



Agenda Date: 5/5/20

Agenda Item: VC

STATE OF NEW JERSEY
Board of Public Utilities
44 South Clinton Avenue, 9th Floor
Post Office Box 350
Trenton, New Jersey 08625-0350
www.nj.gov/bpu/

WATER

IN THE MATTER OF THE APPLICATION OF)
MIDDLESEX WATER COMPANY FOR AUTHORITY TO) ORDER
ISSUE AND SELL UP TO \$100.0 MILLION OF)
PRINCIPAL AMOUNT DEBT SECURITIES) DOCKET NO. WF20020188

Parties of Record:

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

BY THE BOARD:

Middlesex Water Company (“Middlesex” or “Petitioner” or “the Company”), a public utility of the State of New Jersey, by a verified petition filed with the Board of Public Utilities (“Board”) on March 5, 2020, pursuant to N.J.S.A. 48:3-7, N.J.S.A. 48:3-9, and N.J.A.C. 14:1-5.9, requests authority:

- a) To borrow up to an aggregate principal amount of \$100.0 million in the private placement market in one or more transactions, and to make, execute and deliver to the one or more loan agreements therefor, and to make, execute and deliver to the 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 purpose among other things, of issuing and describing the terms and conditions of the Company’s First Mortgage Bonds (“Company First Mortgage Bonds”); and
- c) Approval of a privately negotiated offering.

Petitioner, to ensure the continued provision of safe and reliable water service to its customers, continuously plans for ongoing upgrades, replacements and improvements to its water system. 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 \$353.2 million through the year 2024 to replace aging infrastructure, remain compliant with water quality requirements, and enhance service. The

funding of Middlesex's projected \$353.2 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 \$100.0 million, in one or more negotiated private placement transactions, from qualifying banks, other financial institutions, mutual funds, insurance companies, and pension funds in order to fund portions of its Water For Tomorrow program. It is contemplated that the Company will issue debt securities in a series of one or more transaction offerings over a multi-year period to accommodate the Company construction timetable for the Water for Tomorrow Program.

The Company expects that the form of debt security that should result in the most competitively attractive terms and interest rates is first mortgage bonds issued by the Company. Because market conditions, investor requirements, and other factors may present more attractive financing terms at the time Middlesex is seeking to enter into a loan transaction, the Company will need the flexibility to issue the most appropriate form of debt security at the time of borrowing.

To evidence and secure the Company's obligation to repay the loans, the Company proposes to issue and deliver, in accordance with N.J.S.A. 48:3-7, N.J.S.A. 48:3-9, and N.J.A.C. 14:1-5.9, up to \$100.0 million in the form of notes, first mortgage bonds and other debt securities through a negotiated, private placement with one or more qualifying banks, other financial institutions, mutual funds, insurance companies, and pension funds, as needed, with final maturity of each not to exceed 40 years from the date of issuance by private placement.

By letter dated April 16, 2020, the New Jersey Division of Rate Counsel stated that it has reviewed the petition and discovery responses and defers to the Board on approval of the Company's petition.

Regarding the proposed transactions, N.J.S.A. 48:3-7(a) provides in pertinent part that "a public utility shall not, without the approval of the board, sell, lease, mortgage, or otherwise dispose of or encumber its property, franchises, privileges, or rights, or any part thereof; or merge or consolidate its property, franchises, privileges, or rights, or any part thereof, with that of any other public utility." Also, N.J.S.A. 48:3-9(a)(2) provides in part: "The board shall approve any such proposed issue, with or without hearing at its discretion, when satisfied that such issue is to be made in accordance with law and the purpose thereof is approved by the board." In addition, N.J.A.C. 14:1-5.9(a) sets forth the required information to be submitted with a petition "for authority to issue any stocks, bonds, notes, or other evidence of indebtedness, payable in more than one year from the date thereof, and to execute mortgages." And N.J.A.C. 14:1-5.9(b) provides: "Whenever approval is granted under the provisions of N.J.S.A. 48:3-9 for the issue of stocks, notes, bonds or other evidences of indebtedness, the company securing such approval shall semiannually file with the Board a statement setting forth: 1. The amount of stocks, notes, bonds or other evidences of indebtedness, issued under the order of approval; and 2. The extent to, and in detail, the manner in which the proceeds thereof have been disbursed."

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 \$100.0 million in the private placement market in one or more transactions, and to make, execute and deliver to the one or more loan agreements therefor, and to make, execute and deliver to the 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; and
- b) Make, execute and deliver such Supplemental Indentures of Mortgage to the Company's Indenture Trustee or other such securitization as needed.

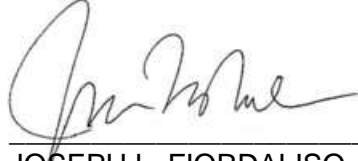
This Order is issued subject to the following provisions:

- 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 or 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 sixty (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, 2023.
- 7) Petitioner shall comply with N.J.A.C. 14:1-5.9, as necessary.

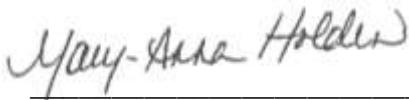
This Order shall become effective on May 15, 2020.

DATED: May 5, 2020

BOARD OF PUBLIC UTILITIES
BY:



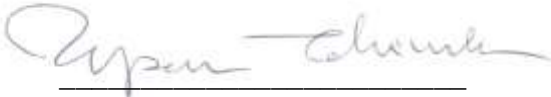
JOSEPH L. FIORDALISO
PRESIDENT



MARY-ANNA HOLDEN
COMMISSIONER



DIANNE SOLOMON
COMMISSIONER

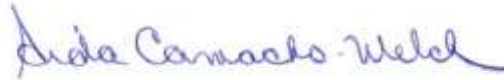


UPENDRA J. CHIVUKULA
COMMISSIONER



ROBERT M. GORDON
COMMISSIONER

ATTEST:



AIDA CAMACHO-WELCH
SECRETARY

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AUTHORITY TO ISSUE AND SELL UP TO \$100.0 MILLION OF PRINCIPAL AMOUNT DEBT
SECURITIES - DOCKET NO. WF20020188

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