



Agenda Date: 6/9/21

Agenda Item: VA

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 OF APPROVAL
ISSUE UP TO \$45.5 MILLION OF FIRST MORTGAGE)
BONDS AND TO REDEEM CERTAIN OUTSTANDING)
FIRST MORTGAGE BONDS) DOCKET NO. WF21020622

Parties of Record:

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

BY THE BOARD:

Middlesex Water Company (“Middlesex” or “Petitioner” or “the Company”), a public utility of the State of New Jersey, by petition filed with the Board of Public Utilities (“Board”) February 25, 2021, pursuant to N.J.S.A. 48:3-7, 48:3-9 and N.J.A.C. 14:1-5.9, requests authority:

- a) To borrow up to an aggregate principal amount of \$45.5 million and to make, execute and deliver to the New Jersey Economic Development Authority (“NJEDA” or “Authority”) and/or private placement agent Supplemental Loan Agreement(s) therefor and to make, execute and deliver to the NJEDA and/or private placement agent and/or the underwriter or placement agent Contract(s) of Purchase in connection therewith, if necessary, as well as such other documents as are reasonably required to perform its obligations thereunder; and
- b) To make, execute and deliver, if necessary, such Supplemental Indenture(s) of Mortgage (“Supplemental Indentures”) to the Company’s Indenture Trustee, for purpose among other things, of issuing and describing the terms and conditions of any first mortgage bonds (the “Company Bonds”) issued in connection with borrowings under this Petition. Such Supplemental Indentures will, among other things, create and provide for the issuance of the various series of Company Bonds to be next designated 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-Fourth Supplemental Indenture) dated as of November 1, 2020; and

- c) To issue up to \$45.5 million principal amount of the Company Bonds. Each series of Company Bonds is to bear interest at a rate to be determined based upon the negotiated offering rate for the NJEDA Bonds and/or the private placement of the borrowing; and are to be secured equally and ratably with the Company's Bonds by the aforesaid Indentures of Mortgage, as supplemented, all without further Order of the Board; and
- d) Approval of a negotiated offering or placement.

Middlesex has identified two series of its outstanding first mortgage bonds ("Series RR" & "Series SS") issued in 2012 (Collectively, the "Series 2012 Bonds") through the NJEDA at then competitive and favorable interest rates. Current financial market conditions may provide additional lower costs for customers if the Series 2012 Bonds were to be refunded and new first mortgage bonds issued in their stead.

Middlesex intends to assess whether it is more advantageous to: (a) secure the issuance of up to \$45.5 million of NJEDA tax-exempt bonds in connection with the redemption, or; (b) borrow up to \$45.5 million in a negotiated private placement transaction, from qualifying banks, other financial institutions, mutual funds, insurance companies and pension funds bonds in connection with the redemption; or: (c) some combination of (a) or (b) above.

Therefore, depending on the outcome of this assessment, the Company proposes to borrow up to \$45.5 million from the Authority and/or a private placement agent and in connection therewith cause the redemption of outstanding tax-exempt first mortgage bonds of \$45.5 million by issuing new first mortgage bonds. The Company seeks further Board approval, related to N.J.A.C. 14:1-5.9, to redeem up to \$45.5 million aggregate principal amount of its outstanding first mortgage bonds.

As to a borrowing from the Authority - to evidence and secure the NJEDA loan to the Company, the Company proposes, concurrently with the issuance and delivery by the NJEDA of its bonds (the "NJEDA Bonds"), an equal principal amount of the Company's new first mortgage bonds (the "Company Bonds"), having interest rates, maturity dates and redemption provisions designed to service the NJEDA Bonds. The Company expects that the interest on the NJEDA Bonds will be exempt from taxation under Section 103 of the Internal Revenue Code of 1986, as amended, and that the NJEDA Bond Counsel will give such an opinion at closing.

The Company proposes that the NJEDA issue the NJEDA Bonds through an underwriter or by a placement agent, in either case, at a price to be negotiated and requests the Board's approval for that proposal. Middlesex 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 NJEDA Bonds, as described above, in one or more negotiated transactions. Since the NJEDA Bonds will be issued by the NJEDA by a process that assures the best price available for tax-exempt financing will be obtained and is subject to the scrutiny of the State through the NJEDA, the Company proposes that no further Board approval be required for the issuance of the NJEDA Bonds or the issuance of the Company Bonds to the NJEDA.

Depending on the outcome of the Company's assessment, the Company proposes to borrow up to \$45.5 million in a negotiated private placement transaction from qualifying banks, other financial institutions, mutual funds, insurance companies or pension funds bonds.

In regard to the Company's plan to borrow using a private placement transaction, the Company will evidence and secure its obligation to repay the loans, the Company proposes to issue and deliver, in accordance with N.J.S.A. 48:3-7 and 48:3-9 and N.J.A.C. 14:1-5.9, up to \$45.5 million in the form of notes, first mortgage bonds and/or other debt securities through a negotiated, private placement with one or more qualifying banks, other financial institutions, mutual funds, insurance companies and/or pension funds, as needed.

By letter dated May 5, 2021, the New Jersey Division of Rate Counsel indicated that it is not opposed to the approval of this matter, so long as the proposed transactions result in a positive net benefits to the Company and its customers.

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 \$45.5 million from and make, execute and deliver to the such loan agreements therefor and to make, execute and deliver to the NJEDA and/or private placement agent as may be selected by negotiation, such contracts of purchase in connection therewith; and
- b) Make, execute and deliver, if necessary, such Supplemental Indentures of Mortgage to the Company's Indenture Trustee or other such securitization as needed; and
- c) Obtain the relief requested in subparagraphs (a) through (b) of this section herein without the requirement of a further Board Order as to pricing; and
- d) Obtain such other relief as the Board determines is just and proper.

This Order is issued subject to the following provisions:

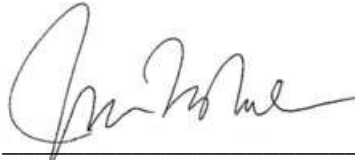
- 1) The authority granted by the Board in this docket should be restricted to fund utility operations and investments only, not to fund affiliated entities.
- 2) The Company shall issue its planned long-term debt at the lowest reasonable cost.
- 3) The Company shall utilize a prudent and cost-effective capital structure and mix of capital to finance its utility rate base at the lowest reasonable cost.
- 4) 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.
- 5) 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.

- 6) 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.
- 7) Petitioner shall furnish the Board with copies of the executed Supplemental Indentures.
- 8) The Company Bonds herein authorized to be issued shall not be redeemed at a premium, prior to maturity, without further Board approval.
- 9) 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.

This Order shall become effective on June 16, 2021.

DATED: June 9, 2021

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

**IN THE MATTER OF THE APPLICATION OF MIDDLESEX WATER COMPANY FOR
AUTHORITY TO ISSUE UP TO \$45.5 MILLION OF FIRST MORTGAGE BONDS AND TO
REDEEM CERTAIN OUTSTANDING FIRST MORTGAGE BONDS
DOCKET NO. WF21020622**

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