Salem, Somerset, Union and Warren. Within its service territory, NJAWC serves approximately 613,000 water and fire service customers and approximately 36,000 sewer service customers in 216 municipalities.

II. DISCUSSION

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, 2018, in an aggregate principal amount not to exceed \$400,000,000 consisting of one or more series of first mortgage bonds, notes, other bonds or other evidences of indebtedness, whether secured or unsecured, fixed rate or variable, tax-exempt or taxable (collectively the "Long-Term Debt"); (b) execute and deliver one or more supplemental mortgage indentures, 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. The financing program for which the Petitioner is seeking authorization of the Board in this Petition is comparable to the financing program for which NJAWC received approval of the Board under the following docket numbers: WF13050373 by Order dated July 19, 2013 ("2013 Financing Order"); WF11090542 by Order dated November 30, 2011 ("2011 Financing Order"); WF09100877 by Order dated January 21, 2010 ("2010 Financing Order"); WF08050348 by Order dated August 20, 2008 ("2008 Financing Order"); WF06080605 by Order dated December 11, 2006 ("2006 Financing Order"); WF03120976 by Order dated August 19, 2004 ("2004 Financing Order"); and WF01050337 by order dated August 1, 2001 (the "2001 Financing Order")(collectively, these prior financing orders may be referred to herein as the "Prior Financing Orders").

3. The issuance of the Long-Term Debt that the Petitioner contemplates could fall into several categories: (a) secured or unsecured, tax-exempt or taxable securities issuances in

conjunction with issuances by the New Jersey Economic Development Authority ("EDA") to the extent that Petitioner has qualifying projects and such loans are approved by the EDA; (b) secured or unsecured low interest loans obtained through the New Jersey Environmental Infrastructure Trust Fund Financing Program (the "Trust Fund") to the extent that Petitioner has qualifying projects and such loans are approved by the Trust Fund; (c) secured or unsecured, taxable issuances in conjunction with issuances by American Water Capital Corp. ("AWWC"), a wholly-owned subsidiary of Petitioner's parent American Water Works Company, Inc.; (d) secured or unsecured, tax-exempt or taxable issuances, either directly by the Petitioner or indirectly through and in conjunction with AWCC with the proceeds then loaned to the Petitioner. The Long-Term Debt issued in conjunction with EDA may be secured and issued under one or more supplemental indentures (the "Supplemental Indentures") to NJAWC's original Indenture of Mortgage dated as of May 1, 1968, as heretofore amended and supplemented (collectively, the "Mortgage Indenture"). The Long-Term Debt issued in conjunction with Trust Fund loans will be issued under loan documents required by the Trust Fund. The Trust Fund makes loans available to local governmental units and public utilities for qualifying projects designed to improve the quality of the State's water and wastewater infrastructure. The tax-exempt or taxable Long-Term Debt issuances through and in conjunction with AWCC, if unsecured, will not be issued under the Mortgage Indenture. Any tax-exempt Long-Term Debt issuances involving AWCC for the benefit of the Petitioner will be issued in conjunction with the EDA, and such involvement would not result in increased financing costs to Petitioner.

4. The Long-Term Debt may be issued as fixed rate debt or variable rate debt. The sale of Long-Term Debt may be conducted by a private sale or public offering. In connection with the issuance of Long-Term Debt, Petitioner may deem that it is in its best interest to enter into one or more swap, hedge or other derivative agreements or arrangements with respect to such Long-Term Debt.

5. The net proceeds from Petitioner's issuance of Long-Term Debt will be used to (a) provide funds for Petitioner's ongoing utility plant construction program, (b) refinance outstanding Long-Term Debt of Petitioner as such debt matures or is retired or can be replaced by lower-cost issues, (c) repay short-term debt incurred in connection with the Petitioner's ongoing capital construction program, (d) provide capital for potential acquisitions, and (e) pay certain issuance costs related to the proposed financings. The proceeds from any Trust Fund or EDA loan will be used for the purpose(s) set forth in the application(s) for such loan and as shown on the schedule setting forth the proposed use of proceeds from the proposed financing attached hereto as Exhibit P-1. A list of Petitioner's construction projects completed to date and expected to be completed through 2017 is attached as Exhibit P-2.

6. The interest rate and other terms of any loans for any Long-Term Debt issuances with the EDA and/or the Trust Fund will be determined through an offering of EDA bonds and/or Trust Fund bonds, as the case may be, that would include the amounts requested by Petitioner in applications approved by the EDA or the Trust Fund, respectively. 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. The Petitioner also proposes to obtain long term debt issuances through and in conjunction with AWCC. On August 16, 2000, the Board issued an Order in Docket No. WF00040252 (the "2000 Order"), approving the Financial Services Agreement ("FSA") between AWCC and NJAWC. No profit element will be included in any charges rendered to Petitioner by AWCC. AWCC will loan the funds it borrows to the Petitioner and other Participants as such term is defined in the FSA. For Long-Term Debt issuances in conjunction with AWCC, such terms and conditions will be agreed between Petitioner and AWCC, based on the yields and

terms and conditions of other utility debt securities in the private/public market having such credit ratings as Petitioner at the time of the AWCC issuance.

8. The interest rate and other terms of any loans for any Long-Term Debt issuances with the EDA and/or the Trust Fund will be determined through an offering of EDA bonds and/or Trust Fund bonds, as the case may be, that would include the amounts requested by Petitioner in application approved by the EDA or the Trust Fund, respectively. For Long-Term Debt issuances in conjunction with AWCC, such terms and conditions will be as agreed between Petitioner and AWCC, based on the yields and terms and conditions of other utility debt securities in the private/public market having such credit ratings as Petitioner at the time of the AWCC issuance.

9. Petitioner also seeks authority, without further Order of the Board, to issue and sell Long-Term Debt as described above in accordance with the terms and conditions contained in such accepted bid if the interest rate set forth in the bid is within maximum coupon spreads over U.S. Treasury Securities as provided in the Market Yield Spread Table set forth below and the price to be paid to Petitioner for such bid is not less than 98% of principal amount or no more than 102% of principal amount.

MARKET YIELD SPREAD TABLE

Tenure	Maximum Coupon Spread Over U.S. Treasury Securities (Basis Points)
1-Year	305
2-Year	310
3-Year	305
4-Year	310
5-Year	300
7-Year	300
10-Year	310
15-Year	300
20-Year	305
25-Year	300
30-Year	300

Petitioner further proposes that in the event market conditions change, Petitioner will file a petition with the Board requesting approval of an updated Market Yield Spread Table before issuing Long-Term Debt at coupon rates that are not within the Market Yield Spread Table set forth above.

10. The authority being sought by Petitioner from the Board in this petition is comparable to that approved by the Board in the 2013, 2011, 2010, 2008 and 2006 Financing Orders. 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.

11. In connection with the financing contemplated by this Petition and as necessary and appropriate to do so, Petitioner proposes to:

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

(b) Make, execute and deliver one or more underwriting agreements, offering statements, bond purchase agreements, remarketing agreements and repurchase agreements (in the case of variable rate securities), loan and security agreements and indentures in connection with tax-exempt financings and such other documents, agreements, instruments and indentures as may be necessary or appropriate for any of the proposed financings.

12. While the provisions of the financing program of AWCC are intended to make the best terms available to Petitioner and its affiliates through a consolidated borrowing program, Petitioner will retain the ability to obtain financial services and borrowings elsewhere in the event such financial services can be obtained on more favorable terms than through AWCC.

13. 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.

14. Information relating to the current financial condition of Petitioner as required by N.J.A.C. 14:1-5.9(a)(9) identified below is set forth on Exhibits P-3 through P-8:

(a) Common stock. NJAWC's common stock, par value \$25, may be issued from time to time as approved by NJAWC's Board of Directors. NJAWC currently has 4,000,000 authorized shares of common stock of which 3,478,968 shares are outstanding.

(b) Preferred stock. NJAWC's preferred stock may be issued in one or more issues on terms established by resolutions adopted by NJAWC's Board of Directors. The preferred stock will be preferred over the common stock as to dividends and as to assets so that in the event of a liquidation, dissolution or winding up of NJAWC, the holders of the preferred stock will be entitled to receive out of the assets available for distribution to its shareholders, before any distribution is made to the holders of common stock, an amount equal to the liquidation preference established for any series plus full cumulative dividends accrued and unpaid on the preferred stock to the date of distribution. As of December 31, 2012, all outstanding preferred stock of the Company has been redeemed.

(c) Long-Term Indebtedness. Information as to each outstanding issue or series of long-term indebtedness of the Petitioner is set forth in Exhibit P-3 attached hereto.

(d) Other Indebtedness. Information regarding Petitioner's outstanding unsecured short-term debt, including dates of borrowings, principal amounts and interest paid is set forth in Exhibit P-4 attached hereto.

(e) Interest Charged to Income. The amount of long term debt interest charged to income by the Petitioner during the fiscal year commencing January 1, 2015 and ending December 31, 2015 and through December 31, 2018 and the amount of short term debt interest charged to income by the Petitioner during the fiscal year commencing January 1, 2014 and ending December 31, 2014 and through August 31, 2015 are set forth in Exhibits P-3 and P-4, attached hereto.

(f) Dividends Paid on Capital Stock. The amount of dividends paid by NJAWC on its capital stock during the fiscal year commencing January 1, 2014 and ending December 31, 2014 and through September 30, 2015 is set forth in Exhibit P-5 attached hereto.

(g) Financial Statements. Attached hereto as Exhibit P-6 is a copy of NJAWC's Combined Financial Statements for 2014 which have been audited by PricewaterhouseCoopers, LLP, including NJAWC's balance sheet as of December 31, 2014 and statement of income and retained earnings for the year then ended.

15. The proposed journal entries to record the proposed issuance and sale of Long-Term Debt are shown on Exhibit P-7 attached hereto.

16. No franchise or right is proposed to be capitalized, either directly or indirectly, as a result of, or in connection with, the proposed issue and sale of securities referred to in this Petition.

17. A copy of Resolutions by Petitioner's Board of Directors authorizing the proposed issuance of securities referred to in this Petition will be submitted separately and will be Exhibit P-8.

18. A general timetable for the sale of the Long-Term Debt is attached hereto as Exhibit P-9.

19. A schedule listing the estimated expenses of issuing the Long-Term Debt is attached hereto as Exhibit P-10.

20. Petitioner's consolidated income statement for the twelve months ended December 31, 2014 (audited) and giving pro forma effect to the issuance and sale of the Long-Term Debt based upon the assumptions set forth therein is attached hereto as Exhibit P-11.

21. Petitioner's consolidated statement of interest coverage for the twelve months ended December 31, 2014 (unaudited) giving pro forma effect to the issuance and sale of the Long-Term Debt is attached hereto as Exhibit P-12.


22. Petitioner's actual and pro forma capitalization and capitalization ratios (unaudited) are attached hereto as Exhibit P-13.

23. A draft of the form of Supplemental Indenture to NJAWC's Mortgage Indenture or other evidence of indebtedness for each series of Long-Term Debt issued hereunder will be provided by Petitioner at the time of offering for such series.

III. CONCLUSION

WHEREFORE, the Petitioner respectfully requests that this Honorable Board grants authority to the Petitioner to (1) issue and sell up to \$400,000,000 aggregate principal amount of long-term debt consisting of one or more series of 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) take such actions as Petitioner determines may be necessary or desirable in connection with any of the foregoing, as well as provide such other relief as the Board deems just, reasonable and proper.

Respectfully submitted on behalf of
the Petitioner

By: 
Shawn C. Bunting, Esquire
Suzana Duby, Esquire
Attorneys for the Petitioner

Dated: September 21, 2015

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

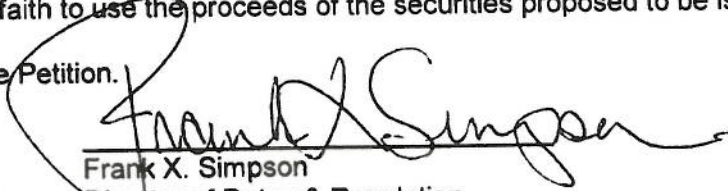
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VERIFICATION

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

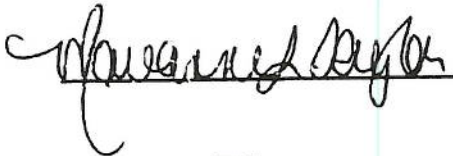
Frank X. Simpson, of full age, being duly sworn according to law upon his oath deposes and says:

1. I am the Director of Rates and Regulation for New Jersey-American Water Company, Inc., 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, New Jersey-American Water Company, Inc., in good faith to use the proceeds of the securities proposed to be issued for the purposes set forth in the Petition.



Frank X. Simpson
Director of Rates & Regulation
New Jersey-American Water Company, Inc.

Sworn and Subscribed
before me this 21st day
of September 2015.



┌ MARIANNE L. TAYLOR ┐
Notary Public - New Jersey
My Commission Expires
September 26, 2015 └

