

February 7, 2018

VIA FEDERAL EXPRESS

Christine Soares

Direct Phone 856-910-5069
csoares@cozen.com

Aida Camacho-Welch
Office of the Secretary
Board of Public Utilities
44 South Clinton Ave.
3rd Floor, Suite 314
PO Box 350
Trenton, NJ 08625-0350

RECEIVED
MAIL ROOM

FEB 08 2018

BOARD OF PUBLIC UTILITIES
TRENTON, NJ

WF18020145

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 and the Refinancing of Existing Long Term Debt Through June 30, 2021
BPU Docket No.: _____

Dear Ms. Welch:

On behalf of 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 same in the 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.

Respectfully,

COZEN O'CONNOR, PC

RECEIVED
CASE MANAGEMENT

Christine Soares

FEB 08 2018

By: Christine Soares

BOARD OF PUBLIC UTILITIES
TRENTON, NJ

Enclosure

cc: Stefanie A. Brand, Esquire, Division of Rate Counsel
Debra F. Robinson, Esquire, Division of Rate Counsel
Division of Law (2 copies)
Christine Lin, Economist Office
Ira G. Megdal, Esquire

cms
J. Kane
DAG
RPA
M. Moran
M. Kammer
M. Mosser
WATER (4)
C. Lin

LEGAL\34438947\1

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

**IN THE MATTER OF THE PETITION OF THE :
ATLANTIC CITY SEWERAGE COMPANY FOR : PETITION
APPROVAL OF A FINANCING PROGRAM :
INVOLVING THE ISSUANCE OF LONG TERM :
DEBT AND THE REFINANCING OF EXISTING : DOCKET NO.
LONG TERM DEBT THROUGH JUNE 30, 2021 :
:**

PETITION AND EXHIBITS

RECEIVED
CASE MANAGEMENT

FEB 08 2018

BOARD OF PUBLIC UTILITIES
TRENTON, NJ

**COZEN O'CONNOR, PC
Attorneys for Petitioner
THE ATLANTIC CITY SEWERAGE COMPANY
By: Ira G. Megdal, Esquire
Christine Soares, Esquire
LibertyView, Suite 300
457 Haddonfield Road
P.O. Box 5459
Cherry Hill, NJ 08002
(856) 910-5000**

series of First Mortgage Bonds, or other evidences of indebtedness such as term loan agreements, loan agreements or similar instruments.; (b) execute and deliver one or more supplemental mortgages, term loan agreements, loan agreements, notes, and such other documents as may be necessary or appropriate to effectuate the issuance of Long-Term Debt; and (c) take such actions as Petitioner determines may be necessary or appropriate in connection with any of the foregoing.

3. The Petitioner contemplates issuance both new and replacement Long-Term Debt (hereinafter referred to as "Long-Term Debt") through tax exempt or taxable 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 new 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. Petitioner will issue replacement Long-Term Debt in circumstances where it is economically advantageous to do so.

4. Petitioner may issue Long-Term Debt in the form of secured or unsecured bonds. If Petitioner issues Long-Term Debt in the form of secured bonds, 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

Term Debt at that time. Attached to this Petition as Exhibit C is a Schedule of Estimated Issuance Costs for this transaction.

9. 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 loan agreements, term loan agreements or similar documents;

(c) 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.

10. 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 the competitive process described in this Petition.

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

11. 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.

12. 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

15. 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, 2016, filed with the Board in 2017, on the pages hereafter referred to:

(a) Balance Sheets as of the beginning and end of 2016, pages 9 and 10.

(b) Sewerage Plant in Service by accounts as of the beginning and the end of 2016, pages 13 and 14.

(c) Additions to and retirements from Sewerage Plant in Service for the year 2016, page 15.

(d) As to the capital stock of the Petitioner authorized, issued and outstanding at December 31, 2016, 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, 2016, page 23. For the period January 1, 2017 through December 31, 2017, the Company has paid \$1,279,562 against the principal amount outstanding.

(f) The amount of interest charged to income and the rates thereof during the year ended December 31, 2016, page 23.

(g) The amount of dividends paid upon the capital stock during the year ended December 31, 2016, page 11.

(h) A detailed income statement for the year ended December 31, 2016, page 12.

16. 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, 2016):

(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, 2016

<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	\$3,735,000
2002 B	Variable	06/27/02	12/01/21	\$2,040,000	\$1,015,000
2008	4.99%	12/29/08	12/29/28	\$6,000,000	\$4,309,886
2010	3.65%	12/17/10	12/01/30	\$8,000,000	\$6,211,894
2014	2.71%	12/30/14	12/01/34	\$6,000,000	\$5,555,236
Total First Mortgage Bonds Outstanding					<u>\$20,827,016</u>

The Mortgage Indenture 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, 2016: Line of Credit \$900,000.

(d) INTEREST CHARGED TO INCOME: The amount of interest charged to income during 2016, 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, 2016 was \$928,521.

(f) FINANCIAL STATEMENTS: Comparative Consolidated Financial Statements for the fiscal years ended December 31, 2015 and 2016, 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 Kreischer Miller has audited these Financial Statements.

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

(a) Exhibit A - Schedule of Interest charged to income-2016.

(b) Exhibit B - Petitioner's Consolidated Financial Statements for the years ended December 31, 2015 and 2016, including statement of cash flows.

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

(d) Exhibit D - Pro forma Capital Structure as of December 31, 2018, 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 Petitioner's Board of Directors authorizing the proposed transactions.

18. 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.

19. 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 grant 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 its Long-Term Debt;

(2) Take such other action as Petitioner deems necessary or appropriate in connection with such issuances, including without limitation, the making, execution and delivery

of one or more supplemental mortgage indentures, loan agreements, term loan agreements or similar documents, 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



Ira G. Megdal
Christine Soares

Dated: February 7, 2018

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

COZEN O'CONNOR
Attn: Ira G. Megdal, Esquire
Christine Soares, Esquire
Liberty View Building
457 Haddonfield Road, Suite 300
PO Box 5459
Cherry Hill, NJ 08002
856-910-5019

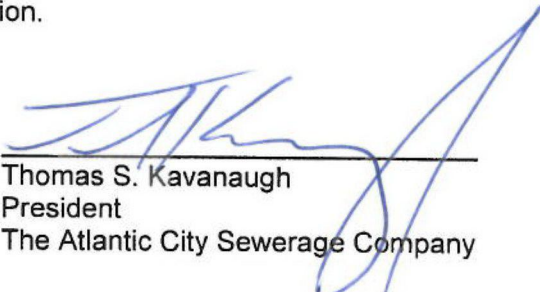
VERIFICATION

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

Thomas S. Kavanaugh, 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.



Thomas S. Kavanaugh
President
The Atlantic City Sewerage Company

Sworn and Subscribed
before me this 6th day
of February, 2018.



Barbara S. Bruckler
Notary Public of New Jersey
My Commission Expires October 2, 2021