



Agenda Date: 2/27/19
Agenda Item: 5A

STATE OF NEW JERSEY
Board of Public Utilities
44 South Clinton Avenue, 3rd Floor, Suite 314
Post Office Box 350
Trenton, New Jersey 08625-0350
www.nj.gov/bpu/

WATER

IN THE MATTER OF THE APPLICATIN OF)
MIDDLESEX WATER COMPANY FOR AUTHORITY TO)
ISSUE UP TO \$140.0 MILLION OF FIRST MORTGAGE)
BONDS)
)
)
)
)
DOCKET NO. WF18121292

Parties of Record:

Stefanie A. Brand, Esq., Director, New Jersey Division of Rate Counsel
Jay L. Kooper, Esq., Vice President, General Counsel & Secretary, Middlesex Water Company

BY THE BOARD:

Middlesex Water Company ("Middlesex," "Petitioner" or "Company"), a public utility of the State of New Jersey, filed a petition with the New Jersey Board of Public Utilities ("Board") on December 6, 2018, pursuant to N.J.S.A. 48:3-7, 48:3-9 and N.J.A.C. 14:1-5.9, requesting the following:

- a) To borrow up to an aggregate principal amount of \$140.0 million from the New Jersey Economic Development Authority ("Authority") in one or more transactions, and to make, execute and deliver to the Authority and the underwriter or placement agent one or more contracts of purchase in connection therewith, if necessary, as well as such other documents as are reasonably required to perform its obligations thereunder;
- b) To make, execute and deliver one or more Supplemental Indentures of Mortgage ("Supplemental Indentures") to the Company's Indenture Trustee, for the purpose, among other things, of issuing and describing the terms and conditions of the Company's First Mortgage Bonds ("Company First Mortgage Bonds");
- c) To issue up to \$140.0 million principal amount of the Company First Mortgage Bonds to the Authority to evidence and secure the Company's obligation to repay the Authority's loans. Each series of the Company First Mortgage Bonds is to be secured equally and ratably with all outstanding debt of Petitioner heretofore issued under the aforesaid Indenture of Mortgage, as supplemented. The Company First Mortgage

Bonds are to bear interest at a rate to be determined based upon the rate(s) for the Authority Bonds which are intended to be sold at a negotiated price without further Order of the Board; and

d) Approval of a privately negotiated offering.

Petitioner represents that, to ensure the continued provision of safe and reliable water service to its customers, continuous plans for ongoing upgrades, replacements and improvements to its water system are necessary. These plans include preparation of a perpetual five-year capital infrastructure expenditure budget that is based on its engineering assessments, system studies and government regulatory requirements. The current five-year program, known as Water For Tomorrow, projects that Middlesex will spend approximately \$354.8 million through the year 2023 to replace aging infrastructure, remain compliance with water quality requirements, and enhance service. The funding of Middlesex's projected \$354.8 million infrastructure investment will require a combination of funds generated from operations, debt financing and equity investments in order to maintain a balanced capital structure to continue to attract investor interest.

Therefore, the Company proposes, as part of this overall plan, to borrow up to \$140.0 million from the Authority and in connection therewith to request the Authority's issuance of up to \$140.0 million of Authority tax-exempt Water Facilities Revenue Bonds ("Authority Bonds") in order to fund portions of its Water For Tomorrow program. It is contemplated that the Authority will issue and sell its Authority Bonds in a series of one or more bond offerings over a multi-year period to accommodate the Company's construction timetable for the Water For Tomorrow program.

The Company expects that interest on the Authority Bonds will be exempt from federal income taxation under Section 103 of the Internal Revenue Code of 1986, as amended, and that the Authority's Bond Counsel will give such an opinion at closing. As a result, the Company indicates the interest rate on the Bonds issued by the Authority will be substantially less than the interest rate the Company would otherwise pay to investors on conventional debt financing.

The Company proposes that the Authority issue the Authority Bonds either through an underwriter or by a placement agent at a price to be negotiated based on market conditions, and requests the Board's approval for that proposal. Petitioner makes this request to support its need for flexibility in accessing the capital and credit markets under a range of market conditions while achieving the lowest attainable cost of financing, and has therefore requested authority, as appropriate market opportunities arise, to issue and/or sell the Bonds, as described above, in one or more negotiated transactions. Since the Authority Bonds will be issued through a process that assures that the best price available will be obtained and is subject to the scrutiny of the State through the Authority, the Company proposes that no further Board approval be required for the Company's request for issuance of the Authority Bonds, or the issuance of the corresponding Company's First Mortgage Bonds to the Authority in connection with the loan.

By letter dated January 24, 2019, the New Jersey Division of Rate Counsel indicated that it does not object to the approval of this matter.

DISCUSSION:

The Board, after investigation, having considered the record and exhibits submitted in this proceeding, being satisfied with the action proposed to be taken by Petitioner as indicated above and finding that the proposed transactions are to be made in accordance with law, are in the public interest, and approving the purposes thereof, **HEREBY ORDERS** that Petitioner be and is **HEREBY AUTHORIZED** to:

- a) Borrow up to \$140.0 million from and make, execute and deliver to the Authority such loan agreements therefor and to make, execute and deliver to the Authority and such underwriters or placement agents, in either case, as may be selected by negotiation, such contracts of purchase in connection therewith; and
- b) Make, execute and deliver such Supplemental Indentures of Mortgage to the Company's Indenture Trustee; and
- c) Issue and sell up to \$140.0 million principal amount of the Company First Mortgage Bonds to the Authority, all in accordance with the terms set forth herein;
- d) Obtain the relief requested in subparagraphs (a) through (c) of this section herein without the requirement of a further Board Order as to pricing; and
- e) Obtain such other relief as the Board determines is just and proper.

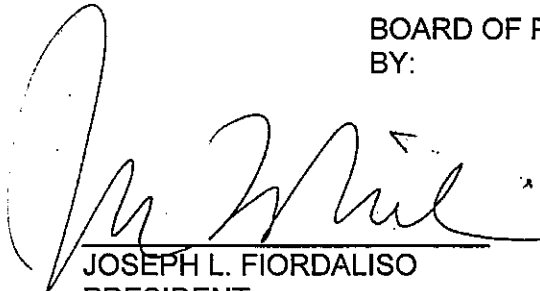
This Order is issued subject to the following provisions:

- 1) This Order shall not be construed as directly or indirectly fixing for any purpose 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 cost.
- 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 (including method of sale of securities), accounting, capitalization, depreciation, or in any other matters affecting the Petitioner.
- 3) Petitioner shall submit a schedule indicating complete details of the issuance costs no later than 60 days following the closing date for these transactions.
- 4) Petitioner shall furnish the Board with copies of the executed Supplemental Indentures.
- 5) The Bonds herein authorized to be issued shall not be redeemed at a premium, prior to maturity, without further Board approval.
- 6) The authority granted in this Order shall become null and void and of no effect with respect to any portion which is not exercised on or before December 31, 2022.


This Order shall become effective on March 9, 2019.

DATED: 2/27/19

BOARD OF PUBLIC UTILITIES
BY:



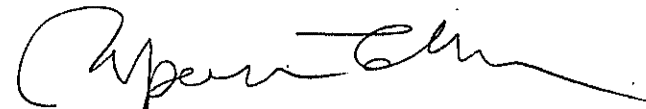
JOSEPH L. FIORDALISO
PRESIDENT



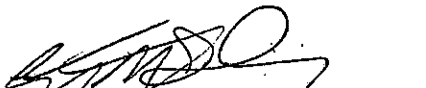
MARY-ANNA HOLDEN
COMMISSIONER



DIANNE SOLOMON
COMMISSIONER



UPENDRA J. CHIVUKULA
COMMISSIONER



ROBERT M. GORDON
COMMISSIONER

ATTEST: 

AIDA CAMACHO-WELCH
SECRETARY

I HEREBY CERTIFY that the within
document is a true copy of the original
in the files of the Board of Public Utilities.

IN THE MATTER OF THE APPLICATION OF MIDDLESEX WATER COMPANY FOR
AUTHORITY TO ISSUE UP TO \$140.0 MILLION OF FIRST MORTGAGE BONDS
DOCKET NO. WF18121292

SERVICE LIST

A. Bruce O'Connor
Middlesex Water Company
Iselin, NJ 08830
(732) 638-7502
(732) 218-1126 – Fax
aboconnor@middlesexwater.com

Douglas R. Brown, Esq.
Norris, McLaughlin & Marcus
721 Route 202 & 206 North
P.O. Box 1018
Somerville, NJ 08876-1018
(908) 722-0700
(908) 722-0755 – Fax
drbrown@nmmlaw.com

Jay L. Kooper, Esq.
Middlesex Water Company
1500 Ronson Road
Iselin, NJ 08830
(732) 638-7506
(732) 218-1124 – Fax
jkooper@middlesexwater.com

Michele L. Tilley
Middlesex Water Company
1500 Ronson Road
Iselin, NJ 08830
(732) 638-7676
(732) 638-7526 - Fax
mtilley@middlesexwater.com

Robert J. Capko
Middlesex Water Company
1500 Ronson Road
Iselin, NJ 08830
(732) 638-7524
rcapko@middlesexwater.com

Ben Witherell, Ph.D.
Chief Economist
Board of Public Utilities
Post Office Box 350
Trenton, NJ 08865-0350
(609) 292-2637
Ben.witherell@bpu.nj.gov

Christine Lin
Board of Public Utilities
Post Office Box 350
Trenton, NJ 08865-0350
(609) 292-2956
Christine.lin@bpu.nj.gov

Megan Lupo, Esq.
Bureau Chief
Division of Water
Board of Public Utilities
Post Office Box 350
Trenton, NJ 08865-0350
megan.lupo@bpu.nj.gov

Mike Kammer, Director
Board of Public Utilities
Post Office Box 350
Trenton, NJ 08865-0350
(609) 292-2422
Mike.kammer@bpu.nj.gov

Peter Van Brunt
Department of Law & Public Safety
Division of Law
Post Office Box 45029
Newark, NJ 07101-45029
(973) 648-3441
Peter.VanBrunt@law.njoag.gov

Ada Soto
Middlesex Water Company
1500 Ronson Road
Iselin, NJ 08830
(732) 638-7511
(732) 218-1113 – Fax
asoto@middlesexwater.com

Stefanie A. Brand, Esq., Director
Division of Rate Counsel
Post Office Box 003
Trenton, NJ 08625-0003
(609) 984-1460
sbrand@rpa.state.nj.us

Debra F. Robinson, Esq.
Division of Rate Counsel
Post Office Box 003
Trenton, NJ 08625-0003
(609) 984-1460
drobinson@rpa.state.nj.us

Kathryn A. Hart
Legal Assistant
Division of Rate Counsel
Post Office Box 003
Trenton, NJ 08625-0003
(609) 984-1460
khart@rpa.nj.gov