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CASE MANAGEMENT

MAR 14 2019

BOARD OF PUBLIC UTILITIES
TRENTON, NJ

March 13, 2019
(Via Federal Express)

Aida Camacho-Welch
Secretary of the Board
New Jersey Board of Public Utilities
44 South Clinton Avenue
3rd Floor, Suite 314
Trenton, NJ 08625-0350

RECEIVED
MAIL ROOM
MAR 14 2019
BOARD OF PUBLIC UTILITIES
TRENTON, NJ

Re: In the Matter of the Application of Middlesex Water Company
For Authority to Issue and Sell up to 1.5 Million Shares of Common Stock
BPU Docket No.: WF19030339

Dear Secretary Camacho-Welch:

Enclosed herewith for filing please find the original and eleven (11) copies of Middlesex Water Company's Petition in the above-referenced matter.

This case may be summarized as a Petition for 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 1.5 million shares in Common Stock.

Kindly stamp "filed" on the extra copy of the Petition enclosed herewith and please return it to us in the enclosed, stamped, self-addressed envelope.

CMS
Legal
BAG
RPA
M. Kammer
ECONOMIST (2)
WATER (4)

Very truly yours,

Jay L. Kooper
Vice President, General Counsel & Secretary

JLK:sm
Enclosures

cc: Service List (w/enclosures via electronic mail)

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

RECEIVED
MAIL ROOM

IN THE MATTER OF THE APPLICATION :
OF MIDDLESEX WATER COMPANY FOR : PETITION
AUTHORITY TO ISSUE AND SELL UP TO : Docket No.
1.5 MILLION SHARES OF COMMON STOCK : WF1903

MAR 14 2019

BOARD OF PUBLIC UTILITIES
TRENTON, NJ

TO THE HONORABLE COMMISSIONERS OF THE BOARD OF PUBLIC UTILITIES:

Petitioner, MIDDLESEX WATER COMPANY (hereinafter referred to as “Petitioner”, “Middlesex”, or the “Company”), a corporation organized and existing under the laws of the State of New Jersey with its principal office located at 485C Route One South, Suite 400, Iselin, New Jersey 08830, states that:

1. Middlesex is a duly organized and existing public utility of the State of New Jersey, subject to the jurisdiction of the Board. Middlesex provides water services to approximately 61,000 retail customers, primarily in eastern Middlesex County, New Jersey and provides water under wholesale contracts to the City of Rahway, Townships of Edison and Marlboro, the Borough of Highland Park and the Old Bridge Municipal Utilities Authority. Middlesex treats, stores and distributes water for residential, commercial, industrial and fire protection purposes. Middlesex also provides water treatment and pumping services to the Township of East Brunswick under contract. Middlesex recorded revenues of approximately \$81.1 million in 2018.

2. The Middlesex System’s retail customers are located in an area of approximately 55 square miles in Woodbridge Township, the City of South Amboy, the Boroughs of Metuchen and Carteret, portions of the Township of Edison and the Borough of South Plainfield in Middlesex County, and a portion of the Township of Clark in Union County. Retail customers include a mix of residential customers, large industrial concerns and commercial and light industrial facilities. These customers are located in generally well-developed areas of central New Jersey.

3. The contract customers of the Middlesex System comprise an area of approximately 146 square miles with a population of approximately 300,000. Contract sales to Edison, Old Bridge, Marlboro and Rahway are supplemental to the existing water systems

of these customers. The Middlesex System provides treated surface water under long-term agreements to East Brunswick, Marlboro and Old Bridge.

4. Middlesex provides water service to approximately 300 customers in Cumberland County, New Jersey. This system is referred to as Bayview, and is not physically interconnected with the Middlesex System. The Company owns and operates water treatment, supply, transmission and distribution systems for these purposes. The Company also owns subsidiaries that provide utility and utility-related services in Southampton Township in Burlington County, and portions of Delaware and Pennsylvania.

5. Middlesex is a corporation whose Common Stock is registered with the United States Securities and Exchange Commission (the "SEC").

6. To ensure the provision of safe and reliable water service to its customers, Middlesex continually plans for ongoing upgrades and replacements to its water system. These plans include preparation of a perpetual five-year capital infrastructure expenditure budget that is based on risk analysis, engineering assessments, system studies and governmental 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 compliant with water quality regulations and enhance service. A summary of the Water for Tomorrow projects is annexed hereto as Exhibit K.

7. The funding of the projected \$354.8 million infrastructure investment will require a combination of funds generated from operations, debt financings and equity issuances in order to maintain a balanced capital structure to continue to attract and retain investor interest. Board approval to issue debt to finance a portion of the Water for Tomorrow projects was previously granted by Order in BPU Docket No. WF18121292.

8. In summary, as more specifically set forth below, the Company seeks Board approval, pursuant to N.J.S.A. 48:3-9 and N.J.A.C. 14:1-5.9, to issue and sell in one or more offerings, up to 1,500,000 (1.5 million) shares of its Common Stock, without par value, as hereinafter set forth in order to fund portions of its Water for Tomorrow program. It is contemplated that this sale will be made by offerings either through a traditional underwritten public offering and/or an alternative method known as an "at-the-market" ("ATM") public offering.

9. The offerings, if made through a traditional underwriting method, is expected to be underwritten on a firm commitment basis by an underwriter selected by the Company at a price which has not yet been determined. The Company will pay to the underwriter a fee, which will be a percentage of the total proceeds from a sale, and a fee for their costs. Commissions paid to brokers participating in the offerings are included in the underwriter's fee. In addition, under a firm commitment underwriting offering, it is anticipated that the underwriter will receive a 30-day over-allotment option to purchase additional shares post-closing. The over-allotment is a mechanism that facilitates price stabilization of the Company's Common Stock during the 30-day post-closing period. If price stabilization is not a factor, then the underwriter can use the over-allotment to satisfy buyer orders. Including shares sold under an over-allotment, however, not more than 1.5 million shares will be sold in the aggregate.

10. Middlesex further seeks Board approval to market the offering, if made through a traditional underwriting method, through a selected underwriter on a negotiated, rather than a competitive bid, basis. Logistically, a negotiated offering provides the Company with lower costs, shorter lead time and flexibility in scheduling, higher assurances of completion (less risk) and the services of proven market-makers in Middlesex stock. The relatively small size of the offering effectively requires that it be negotiated rather than bid. In fact, several of the major brokerage houses have indicated that they would not participate in competitive bid offerings of the small size contemplated by the Company.

11. The offerings, if made through the ATM method, will be made through a broker-dealer at a price that is expected to reflect market conditions at the time offering is made to the interested sophisticated investor. The broker-dealer will identify potential investors willing to purchase a substantial block of the Common Stock. The advantages of an ATM offering over a traditional underwriting offering are the flexibility in the transaction timetable and commissions/fees.

12. The proposed common stock offerings are currently expected to begin in the third quarter of 2019, and continue on a parallel path with the debt financings that were approved in BPU Docket No. WF18121292. The actual timing of the offerings may change, if necessary, to account for actual project expenditure timetables, financial market conditions and possible SEC review.

13. The agreement between the Company and the underwriter and/or broker-dealer is expected to be based on the market price of the Common Stock on the agreed to pricing date to be selected. Subject to satisfaction of the terms and conditions of the underwriting agreement and/or broker-dealer agreement, including the agreement of the parties to consummate the sale, the Company anticipates selling the shares of Common Stock at a price per share which approximates the closing bid price quoted on the last trading day prior to the sale (“Pricing Date”), subject to the then-current market conditions. Utilizing this pricing mechanism will give the parties greater flexibility in the transaction and enable them to proceed in an efficient manner.

14. The estimated maximum net proceeds reasonably anticipated from the sale (assuming a single traditional underwriting offering of all 1.5 million shares and the current market price of the Company’s Common Stock), after deducting transactional expenses, fees and commissions, is approximately \$82.4 million as set forth in Exhibit H. The net proceeds of the sale or sales will be used to provide additional financing for the Company’s Water for Tomorrow capital program, to reduce short-term debt, and to maintain an appropriate balance in the capital structure of the Company, including its regulated affiliates. Pro forma financial statements reflecting the issuance of 1.5 million shares are set forth in Exhibit I. A pro forma capital structure is set forth in Exhibit J.

15. As of December 31, 2018, Middlesex has outstanding 16,403,455 shares of Common Stock of 40,000,000 shares authorized by its Certificate of Amendment to its Restated Certificate of Incorporation. As of such date, it has 23,357 shares of Preferred Stock outstanding of 125,970 authorized by its Restated Certificate of Incorporation. The book value of the Company’s Common Stock as of December 31, 2018 was \$14.48 per share. The closing market price on December 31, 2018 was \$53.35 per share.

16. As of December 31, 2018, the capital stock of the Company is shown on Exhibit C. The preferences and other characteristics of the Preferred Stock are set forth in Exhibit F of the Petition filed with the Board in Docket No. WF97030172, which is incorporated by reference herein. Dividends paid upon the capital stock of the Company are shown in the Annual Report of the Company to the Board for the year 2018, which is incorporated by reference herein. The Company’s bonds are secured under an Indenture of Mortgage, dated April 1, 1927, between the Company and United Counties Trust Company, as Trustee; as heretofore supplemented by a series of supplemental indentures issued, the

first one dated as of October 1, 1939; the most recent one (Fifty-Second Supplemental Indenture) dated as of May 15, 2018.

17. The principal amount of the Company's long-term indebtedness is set forth in Exhibit C annexed hereto. The Company had no other indebtedness at December 31, 2018 except as set forth in Exhibit A.

18. No franchise or right is proposed to be capitalized directly or indirectly in connection with the proposed transaction.

19. The Company's Common Stock is traded on the NASDAQ Global Select Market. The Company's current transfer agent is Broadridge Corporate Issuer Solutions, Inc., headquartered in Philadelphia, Pennsylvania.

20. Submitted herewith and made a part of this Petition are the following exhibits (including those exhibits previously referenced herein):

- Exhibit A - Consolidated and Middlesex Water Company Balance Sheets at December 31, 2018.
- Exhibit B - Middlesex Water Company Statement of Income Twelve months ended December 31, 2018.
- Exhibit C - Middlesex Water Company Statement of Capital Stock and Long-term Debt, December 31, 2018.
- Exhibit D - Middlesex Water Company Statement of Cash Flows Twelve months ended December 31, 2018.
- Exhibit E - Middlesex Water Company Interest Charged to Income Upon Each Kind of Indebtedness and Rate Thereon, Twelve months ended December 31, 2018.
- Exhibit F - Excerpt from the Minutes of the Meeting of Middlesex Water Company's Board of Directors (Resolution).
- Exhibit G - Proposed Form of Order.
- Exhibit H - Calculation of Net Proceeds.
- Exhibit I - Consolidated Pro Forma Financial Statements.
- Exhibit J - Consolidated Pro Forma and Historical Capital Structure
- Exhibit K - Water for Tomorrow Projects Summary

21. All correspondence in the case should be addressed to:

Jay L. Kooper
Vice President, General Counsel & Secretary
Middlesex Water Company
485C Route One South, Suite 400
Iselin, New Jersey 08830
jkooper@middlesexwater.com

WHEREFORE, Petitioner respectfully requests that the Board approve and authorize Petitioner to issue and sell up to 1.5 million shares of its Common Stock on a negotiated basis as hereinbefore set forth, and grant such other relief as the Board determines is just and proper.

Respectfully submitted,

MIDDLESEX WATER COMPANY

By: 
Jay L. Kooper
Vice President, General Counsel & Secretary

Dated: March 13, 2019

