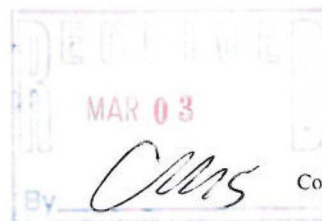


**SAUL EWING
ARNSTEIN
& LEHR ^{LLP}**

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MAR 03 2020

BOARD OF PUBLIC UTILITIES
TRENTON, NJ



Courtney L. Schultz
Phone: (215) 972-7717
Fax: (215) 972-1839
Courtney.Schultz@saul.com
www.saul.com

March 2, 2020

Via Email and Federal Express

Honorable Aida Camacho-Welch, Secretary
New Jersey Board of Public Utilities
44 South Clinton Avenue, Suite 314
P.O. Box 350
Trenton, NJ 08625-0350

Re: In the Matter of the Petition of Aqua New Jersey, Inc. for Authority
To Enter into Long-Term Debt in an Amount Up To \$25,000,000,
And to Approve Refinancing of Existing Debt
BPU Docket No. WF20030202

Dear Secretary Camacho-Welch:

Enclosed for filing please find an original and ten (10) copies of a Petition submitted on behalf of Aqua New Jersey, Inc., ("Petitioner") initiating the above-referenced matter. Additionally, I have enclosed an extra copy of this filing. Kindly stamp this copy "filed" and return it to me in the enclosed self-addressed, stamped envelope.

Please contact me if you have any questions regarding this proceeding. Thank you for your attention to this matter.

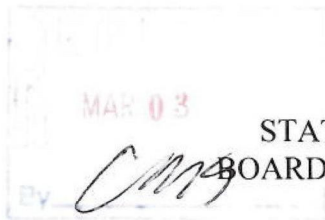
Respectfully submitted,

Courtney L. Schultz
Courtney L. Schultz

CMS
Legal
DAG
RPA
B. Witherell
Economist (3)
WATER

Enclosures

cc: Service List (as indicated)



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MAIL ROOM

MAR 03 2020

BOARD OF PUBLIC UTILITIES
TRENTON, NJ

: IN THE MATTER OF THE PETITION OF :
: AQUA NEW JERSEY, INC. FOR AUTHORITY :
: TO ENTER INTO LONG-TERM DEBT IN AN :
: AMOUNT UP TO \$25,000,000, AND TO :
: APPROVE REFINANCING OF EXISTING :
: DEBT :
: _____ :

PETITION

DOCKET NO. WF2003 0202

TO THE HONORABLE BOARD OF PUBLIC UTILITIES:

Petitioner, Aqua New Jersey, Inc. (the "Petitioner" or the "Company"), respectfully submits this Petition pursuant to N.J.S.A. 48:3-9 and N.J.A.C. 14: 1-5.9, and shows that:

1. Petitioner is a public utility corporation of the State of New Jersey subject to the jurisdiction of the New Jersey Board of Public Utilities (the "Board" or "BPU"), and maintains its principal business offices at 10 Black Forest Road, Hamilton, New Jersey 08691.

2. In this Petition, the Company seeks authority pursuant to N.J.S.A. 48:3-9, and N.J.A.C. 14:1-5.9, to undertake the following actions: (1) to make, execute and deliver to Essential Utilities, Inc. ("Essential")¹ a note for long-term debt in a principal amount up to \$25,000,000 (the "New Debt"); (2) to refinance \$59,385,000 of the \$60,885,000 long-term debt currently outstanding and owed to Essential (the "Refinanced Debt"); and (3) to take such actions as are necessary to effectuate the transactions described herein.

¹ Petitioner's corporate parent recently (effective February 3, 2020) changed its name from Aqua America, Inc. to better reflect the full complement of services offered by its affiliates ahead of its acquisition of several natural gas utilities.

3. On May 8, 2019, Essential (then Aqua America, Inc.) redeemed \$313.5 million of its outstanding debt, of which, Petitioner was allocated \$59.385 million in the most recent note issued December 31, 2018 by Essential to Petitioner (the "December Note"). Of the \$60.885 million long-term debt currently outstanding under the December Note, only \$1.5 million will remain under its current terms after the proposed transactions. That amount is not at issue here.

4. The current weighted average interest rate on the \$59.385 million of debt outstanding is 4.13% with an average remaining life of 7 years. The weighted average interest rate on the proposed New Debt and the Refinanced Debt will be 3.96% with an average remaining life of 20 years. The proposed refinancing will create annual interest expense savings of approximately \$101,000.

5. The proceeds derived from the New Debt issuance will be used to rebalance the Company's capital structure. The New Debt and the Refinanced Debt has been issued by Petitioner's corporate parent, Essential, and will be downstreamed to the Company upon the Board's approval of the requests made herein.

6. The Company proposes to execute a note with its parent for the Refinanced Debt (of \$59.385 million) and up to the \$25.0 million of unsecured New Debt (for a total amount of \$85,885,000), pursuant to the following terms:

Proposed Terms for Refinanced Debt

| <u>Structure</u> | <u>Interest Rate</u> | <u>Maturity Date</u> | <u>Amount</u> |
|--------------------|----------------------|----------------------|-------------------|
| Sr. Unsecured Note | 3.566% | 5/1/2029 | \$26,393,333 |
| Sr. Unsecured Note | 4.276% | 5/1/2049 | <u>32,991,667</u> |
| Sub Total | | | \$59,385,000 |

Proposed Terms for New Debt

| <u>Structure</u> | <u>Interest Rate</u> | <u>Maturity Date</u> | <u>Amount</u> |
|--------------------|----------------------|----------------------|-------------------|
| Sr. Unsecured Note | 3.566% | 5/1/2029 | \$11,111,111 |
| Sr. Unsecured Note | 4.276% | 5/1/2049 | <u>13,888,889</u> |
| Sub Total | | | \$25,000,000 |

Previously Issued Debt

| | | | |
|--------------------|-------|-----------|---------------------|
| Sr. Unsecured Note | 3.57% | 11/3/2041 | \$1,500,000 |
| Total | | | \$85,885,000 |

7. In the past, Petitioner has issued bonds for sale through a private placements. However, due to the relatively small size of the Company's debt issuance, it is less economically favorable to issue debt under the Company's name. Petitioner's debt is less marketable because it does not file SEC reports, is not followed by securities analysts, and is not widely known in the securities markets. In this request, the Company will not be issuing debt directly but rather is seeking Board approval to participate in a debt issuance that was done at the parent company level and will be downstreamed by Essential to the Company.

8. The Company believes there are significant advantages to this approach. Essential is well-known in the financial markets, maintains credit ratings with two national credit rating agencies, and has garnered numerous analyst ratings which allow it to attract more competitive bids from more potential investors than the Company. Additionally, the costs of completing these transactions at the parent level (through private and public offerings) are anticipated to be less than those previously incurred in the Company's private placements of debt. An estimate of savings is contained in Exhibit J.

9. To comply with the Board's regulations, attached hereto are the following exhibits which are incorporated herein by reference:

- Exhibit A Issuance timetable for the unsecured note.
- Exhibit B Statement of interest coverage actual and pro forma for the twelve months ended December 31, 2019;
- Exhibit C Draft of a proposed form of Order;
- Exhibit D Balance Sheet as of December 31, 2019;
- Exhibit E Statement of Income for the twelve months ended December 31, 2019;
- Exhibit F Capitalization Statement reflecting actual and pro forma capitalization ratios as of December 31, 2019;

- Exhibit G Statement of Cash Flows for the year ended December 31, 2019;
- Exhibit H Statement reflecting use of proceeds from the New Debt financing;
- Exhibit I Security Basis Statement at December 31, 2019;
- Exhibit J Estimated cost savings achieved by execution of note.

10. The following additional information regarding the financial condition of the Petitioner at December 31, 2019 is also submitted for the Board's consideration:

(a) Total authorized common stock is 800,000 shares (\$5 par value) of which there are 720,625 shares issued and outstanding;

(b) There is no issued and outstanding preferred stock;

(c) There is no short-term debt outstanding as of December 31, 2019;

(d) Dividends paid in the calendar year 2019 amounted to \$425,000;

(e) The following series (with their issue dates and original principal amounts indicated) were issued and outstanding as of December 31, 2019:

Series L issued October 1, 2000, in the principal amount of \$3,473,961; Series P issued October 15, 2004, in the principal amount of \$1,300,000; Series Q issued October 15, 2004, in the principal amount of \$1,135,000; Series S issued December 15, 2006, in the principal amount of \$6,000,000. Series T issued December 12, 2007, in the principal amount of \$3,800,000. Series U issued November 6, 2008, in the principal amount of \$985,000. Series V issued November 6, 2008, in the principal amount of \$971,000. Series W issued December 2, 2009, in the principal amount of \$295,000. Series X issued December 2, 2009, in the principal amount of \$294,000. Series Y issued March 10, 2010, in the principal amount of \$230,000. Series Z issued March 10, 2010, in the principal amount of \$235,542. Series AA issued December 2, 2010, in the principal amount of \$430,000. Series BB issued December 2, 2010, in the principal amount of \$212,631. Series CC issued May 3, 2012, in the principal amount of \$780,000; Series DD issued March 28, 2012, in the principal amount of \$855,017

Note from Parent issued December 31, 2018, in the principal amount of \$60,885,000.²

11. Petitioner intends to supplement this Petition and to furnish such other and additional information as may be required by the Board.

12. No franchise or right is proposed to be capitalized, directly or indirectly, as a result of, or in connection with, the proposed execution of the transaction described herein.

13. All notices and communications with respect to this proceeding should be sent to:

Courtney L. Schultz, Esq.
Saul Ewing Arnstein & Lehr LLP
1500 Market Street
Centre Square West, 38th Floor
Philadelphia, PA 19102
(Phone) 215-972-7717
(Fax) 215-972-1839
Courtneys.Schultz@saull.com

Dawn Peslak
Controller
Aqua New Jersey, Inc.
10 Black Forest Road
Hamilton, NJ 08691
(Phone) 609-587-4080
dpeslak@aquaaamerica.com

14. The Company respectfully requests that the Board retain jurisdiction of this matter in order to ensure the prompt resolution of this matter and the availability of the terms on which the long-term debt will be secured.

WHEREFORE, Petitioner, Aqua New Jersey, Inc., respectfully requests that the Board authorize the Petitioner: (1) to make, execute and deliver to Essential Utilities, Inc. a note

² This note represents the total amount of downstreamed debt previously approved by the Board in BPU Dkt. Nos. WF08040216 (Order dated August 1, 2008), WF12080791 (Order dated December 19, 2012), WF13100959 (Order dated December 18, 2013), WF16040284 (Order dated June 29, 2016) and WF18030342 (Order dated May 22, 2018).

for long-term debt in the principal amount of up to \$85,885,000; and (2) to take such actions as are necessary to effectuate the transactions described herein.

Respectfully submitted,
Saul Ewing Arnstein & Lehr LLP



By: _____

Courtney L. Schultz, Esq.
Attorneys for Petitioner
Aqua New Jersey, Inc.

Dated: March 2, 2020

VERIFICATION

STATE OF NEW JERSEY)
)
 COUNTY OF MERCER)

DAWN PESLAK, of full age, being duly sworn, upon her oath, deposes and says:

1. I am the Controller of Aqua New Jersey, Inc., and in that capacity I am authorized to make this Verification on behalf of the Petitioner in this matter.
2. I have reviewed the within Petition and exhibits thereto, and the same are true and correct to the best of my knowledge, information and belief.
3. I certify that the Company intends, in good faith, to use the proceeds of the securities proposed to be issued for the purposes set forth in the Petition.
4. I certify that the foregoing statements made by me are true. I am aware that if any of the foregoing statements made by me are willfully false, I am subject to punishment.

Dawn Peslak

 Dawn Peslak

Sworn to and subscribed before me
 this 27th day of February, 2020.

Erika Greco

 Notary Public
 My Commission Expires: 2-20-22

| |
|--|
| Erika Greco Notary Public New Jersey My Commission Expires 2-20-22 No. 2355885 |
|--|