



BOARD OF PUBLIC UTILITIES

MAR 29 2017

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State of New Jersey
DIVISION OF RATE COUNSEL
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CHRIS CHRISTIE
Governor

KIM GUADAGNO
Lt. Governor

STEFANIE A. BRAND
Director

March 28, 2017

Hand Delivery & First Class Mail

Irene Kim Asbury, Secretary
Board of Public Utilities
44 South Clinton Ave., 3rd Floor
Suite 314
P.O. Box 350
Trenton, New Jersey 08625

RE: I/M/O the Application of Middlesex Water Company for Amendment to WF16010038, WF16050445, WF161111106 and WF161111107 to Borrow Certain Amounts from the New Jersey Environmental Infrastructure Trust and from the State of New Jersey and to secure said amounts by Issuing and Delivering to the Trust and the State the Company's Bonds and/or other Evidence of Indebtedness

Dear Secretary Asbury:

Please accept for filing an original and eleven 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 February 7, 2017, Middlesex Water Company ("Middlesex" or "Company") filed a Petition pursuant to N.J.S.A. 48:3-7, 48:3-9 and N.J.A.C. 14:1-5.9, with the Board of Public Utilities ("BPU" or "Board"), seeking approval for authority to amend the final maturity term of the Company's First Mortgage Bonds approved in the Board's prior Orders under Docket Numbers WF16010038, WF16050445, WF16111116 and WF1111107. *16111107*

Middlesex filed four petitions over the course of calendar year 2016 through which it sought approval to borrow up to certain amounts (the "Loans"), from the New

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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 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. Each of the four petitions was approved by the Board under the docket numbers referenced above.

In each of the Orders issued in the above-referenced dockets, the Board approved a final maturity date for each of the approved Loans at twenty years from the issuance of the Company's Bonds, which at the time of the issuance of these Orders was the maximum term allowed under the Trust's Financing Program. On January 26, 2017, the Trust announced a change to its Financing program extending the maximum term of loans under the program from twenty to thirty years beginning with loans approved by the Trust under its May 2017 loans closing cycle.

The instant Petition is limited to a request from Middlesex that the Board amend Ordering Clause #3 of each of the four Board Orders issued in the above referenced docket numbers. Middlesex asserts that this will allow customers to benefit from the low-interest loans for the maximum period allowed under the Trust's Financing Program in the future.

The Division of Rate Counsel has reviewed the Petition and the Petitioner's responses to Board Staff's data requests OE-1 through OE-2 and does not object to Board approval of the requested amendments. However, approval of the Petition should not include authorization to allow 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. This 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.

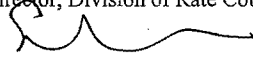
These provisions will satisfy the concerns of Rate Counsel that BPU approval is limited to the amendments to the Loans as described herein, and should not indicate

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:



Susan McClure, Esq.
Assistant Deputy Rate Counsel

C: service list via email and regular mail

I/M/O the Application of the Petition for
Amendment to WF16010038, WF16050445,
WF16111106 and WF16111107 to borrow certain
amounts from NJ Environmental Infrastructure
Trust and from the State of NJ and to secure said
amounts by issuing and delivering to the Trust and
State the Company's Bonds and/or other evidences
of indebtedness.

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Director

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RE: I/M/O the Matter of the Joint Petition of American Water Works Company, Inc., Environmental Disposal Corp., and New Jersey American Water Company, Inc., for Approval of a Plan to Transfer Ownership and Control of Environmental Disposal Corp. to New Jersey American Water Company, Inc.
BPU Docket No.: WM16100969

Dear Secretary Asbury:

Please accept for filing an original and eleven 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 14, 2016, American Water Works Company, Inc. ("American Water"), Environmental Disposal Corp. ("EDC") and New Jersey-American Water Company, Inc. ("NJAW") (collectively, "Joint Petitioners"), petitioned the Board of Public Utilities ("BPU" or the "Board"), pursuant to N.J.S.A. 48:2-51.1, N.J.S.A. 48:3-7, N.J.S.A. 48:3-10, and N.J.A.C. 14:1-5.14, if applicable, or any other statute or regulation deemed relevant by the Board, for approval of the transfer of ownership and control of all of the issued and outstanding shares of

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capital stock of EDC to NJAW (the “Transfer”), with EDC remaining as a stand-alone operating subsidiary of NJAW.

Background

On December 16, 2015, in Docket No. WM15040492, the Board approved the purchase by American Water of all the issued and outstanding capital stock of EDC from The Hills Development Company. That prior proceeding is hereinafter referred to as the “Change in Control Proceeding.” American Water also owns NJAW. Both EDC and NJAW are currently subsidiaries of American Water (hereinafter referred to jointly as “American Water Subsidiaries”). American Water is a publicly traded company. NJAW is a regulated public utility corporation engaged in the production, treatment and distribution of water, and the collection and treatment of sewage within its defined service territory within the State of New Jersey. NJAW’s 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. As of December 31, 2015, NJAWC services approximately 620,000 water and fire service customers and 41,000 sewer service customers in 188 municipalities. EDC is a regulated public utility corporation providing wastewater service to more than 5,300 customer accounts in Bedminster and Bernards Townships in Somerset County, New Jersey. In addition, EDC also provides wastewater treatment service to the Boroughs of Far Hills, Peapack, Gladstone and portions of Bedminster, adjacent to EDC’s service territory, on the basis of long term contracts.

Following the Transfer, the American Water Subsidiaries would continue to operate under their current tariffed rate schedules. Pursuant to the Stipulation approved in Docket No. WM15040492, EDC will not seek to increase its rates for a period of five (5) years after that

closing. This condition will not be affected by the Transfer. The assets and liabilities of EDC will continue to be owned and controlled by EDC, specifically including, but not limited to, all franchises, consents, permits, contracts, licenses and certificates of EDC.

The Division of Rate Counsel was extensively involved in the Change in Control proceeding and is a signatory to that Stipulation. Rate Counsel has reviewed the Joint Petition and the Joint Petitioner's responses to Board Staff's data requests SE-1 through SE-21 and SR-1 through SR-13. Based on that review and the Change in Control proceeding, Rate Counsel has concluded that the proposed Transfer is ministerial in nature and will have no substantive impact on the governance, management or operation of any of the corporate entities. The proposed transaction will also not have any adverse impact on competition, or the rates, service or employees of any of American Subsidiaries. Rate Counsel recommends that Board approval should not include authorization to allow any specific assets to be included in NJAW's or EDC'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.

Rate Counsel further recommends that any Board Order approving the Transfer contain the following language:

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.

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 matter affecting the Petitioner.

These provisions will satisfy the concerns of Rate Counsel that Board approval is limited to approval of the Transfer, and does not indicate authorization to include any specific assets or

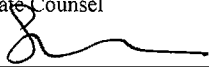
Irene Kim Asbury, Secretary
Board of Public Utilities
Comment Letter

amounts in rate base, or indicate authorization for any future ratemaking treatment. With these caveats, Rate Counsel is not opposed to approval of the Petition.

Respectfully submitted,

STEFANIE A. BRAND
Director, Rate Counsel

By: _____


Susan E. McClure, Esquire
Assistant Deputy Rate Counsel

C: Service List via e-mail and first class mail

1/1/0 OF AMERICAN WATER WORKS
COMPANY, INC. AND NEW JERSEY-
AMERICAN WATER COMPANY, INC. FOR
APPROVAL OF A PLAN TO TRANSFER
OWNERSHIP AND OF CONTROL OF
EDC TO NEW JERSEY-AMERICAN
WATER COMPANY, INC.

DOCKET NO. WM16100969

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