



March 16, 2023

Via Email

Hon. Carmen Diaz, Acting Secretary
New Jersey Board of Public Utilities
44 S. Clinton Avenue, 1st Floor
P.O. Box 350
Trenton, NJ 08625-0350

**Re: In the Matter of the Joint Petition of Environmental Disposal Corp. and New Jersey-American Water Company, Inc. for Approval of the Merger of Environmental Disposal Corp. With and Into New Jersey-American Water Company, Inc.
BPU Docket No. WM230 _____**

Dear Acting Secretary Diaz:

On behalf of New Jersey-American Water Company, Inc. and Environmental Disposal Corp., enclosed for filing is the Joint Petition and supporting exhibits in connection with the above-captioned matter. This Petition is being filed electronically only, pursuant to N.J.A.C. § 14:1-4.2A. No hard copies will follow.

A copy of this Petition, including the supporting exhibits, is concurrently being served electronically upon the New Jersey Division of Rate Counsel pursuant to N.J.A.C. § 14:1-4.5(a)4.

Kindly acknowledge receipt of this filing via return email.

Respectfully submitted,

Christopher M. Arfaa

CMA:dlc
Enc.

cc: Brian O. Lipman, Director, New Jersey Division of Rate Counsel (via email, w/enc.)
Susan McClure, Managing Attorney, Division of Rate Counsel (via email, w/enc.)
Mike Kammer, Director, Division of Water and Wastewater, NJBPU (via email, w/enc.)
Ben Witherell, Ph.D., Chief Economist, NJBPU (via email, w/enc.)

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

In the Matter of the Joint Petition of
Environmental Disposal Corp. and New Jersey-
American Water Company, Inc. for Approval of
the Merger of Environmental Disposal Corp.
With and Into New Jersey-American Water
Company, Inc.

VERIFIED JOINT PETITION

BPU DOCKET NO. _____

**TO THE HONORABLE COMMISSIONERS OF THE
NEW JERSEY BOARD OF PUBLIC UTILITIES:**

Environmental Disposal Corp. (“EDC”) and New Jersey-American Water Company, Inc. (“NJAWC”) (together, “Joint Petitioners”), each having principal offices at 1 Water Street, Camden, New Jersey, 08102, hereby petition this Honorable Board of Public Utilities (“BPU” or the “Board”), for authorization and approval of the merger of EDC with and into NJAWC, with NJAWC as the surviving entity (the “Merger”), pursuant to N.J.S.A. 48:3-7 and any other statute the Board deems applicable.¹ This Joint Petition is filed pursuant to N.J.A.C. 14:1-5.14 as set forth herein.

INTRODUCTION

1. On December 16, 2015, in Docket No. WM15040492 (the “Change In Control Proceeding”), the Board approved the purchase by American Water Works Company, Inc. (“American Water”) of all the issued and outstanding capital stock of EDC from The Hills Development Company.² American Water also owns NJAWC. By order dated April 21, 2017

¹ Since NJAWC currently holds 100% of the shares of EDC’s stock, the proposed merger does not appear to involve a transfer control of a public utility subject to N.J.S.A. 48:2-51.1, or a sale or transfer of stock subject to N.J.S.A. 48:3-10. To the extent the Board deems those statutes to be applicable, Joint Petitioners respectfully submit that the proposed merger as described herein meets the relevant statutory criteria.

² *I/M/O Joint Petition of American Water Works Company, Inc. and Environmental Disposal Corp. for, Among Other Things, Approval of a Change in Control of Environmental Disposal Corp.*, Docket No. WM15040492 (Order dated Dec. 16, 2015) (hereinafter “12/16/15 Change In Control Order”) (copy attached hereto as Exhibit A).

and effective May 1, 2017, in Docket No. WM16100969 (the “Transfer Proceeding”), the Board approved the transfer of all of the issued and outstanding shares of capital stock of EDC from American Water to NJAWC, with EDC remaining as a stand-alone operating subsidiary of NJAWC.³ The Merger discussed herein is ministerial in nature and will have no substantive impact on the governance, management or operation of either of the corporate entities; nor will the Merger have any adverse impact on competition, or on the rates, service, or employees of any of the entities subject to the Board’s jurisdiction. The Merger will promote administrative efficiency by reducing the administrative burden on both NJAWC and the Board of maintaining and regulating two stand-alone utilities that are, in fact, owned, managed, and run by one utility. The Merger will also reduce the possibility for confusion on the part of the public with respect to the identity of the utility providing service to EDC’s customers. Joint Petitioners therefore respectfully request that this matter be considered uncontested in nature and handled on an expedited basis so as to permit the Petitioners to complete the Merger on or before December 31, 2023, in order to effect the proposed corporate structure before the beginning of the 2024 calendar year.

THE PARTIES

2. NJAWC is a regulated public utility corporation engaged in the production, treatment and distribution of water and the collection and treatment of wastewater within its defined service territory within the State of New Jersey. Said service territory includes portions of the following counties: Atlantic, Bergen, Burlington, Camden, Cape May, Essex, Gloucester, Hunterdon, Mercer, Middlesex, Monmouth, Morris, Ocean, Passaic, Salem, Somerset, Union and

³ *I/M/O Joint Petition of American Water Works Company, Inc., Environmental Disposal Corp., and New Jersey-American Water Company, Inc. for Approval of a Plan to Transfer Ownership and Control of Environmental Disposal Corp. to New Jersey-American Water Company, Inc.*, Docket No. WM16100969 (Order dated Apr. 21, 2017) (hereinafter, “4/21/17 Transfer Order”) (copy attached as Exhibit B).

Warren. As of December 31, 2022, NJAWC services approximately 662,000 water and fire service customers and 53,200 wastewater service customers in 190 municipalities.

3. EDC is a regulated public utility corporation providing wastewater service to approximately 5,400 customers in Bedminster and Bernards Townships in Somerset County, New Jersey. EDC also provides wastewater treatment service to the Boroughs of Far Hills, Peapack & Gladstone, and portions of Bedminster adjacent to EDC's service territory, on the basis of long-term contracts.

**THE MERGER WILL RESULT IN NO ADVERSE IMPACT UPON COMPETITION,
CUSTOMER RATES, EMPLOYEES, OR SAFE, ADEQUATE AND RELIABLE
SERVICE, AND IS IN THE PUBLIC INTEREST**

4. As this Board found in both the Change In Control Proceeding and the Transfer Proceeding, there is no retail competition in the water and wastewater utility industries.⁴ In addition, EDC is currently a wholly-owned subsidiary of NJAWC. As a result, the Merger will have no adverse effect upon competition. (*Cf.* N.J.S.A. § 48:2-51.1(a).)

5. There will be no changes to the rates of NJAWC or EDC as a result of the Merger, and their rates will remain subject to the jurisdiction of the Board. (*Cf.* N.J.S.A. § 48:2-51.1(a).) The Merger will cause no deterioration in the balance sheet or financial position of NJAWC, nor will the Merger impair the ability of NJAWC to raise necessary capital on reasonable terms or to maintain a reasonable capital structure.

6. NJAWC will honor its collective bargaining agreements, and there will be no change in any existing collective bargaining agreement as the result of the Merger. (*Cf.* N.J.S.A. § 48:2-51.1(a).)

⁴ 12/16/15 Change In Control Order (attached as Exhibit A) at 6; 4/21/17 Transfer Order (attached as Exhibit B) at 4.

7. As EDC has no employees, the Merger cannot adversely affect the ability of NJAWC to fulfill the obligations of EDC with regard to employees. (*Cf.* N.J.S.A. §§ 48:2-51.1(a).)

8. NJAWC is committed to ensuring safe and reliable service and will continue to maintain sufficient operating personnel, post-merger, to ensure the continued provision of safe, adequate and proper utility service. While the Merger is ministerial in nature, to the extent there are any substantive impacts of the proposed transaction, they will be beneficial in nature to NJAWC and the customers of both NJAWC and EDC, as described further below.

9. NJAWC will continue to provide safe, adequate and reliable service to its own and EDC's customers, in fulfillment of its obligations under New Jersey law, and subject to the continued jurisdiction of the Board. (*Cf.* N.J.S.A. § 48:2-51.1(a).)

10. NJAWC will continue to receive funding priorities that are consistent with its needs and its ability to have prudently deployed capital recognized in rates at fair rates of return, and that are at a level that is consistent with the safe and adequate operation of its systems, including necessary upgrades, capital projects and maintenance programs. NJAWC will continue to maintain its corporate headquarters and presence in New Jersey, and local control over operations will be maintained. The president of NJAWC and its operations staff will continue to be located in New Jersey and will have the authority and the obligation to oversee water and wastewater utility operations and to contribute to the well-being of employees and the communities served.

11. As previously indicated, this Petition seeks authority for the merger of EDC with and into NJAWC, with NJAWC as the surviving entity. The assets and liabilities of EDC will

continue to be owned and controlled by NJAWC, specifically including, but not limited to, all franchises, consents, permits, contracts, licenses and certificates of EDC.

12. As demonstrated herein, the merger of EDC with and into NJAWC is a ministerial act that will complete the transaction previously approved by this Board in the Change In Control Proceeding, by which American Water acquired control of EDC (12/16/15 Change In Control Order), and in the Transfer Proceeding, by which American Water transferred EDC to NJAWC (4/21/17 Transfer Order).

13. The Board has previously determined that it is in the public interest for NJAWC to acquire EDC.⁵ EDC operates in portions of the Townships of Bedminster and Bernards in Somerset County. NJAWC operates in Somerset County, as well. In order to further facilitate efficient and transparent governance, management and operations, it is necessary and desirable to merge EDC with and into NJAWC, with NJAWC as the surviving entity.

14. As the Board noted in the Change in Control Proceeding, “EDC will be managed by experienced American Water personnel. New Jersey American will continue to provide safe, adequate and reliable, high-quality service consistent with its corporate history, in fulfillment of its obligations under New Jersey law, and subject to the continued jurisdiction of the Board.”⁶ As the Board noted in the Transfer Proceeding, American Water and NJAWC are “committed to ensuring the safe, adequate and proper service and will continue to maintain sufficient operating personnel, post-transfer, to ensure the continued provision of safe, adequate and proper utility service by both EDC and NJAWC.”⁷ The further alignment of the corporate structure effectuated by the Merger will only enhance these benefits.

⁵ 4/21/17 Transfer Order (attached as Exhibit B) at 5.

⁶ 12/16/15 Change In Control Order (attached as Exhibit A) at 6, para. D.

⁷ 4/21/17 Transfer Order (attached as Exhibit B) at 4, para. D.

15. From and after receipt of the Board’s Order in the Change In Control Proceeding, the stated intent has been to align EDC’s governance, management and operations with that of American Water’s existing New Jersey utility operations. The first step was accomplished in the Change in Control Proceeding. The second step was accomplished in the Transfer Proceeding. The third and final step will be accomplished by the merger of EDC with and into NJAWC, with NJAWC as the surviving entity.

16. Following the Merger, NJAWC will continue to provide service to EDC customers under EDC’s current tariffed rate schedules until the Board approves changes in such rate schedules in a future rate proceeding.

17. Pursuant to the New Jersey Business Corporation Act, N.J.S.A. 14A:10-1 *et seq.*, when the proposed Merger has become effective, NJAWC, as the surviving corporation, shall “possess all the rights, privileges, powers, immunities, purposes and franchises, both public and private, of each of the merging ... corporations.” N.J.S.A. 14A:10-6(c). Therefore, upon consummation of the Merger, NJAWC shall be automatically vested in all of EDC’s property and municipal consents by operation of law. The books and records of NJAWC and EDC will remain in New Jersey and will otherwise be unaffected.

18. EDC is now operating under the ownership of NJAWC. Many significant functions for both NJAWC and EDC are performed by American Water Works Service Company, Inc. (“AWWSC”) and financing thereof is obtained through American Water Capital Corp. (“AWCC”) through NJAWC’s current BPU-approved agreements with AWWSC and AWCC.⁸

⁸ The BPU Orders approving these agreements are attached hereto as Exhibit C.

19. The Merger will not affect any of the other conditions or commitments made by NJAWC or EDC in the Change In Control Proceeding or the Transfer Proceeding.

REGULATORY REQUIREMENTS

20. As noted above, pursuant to N.J.S.A. 14A:10-6(c), upon consummation of the Merger NJAWC, as the surviving entity, will be automatically vested in all of EDC's rights, privileges, powers and franchises by operation of law. Therefore, none of the municipal consents or franchises held by EDC require the approval of the municipality as a condition to the Merger.

21. NJAWC and EDC hold certain permits from the New Jersey Department of Environmental Protection ("NJDEP"). After the closing of the Merger, NJAWC will obtain any necessary transfers of EDC's NJDEP permits.

22. The following information is provided as required by N.J.A.C. 14:1-5.14:
- a. A copy of the Agreement and Plan of Merger between NJAWC and EDC is set forth in Exhibit D. (N.J.A.C. 14:1-5.14(b)1).
 - b. A copy of the resolution of the Board of Directors of NJAWC approving the Agreement and Plan of Merger between NJAWC and EDC is set forth in Exhibit E. A copy of the resolution of the Board of Directors of EDC approving the Agreement and Plan of Merger is set forth in Exhibit F.⁹ (N.J.A.C. 14:1-5.14(b)2)
 - c. A copy of EDC's balance sheet dated as of December 31, 2021, and income statement for the twelve months then ended is attached hereto as Exhibit G. A copy of NJAWC's balance sheet dated as of December 31, 2021, and income statement for the twelve

⁹ Pursuant to N.J. Stat. § 14A:10-5.1(1), a domestic corporation owning at least 90% of the outstanding shares of each class and series of another domestic corporation may merge the other corporation into itself without approval of the shareholders of any of the corporations.

months then ended is attached as Exhibit H. A pro-forma balance sheet and income statement for NJAWC after completion of the Merger, consisting of NJAWC's 2021 audited financial statement, is attached hereto as Exhibit I. (N.J.A.C. 14:1-5.14(b)3,4)

d. A copy of the Restated Certificate of Incorporation of EDC is attached hereto as Exhibit J. A copy of the Restated Certificate of Incorporation of NJAWC is attached hereto as Exhibit K. (N.J.A.C. 14:1-5.14(b)5)

e. No additional shares of stock of either of the Joint Petitioners will be issued as a result of the Merger. (N.J.A.C. 14:1-5.14(b)6,7)

f. NJAWC will not capitalize any EDC franchise costs on the books of NJAWC. (N.J.A.C. 14:1-5.14(b)8)

g. The officers and directors of NJAWC, as shown on the attached Exhibit L, will not change as a result of the completion of the Merger. American Water will remain NJAWC's principal stockholder, holding 100% of NJAWC's shares. (N.J.A.C. 14:1-5.14(b)9)

h. The Merger will promote administrative efficiency by reducing the administrative burden on both NJAWC and the Board of maintaining and regulating two stand-alone utilities that are, in fact, owned, managed, and run by one utility. The Merger will also reduce the possibility for confusion on the part of the public with respect to the identity of the utility providing service to EDC's customers. (N.J.A.C. 14:1-5.14(b)10)

i. NJAWC does not propose any changes in company policies with respect to financings, operations, accounting, rates, depreciation, operating schedules, maintenance, or management affecting the public interest. (N.J.A.C. 14:1-5.14(b)11)

j. Notice has been or will be served as stated in the “Notice” section of this Petition, below. (N.J.A.C. 14:1-5.14(b)12)

k. No state or federal regulatory agency, other than the Board, has jurisdiction over the Merger. (N.J.A.C. 14:1-5.14(b)13)

l. NJAWC does not expect to incur any external fees or expenses in connection with the Merger. Any fees or expenses incurred will be expensed. (N.J.A.C. 14:1-5.14(b)14)

23. The proposed journal entries necessary to record the accounting treatment for the Merger are attached hereto as Exhibit M. (N.J.A.C. 14:1-5.14(b)14)

24. After closing of the Merger, NJAWC will remain subject to all applicable laws, regulations, rules, decisions and policies governing the regulation of New Jersey public utilities.

NOTICE

25. A copy of this Petition has been served upon Brian Lipman, Director, Division of Rate Counsel, and a notice of this filing will be served upon the clerks of the municipalities served by EDC.

26. All notices, correspondence and communications in connection with this proceeding are to be addressed to the following:

Christopher M. Arfaa, Esq.
New Jersey-American Water Company, Inc.
1 Water Street
Camden, NJ 08102
(856) 955-4116
chris.arfaa@amwater.com

WHEREFORE, the Joint Petitioners respectfully request that the Board issue an Order –

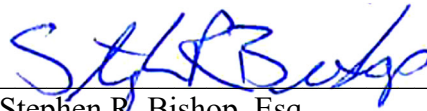
- (a) approving the merger of EDC with and into NJAWC, with NJAWC as the surviving entity, as set forth in the Plan of Merger,

- (b) authorizing and approving the journal entries necessary to record the accounting treatment for the merger; and
- (c) granting such other and further relief as the Board may deem appropriate or necessary.

Respectfully submitted,

NEW JERSEY-AMERICAN WATER COMPANY, INC.

By:



Stephen R. Bishop, Esq.
New Jersey-American Water Company, Inc.
1 Water Street
Camden, NJ 08102
(856) 955-4877
stephen.bishop@amwater.com

ENVIRONMENTAL DISPOSAL CORP.

By:



Christopher M. Arfaa, Esq.
New Jersey-American Water Company, Inc.
1 Water Street
Camden, NJ 08102
(856) 955-4116
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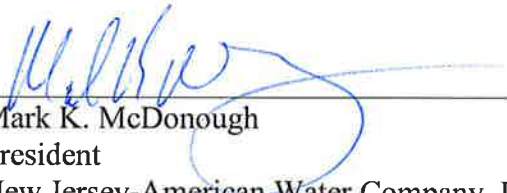
March 16, 2023

VERIFICATION

MARK K. McDONOUGH, being duly sworn according to law, upon his oath,
deposes and says:

1. I am the president of, and am authorized to make this Verification on
behalf of, New Jersey-American Water Company, Inc. and Environmental Disposal Corp.

2. I have read the contents of the foregoing Petition and hereby verify that the
statements therein contained are true and accurate to the best of my knowledge and belief.



Mark K. McDonough
President
New Jersey-American Water Company, Inc.
and
Environmental Disposal Corp.

Sworn to and subscribed
before me this 15th day
of March, 2023.


Notary Public



Agenda Date: 12/16/15
Agenda Item: 5E



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 JOINT PETITION OF)	ORDER ADOPTING
AMERICAN WATER WORKS COMPANY, INC. AND)	STIPULATION OF
ENVIRONMENTAL DISPOSAL CORPORATION, FOR)	SETTLEMENT
AMONG OTHER THINGS, APPROVAL OF A CHANGE)	
IN CONTROL OF ENVIRONMENTAL DISPOSAL)	
CORPORATION)	DOCKET NO. WM15040492

Parties of Record:

Jordan Mersky, Esq., American Water Works Company, Inc.
Edward DeHope, Esq., Riker Danzig Scherer Hyland & Perretti LLP, on behalf of The Hills Development Company and Environmental Disposal Corp.
William K. Mosca, Jr., Esq., Bevan, Mosca, Giuditta & Zarillo, P.C., on behalf of the Township of Bedminster, the Township of Bernards, The Borough of Far Hills, The Borough of Peapack and Gladstone
Stefanie A. Brand, Esq., Director, New Jersey Division of Rate Counsel

BY THE BOARD:¹

On April 29, 2015, American Water Works Company, Inc. ("American Water") and Environmental Disposal Corporation ("EDC") (the "Joint Petitioners") filed a joint petition with the New Jersey Board of Public Utilities ("Board"), pursuant to N.J.S.A. 48:2-51.1, N.J.S.A. 48:3-10, and such other statutes and regulations as may be deemed relevant to this matter, seeking approvals related to American Water's proposed acquisition from The Hills Development Company ("Hills") of all the shares of common stock of EDC. The proposed Transaction is set forth in a Stock Purchase Agreement between American Water and Hills dated February 25, 2015, which provides that, subject to obtaining regulatory approvals and the satisfaction of certain other conditions, American Water shall acquire all of the outstanding capital stock of EDC, which will result in American Water's acquisition of 100% control of EDC.

¹ Commissioner Upendra J. Chivukula recused himself due to a potential conflict of interest and as such took no part in the discussion or deliberation of this matter. Commissioner Joseph L. Fiordaliso was not present at the December 16, 2015 agenda meeting.

By this Order, the Board considers the Stipulation of Settlement (“Stipulation”) executed by representatives of the Joint Petitioners, the Division of Rate Counsel (“Rate Counsel”) and Board Staff (“Staff”) and the Interveners (collectively, the “Parties”), agreeing to the proposed transfer of ownership and control of EDC.²

BACKGROUND

EDC is a regulated public utility of the State of New Jersey and is in the business of collecting, treating and disposing of sewerage whose franchise area includes certain portions of the Township of Bedminster (“Bedminster”) and the Township of Bernards (“Bernards”), in Somerset County.³ EDC provides service to approximately 5,300 customers within its franchise areas and provides treatment of municipal sewerage delivered to it by Bedminster and Bernards (outside of EDC’s franchised service territory) and to the Borough of Far Hills (“Far Hills”) and the Borough of Peapack and Gladstone (“Peapack and Gladstone”) under bulk user agreements.

THE PROPOSED TRANSFER

As a result of the Transaction, EDC would become a direct subsidiary of American Water and continue to exist as a public utility subject to the jurisdiction and regulation of the Board. The Petition was filed pursuant to N.J.S.A. 48:2-51.1, which requires written Board approval for any person to acquire control of a public utility and N.J.S.A. 48:3-10, which requires Board approval for a public utility to transfer its stock to another corporation where the result of such transfer is to vest in such corporation a majority of the outstanding capital stock. In addition, American Water has sought: (i) authorization and approval of the journal entries necessary to record the accounting treatment of the Transaction; (ii) approval of American Water Works Service Company, Inc.’s (“AWWSC”) provision of management services to EDC on an interim basis with such costs being allocated according to the same methodology the Board has approved for similar costs to be allocated to New Jersey American Water Company (“NJ American”), and that a summary of such annual charges to EDC is reported in its Annual Report to the Board; and (iii) Board approval for EDC after Closing to enter into a financial services agreement with American Water Capital Corp. (“AWCC”) with terms substantially similar to the terms of the Board-approved agreement between NJ American and AWCC.

American Water is not seeking any changes in EDC’s rates or terms of service to customers and has agreed that if the Transaction is consummated, EDC will not file a petition with the Board to increase rates to franchise customers or municipal bulk services customers for a period of five (5) years from the closing date. American Water has stated that it will honor EDC’s contract with Applied Water Management (“AWM”) for operation of the EDC sewer system and that it intends to negotiate an extension of said agreement.

² By Order dated July 23, 2015, the Board granted intervener status to Bedminster, Bernards, Far Hills pursuant to N.J.S.A. 48:2-32.2(a). The Board similarly granted intervener status to Peapack and Gladstone by Order dated December 16, 2015. Bedminster, Bernards, Far Hills, and Peapack and Gladstone are collectively, “the Interveners”

³The Board approved the formation of EDC in I/M/O the Petition of Environmental Disposal Corporation for Approval of (A) Municipal Consents of the Townships and Bernards (B) the Issuance of Common Stock and (C) and Initial Tariff, (Docket No. 816-552, July 29, 1981).

THE STIPULATION

The Parties reviewed the Petition, responses to discovery and have conducted discussions in an effort to reach a proposed settlement of all issues. The Parties have agreed to reasonably, fully and finally resolve all factual and legal issues in this matter by way of the Stipulation.⁴ The terms of the stipulation are set forth below:

1. Approval of Change of Control. The acquisition of control of EDC by American Water as proposed in the Transaction is consistent with the criteria of N.J.S.A. 48:2-51.1 and N.J.A.C. 14:1-5.14 and should be approved. There will be no adverse impact on competition. The classic concept of competition for customers does not exist in the regulated sewer utility industry and EDC will remain as a regulated public utility with a defined service area. The Transaction will not have an adverse impact on rates as EDC will continue to operate and charge its current Board-approved tariff rates and its financial position will not be subject to material change. EDC has no employees so the Transaction will not have an adverse impact on utility employees. AWM will continue to operate the EDC sewer system on a daily basis and American Water has expressed its intention to extend the current contract with AWM. EDC will be managed by experienced American Water personnel. Accordingly, the Transaction will have no adverse impact on the provision of safe, adequate and proper service by EDC to its customers. American Water's agreement that for a period of five (5) years after closing EDC will not seek to increase rates and American Water's superior access to capital at reasonable cost will provide positive benefits to EDC's customers.
2. Transfer of EDC Stock to American Water. The proposed acquisition by American Water of all the issued and outstanding shares of EDC stock is consistent with N.J.S.A. 48:3-10 and Board regulations at N.J.A.C. 14:1-5.10 and 5.14. After closing of the Transaction, EDC will be managed by the officers, active managers and employees of American Water and EDC's Board of Directors will be comprised of members of American Water's management team. EDC will continue to be operated by AWM. American Water is not proposing any adverse changes in EDC's policies with respect to customer service, operations, financing, accounting, capitalization, rates, depreciation, maintenance or any other matters affecting the public interest or utility customers. American Water will not capitalize any franchise cost as a result of the transaction. Accordingly, the Parties recommend Board approval of the transfer on EDC's books of all the issued and outstanding shares of common stock to American Water.
3. The Petitioners have requested, and the Parties agreed that EDC will not seek to increase rates for a period of five years following closing. The Parties agreed that this satisfies the rate review requirement of N.J.S.A. 48:2-51.1(a) with respect to the Transaction. However, the Parties agreed that the Stipulation of Settlement shall not be construed as directly or indirectly fixing for any purposes whatsoever any value of any tangible or intangible assets now owned or hereafter to be owned by American Water or any of its subsidiaries as a result of the Transaction. The Parties further agree that

⁴ Although described in this Order at some length, should there be any conflict between this summary and the Stipulation, the terms of the Stipulation control, subject to the findings and conclusions in this Order.

any Order concluding this matter 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, accounting, acquisition adjustments, capitalization, depreciation, or in any other matter affecting the Joint Petitioners. The Parties specifically acknowledge that the reasonableness or prudence of any acquisition adjustment associated with the Transaction has not been determined in this proceeding but will be taken up in a future rate proceeding when it is timely to consider such issues. It is further agreed that any future ratemaking recognition of the Transaction shall depend upon the extent that the Petitioner seeking such ratemaking recognition is able to demonstrate reasonableness and prudence.

4. Journal Entries. EDC should be authorized by the Board to make the journal entries necessary to record the accounting treatment of the Transaction. The proposed journal entries shall be provided to Staff by American Water for its review and approval prior to their entry on EDC's books.
5. Management Services. After closing of the Transaction it would be appropriate for EDC to obtain management services through AWWSC on an interim basis under the same cost allocation methodology that the Board previously has approved for AWWSC to provide such services to NJ American.⁵ The agreement is expected to be temporary and would continue until terminated by either party within ninety days' notice in writing or as of the date EDC ceases to be a direct affiliate of American Water. At the time of the Board's consideration of this stipulation, the Parties ask that the Board authorize EDC to enter into this temporary agreement with AWWSC for management services under the terms expressed therein, provided that there is no adverse rate impact and provided that EDC files such agreement with the Board Secretary within ten (10) days of entry into such agreement and that a summary of the annual management charges to EDC during each calendar year shall be provided in EDC's annual report to the Board.
6. Financial Services Agreement. The Parties agree that after closing of the Transaction, EDC should be authorized to enter into a financial services agreement with AWCC with terms substantially similar to the terms of the Board-approved agreement between NJ American and AWCC.⁶ Such agreement shall be filed with the Board Secretary within ten (10) days of entry into such agreement.
7. Rate Increase Forbearance. Provided that the Transaction is consummated, Joint Petitioners agree that EDC will not file a petition with the Board seeking authority to increase rates for sewer service within its franchise territory or under its bulk service contracts with municipal customers for a period of five (5) years from the closing date of the Transaction.

⁵ The Board notes that the Board re-approved the existing management services agreement between NJ American and AWWSC in I/M/O the Petition of New Jersey-American Water Company, Inc. for Review and Re-Approval of a Service Agreement with American Water Works Service Company, an Affiliate of Petitioner, (Docket No. WO13050374, 11/16/2015).

⁶ The Board notes that the financial services agreement between NJ American and AWCC was approved by the Board in I/M/O the Petition of New Jersey-American Water Company, Inc. for Approval of a Financial Services Agreement, (Docket No. WF00040252, August 17, 2000)

8. Rate Design Study. Joint Petitioners agree that if the Transaction is consummated, EDC will engage in a study of the feasibility and appropriateness of changing its rate design for service to franchise area customers to incorporate partially usage-based rates, which study may include modeling. EDC agrees to seek input from the Townships of Bedminster and Bernards and the Boroughs of Far Hills, Peapack and Gladstone before going forward with such study and to provide the municipalities with such study. This study must be completed before EDC files its next rate case. The municipalities shall not be bound by the conclusions reached by the study and may take an opposing position in any subsequent proceeding.
9. Uncollectibles. After closing, American Water will make it a priority to review EDC's overdue accounts and to take appropriate steps to minimize EDC's uncollectibles.
10. Infiltration and Inflow. After closing, American Water agrees to continue and expand upon EDC's program to minimize infiltration and inflow into the sewer system.

As a result of the proposed transaction, American Water will acquire all of the issued and outstanding shares of EDC's stock. N.J.S.A. 48:2-51.1 provides:

No person shall acquire or seek to acquire control of a public utility directly or indirectly through the medium of an affiliated or parent corporation or organization, or through the purchase of shares, the election of directors, the acquisition of proxies to vote for the election of directors, or through any other manner, without requesting and receiving the written approval of the Board of Public Utilities. Any agreement reached, or any other action taken, in violation of this act shall be void. In considering a request for approval of an acquisition of control, the Board shall evaluate the impact of the acquisition on competition, on the rates of ratepayers affected by the acquisition of control, on the employees of the affected public utility or utilities, and on the provision of safe and adequate utility service at just and reasonable rates. The Board shall accompany its decision on a request for approval of an acquisition of control with a written report detailing the basis for its decision, including findings of fact and conclusions of law.

In addition to the statutory requirements, N.J.A.C. 14:1-5.14(c) provides:

The Board shall not approve a merger, consolidation, acquisition and/or change in control unless it is satisfied that positive benefits will flow to customers and the State of New Jersey and, at a minimum, that there are no adverse impacts on any of the criteria delineated in N.J.S.A. 48:2-51.1.

The Board, having reviewed the Petition and the entire record, **FINDS** that the proposed acquisition by American Water Works Company, Inc. from the Hills Development Company of all the shares of common stock of EDC will not adversely affect the public interest.

- A. Competition: There will be no adverse impact on competition. There is no retail competition in the water and wastewater utility industry. EDC will remain a stand-alone sewer utility, with a defined service territory, with a new owner.
- B. Customer Rates: The Transaction will not have an adverse impact on rates as EDC will continue to operate and charge its current Board-approved tariff rates. The Stipulation provides that EDC will not file a petition with the Board seeking authority to increase rates for sewer service within its franchise service territory or under its bulk service contracts with municipal customers for a period of five (5) years from the closing date of the Transaction. EDC's financial position will not be subject to material change.
- C. Employees: EDC has no employees so the Transaction will not have an adverse impact on utility employees.
- D. Provision of Safe and Adequate Service: AWM will continue to operate the EDC sewer system on a daily basis and American Water has expressed its intention to extend the current contract with AWM. EDC will be managed by experienced American Water personnel. New Jersey American will continue to provide safe, adequate and reliable, high-quality service consistent with its corporate history, in fulfillment of its obligations under New Jersey law, and subject to the continued jurisdiction of the Board.

Accordingly, the Board **FURTHER FINDS** that the proposed acquisition will not jeopardize EDC's ability to continue to render safe, adequate and proper utility service. American Water's agreement that for a period of five (5) years after closing EDC will not seek to increase rates and American Water's superior access to capital at reasonable cost will provide positive benefits to EDC's customers.


The Board **HEREBY APPROVES** the proposed acquisition from The Hills Development Company of all the shares of common stock of EDC, and property interests as more fully described in the Petition. The Board **HEREBY APPROVES** the Company's proposed journal entries. Having considered the magnitude of the transaction, the Board **HEREBY FINDS** that the proposed acquisition is in the public interest subject to the following conditions:

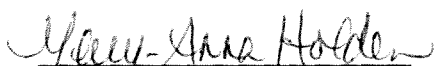
1. This Order is based upon the specific and particular facts of this transaction and shall not have precedential value in future transactions that may come before the Board and shall not be relied on as such.
2. This Order shall not affect or in any way limit the exercise of the authority of the Board, or of the State, in any future petition, or in any proceeding with respect to rates, franchises, service, financing, accounting, capitalization, depreciation or in any matters affecting EDC.
3. This Order shall not be construed as directly or indirectly fixing for any purposes whatsoever any value of any tangible or intangible assets or liabilities now owned or hereafter to be owned by the Petitioner.
4. Within thirty (30) days of the date of the closing of this transaction, the Petitioner shall file with the Board proof of the closing, net transaction costs, and final journal entries along with a detailed calculation, including selling expenses of the sale.

The Order shall be effective on December 26, 2015.

DATED: 12/16/15


BOARD OF PUBLIC UTILITIES
BY:


RICHARD S. MROZ
PRESIDENT

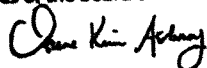

MARY-ANNA HOLDEN
COMMISSIONER


DIANNE SOLOMON
COMMISSIONER

ATTEST:


IRENE KIM ASBURY
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 JOINT PETITION OF AMERICAN WATER WORKS COMPANY,
INC. AND ENVIRONMENTAL DISPOSAL CORP., FOR AMONG OTHER THINGS,
APPROVAL OF A CHANGE IN CONTROL OF ENVIRONMENTAL DISPOSAL CORP.**

DOCKET NO. WM15040492

SERVICE LIST

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STATE OF NEW JERSEY
BOARD OF PUBLIC UTILITIES

In the Matter of the Joint Petition of : **BPU Docket No. WM15040492**
American Water Works Company, Inc. :
and Environmental Disposal Corp., for :
Among Other Things, Approval of a :
Change in Control of Environmental :
Disposal Corp. : **STIPULATION OF SETTLEMENT**
:

APPEARANCES:

Jordan Mersky, Esq., Chief Mergers & Acquisitions Counsel and Robert J. Brabston, Esq., Corporate Counsel, for Co-Petitioner American Water Works Company, Inc.

Edward K. DeHope, Esq., Riker Danzig Scherer Hyland & Perretti LLP, for Co-Petitioner Environmental Disposal Corp.

Debra Robinson, Esq., Manager, Water and Wastewater and Susan McClure, Esq., Assistant Deputy Rate Counsel, for the Division of Rate Counsel (Stefanie A. Brand, Esq., Director)

Carolyn McIntosh, Esq. and Veronica Beke, Deputy Attorneys General, for the Staff of the New Jersey Board of Public Utilities (John J. Hoffman, Acting Attorney General)

William K. Mosca, Jr., Esq., Bevan, Mosca & Guiditta, P.C., Attorneys for Interveners Townships of Bedminster and Bernards and Boroughs of Far Hills and Peapack & Gladstone

THIS STIPULATION OF SETTLEMENT (“Stipulation”) is made as of December _____, 2015 by and among American Water Works Company, Inc. (“American Water”), Environmental Disposal Corp. (“EDC”), the New Jersey Division of Rate Counsel (“Rate Counsel”), Staff of the New Jersey Board of Public Utilities (“Staff”) and the New Jersey Townships of Bedminster and Bernards and the Boroughs of Far Hills and Peapack & Gladstone (“Intervener Municipalities”) (referred to individually herein as a “Party” and collectively as the “Parties”).

On April 29, 2015, American Water and EDC (collectively “Joint Petitioners”) filed a Verified Joint Petition (“Petition”) with the New Jersey Board of Public Utilities (“Board”) seeking approvals related to American Water’s proposed acquisition from The Hills Development Company (“Hills”), a general partnership in the State of New Jersey and the parent of EDC, of all the shares of common stock of EDC (“the Transaction”). EDC is a public utility engaged in the collection and treatment of sewage generated within its service territory in portions of Bedminster and Bernards Townships and the treatment of sewage delivered to its treatment plant by the Township of Bedminster (from areas outside EDC’s franchise territory) and the Boroughs of Far Hills and Peapack & Gladstone.

The proposed Transaction is set forth in a Stock Purchase Agreement between American Water and Hills dated February 25, 2015, which provides that, subject to obtaining regulatory approvals and the satisfaction of certain other conditions, American Water shall acquire from Hills all of the outstanding capital stock of EDC, which will result in American Water’s acquisition of 100% control of EDC.

The Petition was served upon the Secretary of the Board, Rate Counsel, and the municipalities in which or to which EDC provides sewer service, the Intervener Municipalities.

As a result of the Transaction, EDC would become a direct subsidiary of American Water and continue to exist as a public utility subject to the jurisdiction and regulation of the Board. The Petition was filed pursuant to N.J.S.A. 48:2-51.1, which requires written Board approval for any person to acquire control of a public utility and N.J.S.A. 48:3-10, which requires Board approval for a public utility to transfer its stock to another corporation where the result of such transfer is to vest in such corporation a majority of the outstanding capital stock. In addition, American Water has sought: (i) authorization and approval of the journal entries necessary to

record the accounting treatment of the Transaction; (ii) approval of American Water Works Service Company, Inc.'s ("AWWSC") provision of management services to EDC on a temporary basis, after Closing, with such costs being allocated according to the same methodology the Board has approved for similar costs to be allocated to New Jersey American Water Company ("NJ American"), and that a summary of such annual charges to EDC is reported in its Annual Report to the Board; and (iii) Board approval for EDC, after Closing, to enter into a financial services agreement with American Water Capital Corp. ("AWCC") with terms substantially similar to the terms of the Board-approved agreement between NJ American and AWCC.¹

Board Staff, Rate Counsel and Intervener Municipalities have propounded discovery requests upon Joint Petitioners, which have been answered.

American Water is not seeking any changes in EDC's rates or terms of service to customers and has agreed that if the Transaction is consummated, EDC, including any parent, affiliate, subsidiary, transferee, successor or assign, will not file a petition with the Board to increase rates to the franchise customers or municipal bulk services customers of EDC for a period of five (5) years from the closing date. Joint Petitioners also agree that EDC will not file a petition to increase any of its rates between the date of Board approval of the proposed Transaction and closing. American Water will honor EDC's contract with Applied Water Management ("AWM") for operation of the EDC sewer system and intends to negotiate an extension of said agreement.

The Parties have reviewed the Petition, responses to discovery and have conducted discussions in an effort to reach a proposed settlement of all issues in this proceeding. The

¹ NJ American is a wholly-owned subsidiary of American Water and a New Jersey public utility.

Parties have agreed to reasonably, fully and finally resolve all factual and legal issues in this matter by way of this Stipulation. In consideration of the recitals and mutual promises and covenants set forth herein, the Parties **DO HEREBY STIPULATE AND AGREE:**

1. Approval of Change of Control. The acquisition of control of EDC by American Water as proposed in the Transaction is consistent with the criteria of N.J.S.A. 48:2-51.1 and N.J.A.C. 14:1-5.14. In considering a request for approval pursuant to N.J.S.A. 48:2-51.1, the Board is required to evaluate the impact of the acquisition (a) on competition, (b) on the rates of ratepayers affected by the acquisition of control, (c) on the employees of the affected public utility or utilities, and (d) on the provision of safe and adequate utility service at just and reasonable rates. N.J.S.A. 48:2-51.1. Joint Petitioners must also demonstrate that positive benefits will flow to the State of New Jersey, and that there are no adverse impacts on the above criteria. N.J.A.C. 14:1-5.14(c). With regard to these factors, the Petition, discovery responses and conferences among the parties establish the following:

- A) Competition. There will be no adverse impact on competition. The classic concept of competition for customers does not exist in the regulated sewer utility industry and EDC will remain as a regulated public utility with a defined service area.
- B) Customer Rates. The Transaction will not have an adverse impact on existing rates for EDC customers. EDC will continue to operate and charge its current Board-approved tariff rates and its financial position will not be subject to material change.
- C) Employees. EDC has no employees so the Transaction will not have an adverse impact on utility employees. AWM will continue to operate the EDC sewer system on a daily basis and American Water has expressed its intention to extend the current contract with AWM in accordance with the terms of that agreement.

D) Provision of Safe and Adequate Service. EDC will be managed by experienced American Water personnel. Accordingly, the Transaction will have no adverse impact on the provision of safe, adequate and proper service by EDC to its customers. Additionally, American Water's agreement that for a period of five (5) years after closing EDC will not seek to increase rates and American Water's superior access to capital at reasonable cost will provide positive benefits to EDC's customers.

2. Transfer of EDC Stock to American Water. The petition seeking Board approval of the proposed Transaction by American Water of all the issued and outstanding shares of EDC stock is consistent with N.J.S.A. 48:3-10 and Board regulations at N.J.A.C. 14:1-5.10 and -5.14. After closing of the proposed Transaction, EDC will be managed by the officers, active managers and employees of American Water and EDC's Board of Directors will comprise members of American Water's management team. EDC will continue to be operated by AWM. American Water is not proposing any adverse changes in EDC's policies with respect to customer service, operations, financing, accounting, capitalization, rates, depreciation, maintenance or any other matters affecting the public interest or utility customers. American Water will not capitalize any franchise cost as a result of the transaction. Accordingly, the Parties recommend Board approval of the transfer on EDC's books of all the issued and outstanding shares of common stock to American Water.

3. The Joint Petitioners have requested, and the Parties agree that EDC, including any parent, affiliate, subsidiary, transferee, successor or assign, will not file a petition with the Board seeking authority to increase rates for sewer service within its franchise territory or under its bulk service contracts with municipal customers for a period of five (5) years from the closing date of the Transaction. The parties agree that this satisfies the rate review requirement of

N.J.S.A. 48:2-51.1(a) with respect to the Transaction. However, the Parties agree that this Stipulation of Settlement shall not be construed as directly or indirectly fixing for any purposes whatsoever any value of any tangible or intangible assets now owned or hereafter to be owned by American Water or any of its subsidiaries as a result of the Transaction. The Parties further agree that any Order concluding this matter 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, accounting, acquisition adjustments, capitalization, depreciation, or in any other matter affecting the Joint Petitioners. The Parties specifically acknowledge that the reasonableness or prudence of any acquisition adjustment associated with the Transaction has not been determined in this proceeding but will be taken up in a future rate proceeding when it is timely to consider such issues. It is further agreed that any future ratemaking recognition of the Transaction shall depend upon the extent that the petitioner seeking such ratemaking recognition is able to demonstrate reasonableness and prudence.

4. Journal Entries. EDC requests Board authorization to make the journal entries necessary to record the accounting treatment of the Transaction. The proposed journal entries shall be provided to Staff by American Water for its review and approval prior to their entry on EDC's books.

5. Management Services. Joint Petitioners seek Board approval for EDC to obtain management services through AWWSC on an interim basis after closing of the Transaction. With this petition, Joint Petitioners seek Board approval to enter into the temporary services agreement attached to this stipulation as Exhibit A, for AWWSC to provide such services to NJAWC subject to the same terms and cost allocation methodology that the Board approved on November 16, 2015 under Docket No. WO13050374. This agreement is expected to be

temporary and, in accordance with its terms, would continue until terminated by either party within ninety days' notice in writing or as of the date EDC ceases to be an affiliate of American Water. The Joint Petitioners request Board authorization to execute this agreement after closing of the Transaction, provided that there is no adverse rate impact and provided that EDC files such agreement with the Board Secretary within ten days of entry into such agreement and that a summary of the annual management charges to EDC during each calendar year shall be provided in EDC's annual report to the Board.

6. Financial Services Agreement. Pursuant to N.J.S.A. 48:3-7.1 and N.J.S.A. 48:3-7.2 Joint Petitioners seek Board approval for EDC to enter into a financial services agreement with AWCC after closing of the Transaction, attached as Exhibit B, subject to the same terms as the Board-approved agreement between NJAWC and AWCC on August 17, 2000, under Board Docket No. WF00040252. Such agreement shall be filed with the Board Secretary within ten days of entry into such agreement.

7. Rate Increase Forbearance. Provided that the Transaction is consummated, Joint Petitioners agree that EDC, including any parent, affiliate, subsidiary, transferee, successor or assign, will not file a petition with the Board seeking authority to increase rates for sewer service within its franchise territory or under its bulk service contracts with municipal customers for a period of five (5) years from the closing date of the Transaction. Joint Petitioners also agree that EDC will not file a petition to increase any of its rates between the date of Board approval of the proposed Transaction and closing.

8. Rate Design Study. Joint Petitioners agree that if the Transaction is consummated, EDC will engage in a study of the feasibility and appropriateness of changing its rate design for service to franchise area customers to incorporate partially usage-based rates,

which study may include modeling. EDC agrees to seek input from the Intervener Municipalities before going forward with such study and to provide the municipalities with such study. This study must be completed before EDC files its next rate case. The Intervener Municipalities shall not be bound by the conclusions reached by the study and may take an opposing position in any subsequent proceeding.

9. Uncollectibles. After closing, American Water will make it a priority to review EDC's overdue accounts and to take appropriate steps to minimize EDC's uncollectibles.

10. Infiltration and Inflow. After closing, American Water agrees to continue and expand upon EDC's program to minimize infiltration and inflow into the sewer system.

11. Voluntariness. The Parties agree that this Stipulation is voluntary, consistent with law, and fully dispositive of the issues addressed herein. The Parties have entered this Stipulation after consideration of the Petition, discovery in this matter and settlement discussions.

12. Board Approval. The Parties request that the Board issue an Order that adopts this Stipulation in its entirety. The Parties hereby request that the Board address this matter as soon as is reasonably practicable, and thereafter issue a written Order approving this Stipulation in accordance with N.J.S.A. 48:2-40.

13. Waiver of Rights of Appeal. Each Party specifically waives any right it may have to seek reconsideration of or to appeal an order by the Board that approves this Stipulation in the manner provided for herein without modification.

14. Rights Upon Disapproval or Modification. This Stipulation contains mutually balancing and interdependent provisions and is intended to be accepted and approved in its entirety. This Stipulation is an integral settlement and the various parts hereof are not severable

without upsetting the balance of agreements and compromises achieved among the Parties. In the event the Board disapproves this Stipulation as a whole, it shall be null and void. In the event that any particular aspect of this Stipulation is not accepted and approved by the Board in its entirety, without modification, or is modified by a court of competent jurisdiction: (i) the Parties are not waiving any legal or procedural rights, arguments or claims they may have before the Board or in any forum; and (ii) this Stipulation shall, at the option and discretion of any Party aggrieved thereby, exercised by written notice to the other Parties within ten days after receipt of any such adverse decision, be null and void, in which case the Parties shall be placed in the same position that they were in immediately prior to its execution.

15. Party Reservations. This Stipulation represents a negotiated compromise resolution that has been made exclusively for the purpose of resolving issues addressed in the above-captioned case and docket. Although binding on the Parties with respect to the issues resolved herein in this proceeding, this Stipulation, in total or by specific item, is in no way binding upon the Parties and is not to be considered or cited as precedent in favor of or against their respective positions on any issue in any other proceeding, except to enforce the terms of this Stipulation. The Parties agree that the resolution of the issues herein shall apply only to the above-captioned case and that any similar future cases shall be reviewed by the Board on an individual basis. The parties agree that the purpose of this Stipulation is to reach a fair and reasonable settlement of the entire proceeding that avoids protracted and costly litigation of specific issues. Therefore, with respect to any policies or positions that were compromised in the spirit of reaching such agreement, none of the parties shall be prohibited from or prejudiced in arguing a different policy or position before the Board in any other proceeding, as such


compromises pertain only to this matter and to no other matter. Further, by executing this Stipulation, no Party waives any rights it possesses under any prior Stipulation or Board Order.

16. Captions. The subject headings of the sections of this Stipulation are inserted solely for the purpose of convenient reference and are not intended to, nor shall they, affect the meaning of any provision of this Stipulation.

17. Governing Law. This Stipulation shall be governed and construed in accordance with the laws of the State of New Jersey.

18. Execution. This Stipulation may be executed in one or more counterparts. Each Party has caused its duly authorized representative to execute below and deliver this Stipulation.


ENVIRONMENTAL DISPOSAL CORP.

By: 
Edward K. DeHope, Esq.
RIKER DANZIG SCHERER
HYLAND & PERRETTI LLP

Title: Counsel

Dated: December 2, 2015


AMERICAN WATER WORKS
COMPANY, INC.

By: 
Jordan Mersky, Esq.

Title: Chief Mergers & Acquisitions Counsel

Dated: 12-2-15

STEFANIE BRAND
Director, Division of Rate Counsel

By: 
Susan E. McClure, Esq.

Title: Ass't. Deputy Rate Counsel

Dated: 12/3/15

JOHN J. HOFFMAN
ACTING ATTORNEY GENERAL OF
NEW JERSEY
Attorney for the Staff of the Board of Public
Utilities

By: _____
Carolyn McIntosh, Esq.

Title: Deputy Attorney General

Dated: _____

TOWNSHIPS OF BEDMINSTER AND
BERNARDS AND BOROUGHES OF FAR
HILLS AND PEAPACK & GLADSTONE

By: _____
William K. Mosca, Jr., Esq.
BEVAN, MOSCA & GUIDITTA,
P.C.

Title: Counsel

Dated: _____

STEFANIE BRAND
Director, Division of Rate Counsel

By: _____
Susan E. McClure, Esq.

Title: Ass't. Deputy Rate Counsel

Dated: _____

JOHN J. HOFFMAN
ACTING ATTORNEY GENERAL OF
NEW JERSEY
Attorney for the Staff of the Board of Public
Utilities

By: 
Carolyn McIntosh, Esq.

Title: Deputy Attorney General

Dated: 12/2/15

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BERNARDS AND BOROUGHES OF FAR
HILLS AND PEAPACK & GLADSTONE

By: _____
William K. Mosca, Jr., Esq.
BEVAN, MOSCA & GUIDITTA,
P.C.

Title: Counsel

Dated: _____

STEFANIE BRAND
Director, Division of Rate Counsel

By: _____
Susan E. McClure, Esq.

Title: Ass't. Deputy Rate Counsel

Dated: _____

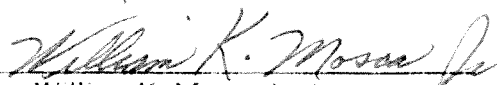
JOHN J. HOFFMAN
ACTING ATTORNEY GENERAL OF
NEW JERSEY
Attorney for the Staff of the Board of Public
Utilities

By: _____
Carolyn McIntosh, Esq.

Title: Deputy Attorney General

Dated: _____

TOWNSHIPS OF BEDMINSTER AND
BERNARDS AND BOROUGHES OF FAR
HILLS AND PEAPACK & GLADSTONE

By: 
William K. Mosca, Jr., Esq.
BEVAN, MOSCA & GUIDITTA,
P.C.

Title: Counsel

Dated: December 2, 2015

EXHIBIT A

Proposed form of Interim Agreement Subject to BPU Approval of Purchase

DRAFT INTERIM AGREEMENT

Agreement dated XXXX, between **AMERICAN WATER WORKS SERVICE COMPANY, INC.**, a Delaware corporation (hereinafter "Service Company"), and **ENVIRONMENTAL DISPOSAL CORPORATION**, a New Jersey corporation (hereinafter "EDC").

The background of this Agreement is that:

1. Both Service Company and EDC are subsidiaries of American Water Works Company, Inc., a Delaware corporation (hereinafter "American").
2. EDC has been organized for and is presently engaged in the business of providing wastewater collection and treatment as a public utility in the State of New Jersey.
3. Service Company maintains an organization whose officers and employees are familiar with all facets of the water and wastewater utility business, including the development, business and property of EDC, and are experienced in the efficient management, financing, accounting and operation of water and wastewater utility properties and the extension and improvement thereof. The officers and employees of Service Company are qualified to aid, assist and advise EDC in its business operations through the services to be performed under this Agreement.
4. Service Company will provide administrative and operating services to EDC. Because EDC is of the opinion that it cannot obtain the same quality and diversification of services on a comparable economic basis elsewhere, it proposes to enter into an agreement with Service Company more specifically defining the types of services available to it.
5. Service Company has entered or proposes to enter into agreements similar to this

Proposed form of Interim Agreement Subject to BPU Approval of Purchase

agreement with other affiliated water and wastewater companies (hereinafter collectively "Water and Wastewater Companies").

6. The services to be rendered under this agreement are to be rendered by Service Company to Water and Wastewater Companies at their cost to Service Company, as hereinafter provided.

NOW, THEREFORE, in consideration of the premises and mutual agreements herein contained, EDC and the Service Company agree that:

ARTICLE 1. PERSONNEL AND SERVICES TO BE PROVIDED

1.1. During the term of this agreement and upon the terms and conditions hereinafter set forth, Service Company shall provide corporate guidance for EDC. In addition to the guidance provided by the officers and employees of Service Company through the coordination of functional activities for all subsidiaries of American, the officers and employees of Service Company shall furnish, and EDC shall purchase from Service Company, the following services: Accounting, Administration, Communication, Corporate Secretarial, Engineering, Financial, Human Resources, Information Systems, Operation, Rates and Revenue, Risk Management and Water Quality, together with such other services as EDC and Service Company may agree; provided, however, that EDC may perform the service with its own personnel or engage another company or person to provide those services on its behalf. Service Company, by mutual consent, may engage another Company or person to provide such services on its behalf.

1.2. Service Company shall employ qualified officers and employees and those persons shall be available for election by EDC to serve as officers of EDC.

1.3. Without limitation, services to be provided by the Service Company shall be rendered as follows:

Proposed form of Interim Agreement Subject to BPU Approval of Purchase

a) **Accounting:** Service Company shall assist in the preparation and implementation of accounting methods and procedures to determine that they conform fully to the requirements, rules and regulations of governmental authorities having jurisdiction and review EDC's monthly financial reports, annual reports and other reports to stockholders and to any governmental authorities. It shall advise and assist in the establishment and maintenance of current record keeping techniques; review accounting procedures, methods and forms; and evaluate systems of internal control for receipt and disbursement of funds, materials and supplies, and other assets. Service Company shall maintain accounting records as required by EDC. When appropriate, Service Company shall cooperate and consult with EDC's independent certified public accountants.

Service Company shall assist in the preparation of operating and construction budgets and monitor the control over such budgets by comparing experienced costs to the projections.

Service Company shall prepare or assist in the preparation of federal, state and local tax returns for, and to the extent required by, EDC.

b) **Administration:** Service Company shall make qualified employees available to perform or assist in the performance of EDC's corporate activities. Those employees shall keep themselves informed on all aspects of EDC's operations and shall regularly visit EDC's facilities. They shall make recommendations to EDC for operating expenditures and for additions to and improvements of property, plant and equipment. They shall keep abreast of economic, regulatory, governmental and operational developments and conditions that may affect EDC; and advise EDC of any such developments and conditions to the extent that they may be important to EDC. Service Company shall

Proposed form of Interim Agreement Subject to BPU Approval of Purchase

provide an internal audit staff for periodic audits of accounts, records, policies and procedures of EDC and submit reports thereon.

c) **Communications**: Service Company shall recommend procedures to promote satisfactory relations with employees, customers, communities and the general public and assist in the preparation of communication materials, (including press releases, brochures, audio visual presentations and speeches), plant tours, public exhibits and displays and other related services to inform the public.

d) **Corporate Secretarial**: Service Company shall maintain, in such places and manner as may be required by applicable law, documents of EDC, such as minute books, charters, by-laws, contracts, deeds and other corporate records, and shall administer an orderly program of records retention. It shall maintain, or arrange for the maintenance of, records of stockholders of EDC, prepare or arrange for the preparation of stock certificates, perform duties relating to the transfer of stock and perform other corporate secretarial functions as required including preparation of notices of stockholder and director meetings and the minutes thereof.

Service Company shall review and may assist in the preparation of documents and reports required by EDC such as deeds, easements, contracts, charters, franchises, trust indentures and regulatory reports and filings.

e) **Engineering**: Service Company shall advise and provide engineering services to assist EDC in planning for, operating, maintaining and constructing its facilities.

It shall conduct distribution system surveys and hydraulic analyses and prepare or review maps, charts, operating statistics, reports and other pertinent data.

It shall assist EDC in the proper maintenance and protection of EDC properties by

Proposed form of Interim Agreement Subject to BPU Approval of Purchase

periodic inspection of its structures, tanks, reservoirs, dams, wells and electrical and mechanical equipment.

The engineering services provided by Service Company shall also include the conduct of field investigations as necessary to obtain engineering information and, when required, the preparation of studies, reports, designs, drawings, cost estimates, specifications, and contracts for the construction of additions to or improvements of EDC's source of supply, treatment plant, pumping stations, distribution system, and such other facilities as EDC may request. Service Company shall provide a Materials Management Program to arrange for the purchase of equipment, materials, and supplies in volume on a basis advantageous to EDC and assist in the evaluation of new and existing products and application procedures.

f) **Financial:** Service Company shall assist in the development and implementation of financing programs for EDC, including the furnishing of advice from time to time on securities market conditions and the form and timing of financing; advise concerning arrangements for the sale of its securities; and assist in the preparation of necessary papers, documents, registration statements, prospectuses, petitions, applications and declarations. It shall prepare reports to be filed with, and reply to inquiries made by, security holders and bond and mortgage trustees.

Service Company shall assist EDC in cash management including arrangements for bank credit lines, establishment of collection policies, and development of temporary investment programs.

Service Company shall provide assistance to EDC in the preparation of all financial reports.

Proposed form of Interim Agreement Subject to BPU Approval of Purchase

- g) **Human Resources:** Service Company shall assist in obtaining qualified personnel for EDC; in establishing appropriate rates of pay for those employees; and in negotiating with bargaining units representing EDC employees. It shall carry out training programs for the development of personnel and advise and assist EDC regarding personnel. It shall also advise and assist EDC in regard to group employee insurance, pension and benefit plans and in the drafting or revising of those plans when required. It will keep EDC apprised of all employment laws and develop procedures and controls to assure compliance.
- h) **Information Systems:** Service Company shall make available to EDC electronic data processing services. Those services shall include customer billing and accounting, preparation of financial statements and other reports including those required by federal and state agencies.
- i) **Operation:** Service Company shall develop and assist in the implementation of operating procedures to promote efficient and economic operation of EDC. Periodic operational reviews will be performed by Service Company personnel and any deviations from adopted procedures will be reported to EDC.
- j) **Rates and Revenue:** Service Company personnel shall make recommendations for changes in rates, rules and regulations and shall assist EDC in the conduct of proceedings before, and in its compliance with the rulings of, regulatory bodies having jurisdiction over its operation. These personnel shall keep abreast of economic and regulatory developments and conditions that may affect EDC; and advise EDC of any such developments and conditions to the extent that they may be important to EDC. Rates and Revenue personnel shall assist in the preparation of rate filings or applications and

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the supporting documents and exhibits requested or required by the EDC and its respective regulatory commission. Service Company shall also provide qualified personnel to testify on EDC's behalf as required during any regulatory proceedings.

k) **Risk Management**: Service Company shall provide a Risk Management Program to review the exposures to accidental loss of EDC, recommend efficient methods of protection either through the purchase of insurance, self-insurance or other risk management techniques and arrange for the purchase of insurance coverage. It shall also supervise investigation procedures; review claims; and negotiate and assist in, evaluate proposals for, settlement at the request of EDC. It shall assist in the establishment of safety and security programs to avoid or minimize risk and loss.

l) **Water Quality**: Service Company shall assist EDC in complying with standards of governmental agencies and establish and attain the water quality objectives of EDC. It shall assist in providing design criteria for processes, coordinating with public agencies, developing approaches and solutions to water quality problems, and providing technical assistance and general direction for Water and Wastewater Company personnel.

It shall also provide laboratory services for programmed analyses as required by drinking water regulations, and special analyses as required by EDC.

ARTICLE II. PAYMENT FOR SERVICES

2.1. In consideration for the services to be rendered by Service Company as hereinabove provided, EDC agrees to pay to Service Company the cost thereof determined as provided in this Article II and in Article III.

2.2. All costs of service rendered by Service Company personnel for EDC or in common with other Water and Wastewater Companies shall be charged to EDC based on actual

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time spent by those personnel as reflected in their daily time sheets or other mutually acceptable means of determination.

2.3. All costs of Service Company incurred in connection with services rendered by Service Company which can be identified and related exclusively to EDC, shall be charged directly to EDC.

2.4. All costs incurred in rendering services to EDC in common with similar services to other Water and Wastewater Companies which cannot be identified and related exclusively to services rendered to a particular Water and/or Wastewater Company, shall be allocated among all Water and Wastewater Companies so served, or, in the case of costs incurred with respect to services rendered to a particular group of Water and/or Wastewater Companies, among the members of such group, based on the number of customers served at the immediately preceding calendar year end.

2.5. Cost for support personnel (secretaries, clerical personnel, clerks, messengers, telephone operators, mail clerks, and other incidental support personnel of the Service Company) as well as the cost of lease payments, depreciation, utilities and other costs associated with leasing office space and equipment by Service Company shall be allocated among the Water and Wastewater Companies on the basis of the proportion of the aggregate cost allocated under Sections 2.3 and 2.4.

ARTICLE III. ALLOWANCE FOR OVERHEAD

3.1. In determining the cost to be assessed by Service Company for the rendering of services to EDC as herein provided, there shall be added to the salaries of all officers and employees for whose services charges are to be made, a percentage sufficient to cover the general overhead of Service Company, as defined below, properly allocable thereto. Such

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percentage shall be calculated each month and shall be the ratio of the total general overhead of the Service Company for the month to the total salaries of the employees for whose service charges are to be made to the Water and Wastewater Companies. No general overhead of Service Company shall be added to costs incurred for services of non-affiliated consultants employed by Service Company.

3.2. The term "general overhead" shall include:

- a) pension and insurance premiums paid for the benefit of Service Company employees,
- b) legal and other fees for services rendered to the Service Company,
- c) taxes,
- d) other general office supplies and other similar expenses, and
- e) interest on working capital.

ARTICLE IV. BILLING PROCEDURES AND BOOKS AND RECORDS

4.1. As soon as practicable after the last day of each month, Service Company shall render a bill to EDC for all amounts due from EDC for services and expenses for such month plus an amount equal to the estimated cost of such services and expenses for the current month, all computed pursuant to Articles II and III. Such bill shall be in sufficient detail to show separately the charge for each class of service rendered. All amounts so billed shall reflect the credit for payments made on the estimated portion of the prior bill and shall be paid by EDC within a reasonable time after receipt of the bill therefore.

4.2. Service Company agrees to keep its books and records available at all times for inspection by representatives of EDC or by regulatory bodies having jurisdiction over EDC.

4.3. Service Company shall at any time, upon request of EDC, furnish any and all

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information required by EDC with respect to the services rendered by Service Company after the agreement becomes effective. This agreement shall continue in full force and effect until terminated by either of the parties hereto giving the other party hereto ninety days' notice in writing; provided, however, that this agreement shall terminate as of the date EDC or Service Company ceases to be an affiliate of American.

IN WITNESS WHEREOF, Service Company and EDC have caused this agreement to be signed in their respective corporate names by their respective Presidents or Vice Presidents, and impressed with their respective corporate seals attested by their respective Secretaries or Assistant Secretaries, all as of the day and year first above written.

EXHIBIT B

INTERIM FINANCIAL SERVICES AGREEMENT

THIS AGREEMENT, dated as of _____, 2015, by and between Environmental Disposal Corporation (the "Company") and American Water Capital Corp. ("AWCC").

BACKGROUND

The Company currently performs its own financial services.

However, the Company has determined that it can obtain these services more efficiently through the consolidation of certain necessary management and staff functions with those performed for other entities that have entered into agreements with AWCC substantially similar to this one ("Co-Participants").

AWCC is dedicated to performing such consolidated functions.

Accordingly, the parties have determined to enter into this Agreement for the provision of financial services by AWCC to the Company and for the proper determination and allocation of the costs of providing such services.

Therefore, the parties agree as follows:

AGREEMENT

1. Services. AWCC will provide, either directly or through arrangements with third parties for the benefit of the Company, such financial services as the Company and AWCC may from time to time agree; including but not limited to those more fully described in Appendix I attached to this Agreement.

2. Costs. In consideration of the provision of the services contemplated by paragraph 1, the Company agrees to pay AWCC a portion of the costs and appropriate overhead incurred by AWCC in providing those services, as follows. The costs incurred by AWCC in connection with its bank credit lines and short-term public borrowings will be divided among the Co-Participants in proportion to the maximum principal amount that each Co-Participant requests be made available to it during the course of a year. The costs incurred by AWCC in connection with each long-term borrowing by AWCC will be divided among each Co-Participant in proportion to the principal amount of that borrowing that is loaned to that Co-Participant. AWCC's overhead will be allocated among the Co-Participants in the same proportion as each Co-Participant's long-term and maximum, requested short-term borrowings and investments in a calendar year bear to all of the long and maximum short-term borrowings and investments by all Co-Participants during the same year.

3. Statements. AWCC will prepare and deliver to the Company monthly statements of the services provided by AWCC and amounts payable to AWCC, giving effect to all the

provisions of this Agreement. The Company shall pay the net amount shown on its statement within thirty (30) days after the billing date.

4. Inspection. Upon reasonable notice, AWCC will make available to the Company for its inspection AWCC's books, records, bills, accounts and any other documents which describe or support the costs allocated to the Company under this Agreement.

5. Obligations Not Joint. AWCC and the Company expressly agree: (a) that the obligations of the Company and each Co-Participant to AWCC are several and not joint; (b) that the Company will not be responsible to any Co-Participant, to AWCC or to any assignee or creator of AWCC for any payment in excess of payments due by the Company to AWCC under this Agreement or a Note in the form attached to this Agreement; and (c) that no Co-Participant will be responsible to the Company, to any other Co-Participant, to AWCC or to any assignee or creditor of AWCC for any payment in excess of payments due by that Co-Participant to AWCC under any agreement substantially similar to this Agreement or under any Note attached to that other agreement. AWCC covenants and agrees that it will require, as a condition to its entering into any such other agreement with a Co-Participant, that such other agreement contains the same provision as that contained in the immediately preceding sentence.

6. Notes. The Company's borrowings under this Agreement will be evidenced by one or more promissory notes in the form of Exhibit A or Exhibit B attached to this Agreement.

7. Non-Exclusivity. Nothing in this Agreement prohibits or restricts the Company from borrowing from third parties, or obtaining services described in this Agreement from third parties, whenever and on whatever terms it deems appropriate.

8. Effectiveness. This Agreement shall be effective as of the date first mentioned above, provided that, if prior approval by the regulatory commission of any jurisdiction is required before this Agreement may become effective as to the Company, or before AWCC may provide a particular service hereunder to the Company, this Agreement shall not be effective as to the Company or as to that service, as the case may be, unless and until the required approval has been obtained. Unless and until this Agreement becomes effective as to the Company in whole or in part, the Company shall not be entitled to the benefits of, nor shall it have any rights or duties under, this Agreement. This Agreement may be amended or rescinded only by written instrument signed by the Company and AWCC.

9. Termination. The Company may terminate its participation in this Agreement by giving ten (10) days prior written notice of such termination to AWCC; and (b) AWCC may terminate this Agreement by giving ninety (90) days prior written notice of such termination to the Company. Termination of this Agreement will not affect: (a) the Company's obligations under any Promissory Notes; (b) any party's obligations with respect to any amounts owing under Sections 2 and 3 of this Agreement (including such amounts attributable to obligations of any terminating party under any promissory notes that remain outstanding after this Agreement is terminated as to that party); or (c) AWCC's obligations to repay any investments made by a company pursuant to Appendix I.

10. Copies. This Agreement may be executed by the parties in one or more copies and each executed copy shall be considered an original.

In witness of the foregoing, each of the Company and AWCC has caused its respective corporate seal to be affixed to this Agreement and has caused this Agreement to be signed on its behalf by its duly authorized officers.

ATTEST: ENVIRONMENTAL DISPOSAL CORPORATION

By: _____

By: _____

ATTEST: AMERICAN WATER CAPITAL CORP.

By: _____

By: _____

APPENDIX I

DESCRIPTION OF FINANCIAL SERVICES

Set forth below is a list of the services which AWCC agrees to provide to the Company upon its request pursuant to the Agreement to which this Appendix is attached.

1. **Short-Term Loans.** AWCC will provide Short-Term Loans to the Company pursuant to the terms set forth in the promissory notes to be issued by the Company to AWCC, each substantially in the form attached to this Agreement as Exhibit A.

2. **Long-Term Borrowings.** AWCC will provide loans other than Short-Term Loans to the Company pursuant to the terms set forth in the promissory notes to be issued by the Company to AWCC, each substantially in the form attached hereto as Exhibit B.

3. **Cash Management.** Cash not required by the Company to pay its daily disbursements or to pay when due the principal of and interest on, the Company's borrowings from AWCC other than Short-Term Loans will be used by AWCC first to reduce the outstanding principal balance of the Company's Short-Term Loans owing to AWCC and any excess will be deemed to be invested with AWCC and will earn a daily rate of interest that is equal to the interest income earned by AWCC on those funds. Upon the request of that Company, AWCC shall execute one or more promissory notes in favor of the Company, in form and substance substantially similar to the Promissory Note attached as Exhibit A to the Agreement as evidence of such investment.

EXHIBIT A

PROMISSORY NOTE FOR SHORT-TERM LOANS

\$ _____, 2005

FOR VALUE RECEIVED, [NAME OF COMPANY], a corporation (herein "Borrower") hereby promises to pay ON DEMAND to the order of American Water Capital Corp., a Delaware corporation ("Lender"), in same day funds at its offices at Voorhees, New Jersey or such other place as Lender may from time to time designate, the principal sum of _____ dollars (\$ _____) (the "Maximum Principal Sum"), or such lesser amount as shall equal the aggregate unpaid principal amount of the loans made by Lender to Borrower (other than loans evidenced by a promissory note under which the principal amount is due and payable in one or more scheduled installments more than one year after the date of its issue) together with interest thereon from the date hereof until paid in full. Interest will be charged on the unpaid outstanding principal balance of this Note at a rate per annum equal to Lender's actual cost of funds to make such loan, such rate to change as Lender's actual cost of funds changes. Interest on borrowings shall be due and payable on the first business day of each month, commencing with the first business day of the month after the month in which this Note is executed. In the absence of manifest error, the record maintained by Lender of the amount and term, if any, of borrowings hereunder shall be deemed conclusive.

Borrower may borrow, repay and reborrow hereunder in amounts which do not, in the aggregate outstanding at any time, exceed the Maximum Principal Sum.

The occurrence of one or more of any of the following shall constitute an event of default hereunder:

- (a) Borrower shall fail to make any payment of principal and/or interest due hereunder or under any other promissory note between Lender and Borrower within five business days after the same shall become due and payable, whether at maturity or by acceleration or otherwise;
- (b) Borrower shall apply for or consent to the appointment of a receiver, trustee or liquidator of itself or any of its property, admit in writing its inability to pay its debts as they mature, make a general assignment for the benefit of creditors, be adjudicated a bankrupt or insolvent or file a voluntary petition in bankruptcy or a petition or an answer seeking reorganization or an arrangement with creditors or to take advantage of any bankruptcy, reorganization, insolvency, readjustment of debt, dissolution or liquidation of law or statute, or an answer admitting the material allegations of a petition filed against it in any proceeding under any such law, or if action shall be taken by Borrower for the purposes of effecting any of the foregoing; or
- (c) Any order, judgment or decree shall be entered by any court of competent jurisdiction, approving a petition seeking reorganization of Borrower or all or a substantial part of the assets of Borrower, or appointing a receiver, trustee or liquidator of Borrower or any of its

property, and such order, judgment or decree shall continue unstayed and in effect for any period of sixty (60) days.

Upon the occurrence of any event of default, the entire unpaid principal sum hereunder plus all interest accrued thereon plus all other sums due and payable to Lender hereunder shall, at the option of Lender, become due and payable immediately. In addition to the foregoing, upon the occurrence of any event of default, Lender may forthwith exercise singly, concurrently, successively or otherwise any and all rights and remedies available to Lender by law, equity, statute or otherwise.

Borrower hereby waives presentment, demand, notice of nonpayment, protest, notice of protest or other notice of dishonor in connection with any default in the payment of, or any enforcement of the payment of, all amounts due hereunder. To the extent permitted by law, Borrower waives the right to any stay of execution and the benefit of all exemption laws now or hereafter in effect.

Following the occurrence of any event of default, Borrower will pay upon demand all costs and expenses (including all amounts paid to attorneys, accountants, and other advisors employed by Lender), incurred by Lender in the exercise of any of its rights, remedies or powers hereunder with respect to such event of default, and any amount thereof not paid promptly following demand therefor shall be added to the principal sum hereunder and will bear interest at the contract rate set forth herein from the date of such demand until paid in full. In connection with and as part of the foregoing, in the event that this Note is placed in the hands of an attorney for the collection of any sum payable hereunder, Borrower agrees to pay reasonable attorneys' fees for the collection of the amount being claimed hereunder, as well as all costs, disbursements and allowances provided by law.

If for any reason one or more of the provisions of this Note or their application to any entity or circumstances shall be held to be invalid, illegal or unenforceable in any respect or to any extent, such provisions shall nevertheless remain valid, legal and enforceable in all such other respects and to such extent as may be permissible. In addition, any such invalidity, illegality or unenforceability shall not affect any other provisions of this Note, but this Note shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

This Note inures to the benefit of Lender and binds Borrower and Lender's and Borrower's respective successors and assigns, and the words "Lender" and "Borrower" whenever occurring herein shall be deemed and construed to include such respective successors and assigns.

This Promissory Note is one of the promissory notes referred to in the Financial Services Agreement dated as of _____, 2003 between Borrower and Lender to which reference is made for a statement of additional rights and obligations of the parties hereto.

IN WITNESS WHEREOF, Borrower has executed this Promissory Note the day and year first written above.

[BORROWER]

By: _____
Name and Title:

EXHIBIT B

PROMISSORY NOTE FOR LONG-TERM BORROWINGS

\$ _____, 2005

FOR VALUE RECEIVED [NAME OF COMPANY], a New Jersey corporation (herein "Borrower") hereby promises to pay to the order of American Water Capital Corp., a Delaware corporation ("Lender"), in same day funds at its offices at _____ or such other place as Lender may from time to time designate, the principal sum of _____ dollars (\$ _____), together with interest thereof from the date hereof until paid in full. Interest shall be charged on the unpaid outstanding principal balance hereof at a rate per annum equal to the rate paid and to be paid by Lender with respect to the borrowings it made in order to provide funds to Borrower hereunder. Interest on borrowings shall be due and payable in immediately available funds on the same business day on which the Lender must pay interest on the borrowings it made in order to provide funds to the Borrower hereunder. The principal amount hereof shall be due and payable hereunder at such times and in such amounts and in such installments hereunder as the Lender must pay with respect to the borrowings it made in order to provide funds to the Borrower hereunder. Lender has provided Borrower with a copy of the documentation evidencing the borrowings made by Lender in order to provide funds to Borrower hereunder. In the absence of manifest error, such documentation and the records maintained by Lender of the amount and term, if any, of borrowings hereunder shall be deemed conclusive.

The occurrence of one or more of any of the following shall constitute an event of default hereunder:

- (a) Borrower shall fail to make any payment of principal and/or interest due hereunder or under any other promissory note between Lender and Borrower within five business days after the same shall become due and payable, whether at maturity or by acceleration or otherwise;
- (b) Borrower shall apply for or consent to the appointment of a receiver, trustee or liquidator of itself or any of its property, admit in writing its inability to pay its debts as they mature, make a general assignment for the benefit of creditors, be adjudicated bankrupt or insolvent or file a voluntary petition in bankruptcy or a petition or an answer seeking reorganization or an arrangement with creditors or to take advantage of any bankruptcy, reorganization, insolvency, readjustment of debt, dissolution or liquidation of law or statute, or an answer admitting the material allegations of a petition filed against it in any proceeding under any such law, or if action shall be taken by Borrower for the purposes of effecting any of the foregoing; or
- (c) Any order, judgment or decree shall be entered by any court of competent jurisdiction, approving a petition seeking reorganization of Borrower or all or a substantial part of the assets of Borrower, or appointing a receiver, trustee or liquidator of Borrower or any of its property, and such order, judgment or decree shall continue unstayed and in effect for any period of sixty (60) days.

Upon the occurrence of any event of default, the entire unpaid principal sum hereunder plus all interest accrued thereon plus all other sums due and payable to Lender hereunder shall, at the option of Lender, become due and payable immediately. In addition to the foregoing, upon the occurrence of any event of default, Lender may forthwith exercise singly, concurrently, successively or otherwise any and all rights and remedies available to Lender by law, equity, statute or otherwise.

Borrower hereby waives presentment, demand, notice of nonpayment, protest, notice of protest or other notice of dishonor in connection with any default in the payment of, or any enforcement of the payment of, all amounts due hereunder. To the extent permitted by law, Borrower waives the right to any stay of execution and the benefit of all exemption laws now or hereafter in effect.

Following the occurrence of any event of default, Borrower will pay upon demand all costs and expenses (including all amounts paid to attorneys, accountants, and other advisors employed by Lender), incurred by Lender in the exercise of any of its rights, remedies or powers hereunder with respect to such event of default, and any amount thereof not paid promptly following demand therefor shall be added to the principal sum hereunder and will bear interest at the contract rate set forth herein from the date of such demand until paid in full. In connection with and as part of the foregoing, in the event that this Note is placed in the hands of an attorney for the collection of any sum payable hereunder, Borrower agrees to pay reasonable attorneys' fees for the collection of the amount being claimed hereunder, as well as all costs, disbursements and allowances provided by law.

If for any reason one or more of the provisions of this Note or their application to any entity or circumstances shall be held to be invalid, illegal or unenforceable in any respect or to any extent, such provisions shall nevertheless remain valid, legal and enforceable in all such other respects and to such extent as may be permissible. In addition, any such invalidity, illegality or unenforceability shall not affect any other provisions of this Note, but this Note shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

This Note inures to the benefit of Lender and binds Borrower and Lender's and Borrower's respective successors and assigns, and the words "Lender" and "Borrower" whenever occurring herein shall be deemed and construed to include such respective successors and assigns.

This Promissory Note is one of the promissory notes referred to in the Financial Services Agreement dated as of _____, 2005 between Borrower and Lender to which reference is made for a statement of additional rights and obligations of Lender and Borrower.

IN WITNESS WHEREOF, Borrower has executed this Promissory Note the day and year first written above.

[BORROWER]

By: _____
Name and Title:

Agenda Date: 04/21/17
Agenda Item: 5C



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 JOINT PETITION OF)	ORDER APPROVING
AMERICAN WATER WORKS COMPANY, INC.,)	TRANSFER OWNERSHIP
ENVIRONMENTAL DISPOSAL CORP., AND NEW)	AND CONTROL
JERSEY-AMERICAN WATER COMPANY, INC. FOR)	
APPROVAL OF A PLAN TO TRANSFER OWNERSHIP)	
AND CONTROL OF ENVIRONMENTAL DISPOSAL)	
CORP TO NEW JERSEY-AMERICAN WATER)	
COMPANY, INC.)	DOCKET NO. WM16100969

Parties of Record:

Jordan S. Mersky, Esq., American Water Works Company, Inc. and Environmental Disposal Corp.
Robert J. Brabston, Esq., Vice President and General Counsel, New Jersey-American Water Company, Inc.
Stefanie A. Brand, Esq., Director, New Jersey Division of Rate Counsel

BY THE BOARD:

On October 17, 2016, American Water Works Company, Inc. ("American Water"), Environmental Disposal Corp. ("EDC"), and New Jersey-American Water Company ("NJAW") (collectively, "Joint Petitioners") filed a verified joint petition with the New Jersey Board of Public Utilities ("Board"), pursuant to N.J.S.A. 48:2-51.1, N.J.S.A. 48:3-7, N.J.S.A. 48:3-10, N.J.A.C. 14:1-5.14, and such other statutes and regulations as may be deemed relevant to this matter, seeking approvals of the transfer of ownership and control of all of the issued and outstanding shares of capital stock of EDC to NJAW ("Transfer" or "Transaction"), with EDC remaining as a stand-alone operating subsidiary of NJAW.

BACKGROUND

EDC is a regulated public utility of the State of New Jersey and is in the business of collecting, treating and disposing of sewerage whose franchise area includes certain portions of the Township of Bedminster ("Bedminster") and the Township of Bernards ("Bernards"), in Somerset County. EDC provides service to approximately 5,300 customers within its franchise areas. EDC also provides wastewater treatment service to the Boroughs of Far Hills, Peapack, Gladstone and portions of Bedminster, adjacent to EDC's service territory, on the basis of long-term contracts.

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NJAW services approximately 620,000 general metered water customers and approximately 41,000 sewer customers in all or part of 188 municipalities in 18 of the State's 21 counties. NJAW and EDC are currently subsidiaries of American Water ("American Subsidiaries").

The Board, in I/M/O the Joint Petition of American Water Works Company, Inc. and Environmental Disposal Corp., for Among Other Things, Approval of a Change in Control of Environmental Disposal Corp., Docket No. WM15040492, (Order dated December 16, 2015) ("EDC Order") approved a Stipulation that, among other things, agreed that the Board should approve the acquisition by American Water of all of the issued and outstanding capital stock of EDC from The Hills Development Company.

THE PROPOSED TRANSFER

As a result of the Transaction, all of the issued and outstanding shares of EDC will be transferred from American Water to NJAW, with EDC remaining as a stand-alone operating subsidiary of NJAW. EDC and NJAW will both remain subject to the jurisdiction of the Board. The Petition was filed pursuant to N.J.S.A. 48:2-51.1, which requires written Board approval for any person to acquire control of a public utility, and N.J.S.A. 48:3-10, which requires Board approval for a public utility to transfer its stock to another corporation where the result of such transfer is to vest in such corporation a majority of the outstanding capital stock.

The Joint Petitioners state that the acquisition of control of EDC by American Water is consistent with the criteria of N.J.S.A. 48:2-51.1 and N.J.A.C. 14:1-5.14 and should be approved because:

1. There will be no adverse impact on competition especially since both EDC and NJAW are subsidiaries of American Water. The classic concept of competition for customers does not exist in the regulated sewer utility industry, and EDC and NJAW will remain regulated public utilities with defined service areas.
2. The Transaction will not have an adverse impact on rates as EDC and NJAW will continue to operate and charge their current Board-approved tariff rates and their financial positions will not be subject to material change.
3. EDC has no employees, so the Transaction cannot adversely impact the ability of NJAW to fulfill its obligations of EDC with regard to employees and NJAW will continue to honor its existing collective bargaining agreement as a result of the Transaction. The American Subsidiaries are committed to ensuring the provision of safe, adequate and proper service and will continue to maintain sufficient operating personnel, post-transfer, to ensure the continued provision of safe, adequate and proper utility service by both EDC and NJAW.
4. NJAW and EDC will each continue to receive funding priorities that are consistent with their needs. NJAW and its operations Staff will continue to be located in New Jersey.
5. EDC will remain a standalone operating subsidiary of NJAW and the assets and liabilities of EDC will continue to be owned and controlled by EDC – including by not limited to all of EDC's franchises, consents, permits, contracts, licenses and certificates.
6. The Transfer of all of the outstanding capital shares of EDC to NJAW is a ministerial act that will complete the "change in control" transaction approved by the Board in the EDC Order.

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7. Both American Water Subsidiaries will continue to operate under their current Board approved rate schedules. The Stipulation approved by Board in the EDC Order provided that EDC will not seek to increase its rates for a period of five (5) years after that closing. This condition is not affected by the proposed Transaction.
8. No property or municipal consents are being transferred from EDC, which will continue to own and maintain all of its assets and liabilities. The books and records of the American Subsidiaries will remain in New Jersey and will otherwise be unaffected.
9. The American Water Subsidiaries are now operating under the common ownership of American Water. Many significant functions of the American Water Subsidiaries are performed by American Water Works Service Company ("AWWSC") and financing thereof is obtained through American Water Capital Corp. ("AWCC"). The EDC Order authorized EDC to obtain management services from AWWSC and financial services from AWCC on an interim basis. Subsequent to the Transfer, NJAW will obtain all such services required by EDC through NJAW's current agreements with AWWSC and AWCC¹ and the interim agreements will be terminated.
10. The Transfer will not affect any of the other conditions or commitments made by American Water, NJAW or EDC in the EDC Order.
11. None of the municipal consents or franchises held by EDC requires the approval of the municipality as a condition of the transfer.
12. NJAW has already obtained all necessary New Jersey Department of Environmental Protection permit transfers during the course of providing management services to EDC.

The Division of Rate Counsel

There were no intervenors in this proceeding. The Division of Rate Counsel ("Rate Counsel") has reviewed this matter and filed comments by letter dated March 29, 2017. Rate Counsel is not opposed to approval of the petition, but it seeks certain conditions. (Rate Counsel Comments at 1-4.) Among other things, Rate Counsel recommends that a Board order approving the petition should contain language that "Board approval is limited to approval of the Transfer, and does not indicate authorization to include any specific assets or amounts in rate base, or indicate authorization for any future ratemaking treatment." *Id.* at 3-4.

DISCUSSION AND FINDINGS

As a result of the proposed transaction, American Water will acquire all of the issued and outstanding shares of EDC's stock. N.J.S.A. 48:2-51.1 provides:

¹ The Board re-approved the NJAW's existing management services agreement with AWWSC in I/M/O the Petition of New Jersey-American Water Company, Inc. for Review and Re-Approval of a Service Agreement with American Water Works Service Company, an Affiliate of Petitioner, Docket No. WO13050374, Order dated November 16, 2015. The Board approved the financial services agreement between NJAW and AWCC in I/M/O the Petition of New Jersey-American Water Company, Inc. for Approval of a Financial Services Agreement, Docket No. WF00040252, Order dated August 17, 2000.

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[N]o person shall acquire or seek to acquire control of a public utility directly or indirectly through the medium of an affiliated or parent corporation or organization, or through the purchase of shares, the election of a board of directors, the acquisition of proxies to vote for the election of directors, or through any other manner, without requesting and receiving the written approval of the Board of Public Utilities. Any agreement reached, or any other action taken, in violation of this act shall be void. In considering a request for approval of an acquisition of control, the board shall evaluate the impact of the acquisition on competition, on the rates of ratepayers affected by the acquisition of control, on the employees of the affected public utility or utilities, and on the provision of safe and adequate utility service at just and reasonable rates. The board shall accompany its decision on a request for approval of an acquisition of control with a written report detailing the basis for its decision, including findings of fact and conclusions of law.

In addition to the statutory requirements, N.J.A.C. 14:1-5.14(c) provides:

The Board shall not approve a merger, consolidation, acquisition and/or change in control unless it is satisfied that positive benefits will flow to customers and the State of New Jersey and, at a minimum, that there are no adverse impacts on any of the criteria delineated in N.J.S.A. 48:2-51.1.

The Board, having reviewed the Petition and the entire record, **FINDS** that the proposed Transfer of all of the issued and outstanding stock of EDC from American Water Works to NJAW will not adversely affect the public interest.

- A. Competition: There will be no adverse impact on competition. There is no retail competition in the water and wastewater utility industries. EDC will remain a stand-alone sewer utility, with a defined service territory and will be owned by a subsidiary of its current owner.
- B. Customer Rates: The Transaction will not have an adverse impact on rates as EDC will continue to operate and charge its current Board-approved tariff rates. The Stipulation adopted by the Board in the EDC Order provided that EDC will not file a petition with the Board seeking authority to increase rates for sewer service within its franchise service territory or under its bulk service contracts with municipal customers for a period of five (5) years from the closing date of the Transaction. EDC's financial position will not be subject to material change.
- C. Employees: EDC has no employees so the Transaction will not have an adverse impact on utility employees.
- D. Provision of Safe and Adequate Service: The American Subsidiaries are committed to ensuring the provision of safe, adequate and proper service and will continue to maintain sufficient operating personnel, post-transfer, to ensure the continued provision of safe, adequate and proper utility service by both EDC and NJAW.

Accordingly, the Board **FURTHER FINDS** that the proposed acquisition will not jeopardize EDC's ability to continue to render safe, adequate and proper utility service.

Agenda Date: 04/21/17
Agenda Item: 5C

The Board **HEREBY APPROVES** the proposed transfer of all of the issued and outstanding shares of capital stock of EDC from American Water to NJAW with EDC remaining as a stand-alone operating subsidiary of NJAW.

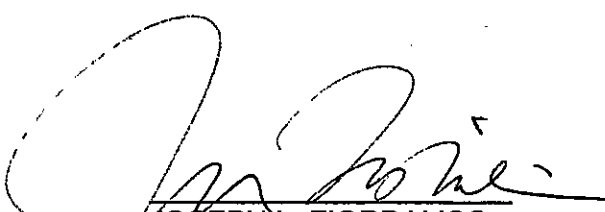
The Board **HEREBY APPROVES** the proposed journal entries. Having considered the magnitude of the transaction, the Board **HEREBY FINDS** that the proposed acquisition is in the public interest subject to the following conditions:

1. This Order is based upon the specific and particular facts of this transaction and shall not have precedential value in future transactions that may come before the Board and shall not be relied on as such.
2. This Order shall not affect or in any way limit the exercise of the authority of the Board, or of the State, in any future petition, or in any proceeding with respect to rates, franchises, service, financing, accounting, capitalization, depreciation or in any matters affecting EDC or NJAW.
3. This Order shall not be construed as directly or indirectly fixing for any purposes whatsoever any value of any tangible or intangible assets or liabilities now owned or hereafter to be owned by the EDC or NJAW.
4. Within thirty (30) days of the date of the closing of this transaction, the Petitioner shall file with the Board proof of the closing, net transaction costs, and final journal entries along with a detailed calculation, including selling expenses of the sale.

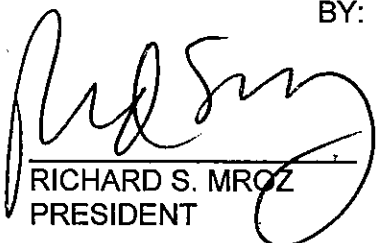
The Order shall be effective on May 1, 2017.

DATED: 4/21/17

BOARD OF PUBLIC UTILITIES
BY:




JOSEPH L. FIORDALISO
COMMISSIONER



RICHARD S. MROZ
PRESIDENT



MARY-ANNA HOLDEN
COMMISSIONER



DIANNE SOLOMON
COMMISSIONER



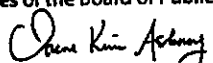
UPENDRA J. CHIVUKULA
COMMISSIONER

ATTEST:



IRENE KIM ASBURY
SECRETARY

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



Agenda Date: 04/21/17
Agenda Item: 5C

IN THE MATTER OF THE JOINT PETITION OF AMERICAN WATER WORKS COMPANY, INC., ENVIRONMENTAL DISPOSAL CORP. AND NEW JERSEY-AMERICAN WATER COMPANY, INC. FOR APPROVAL OF A PLAN TO TRANSFER OWNERSHIP AND CONTROL OF ENVIRONMENTAL DISPOSAL CORP TO NEW JERSEY-AMERICAN WATER COMPANY, INC.

DOCKET NO. WM16100969

SERVICE LIST

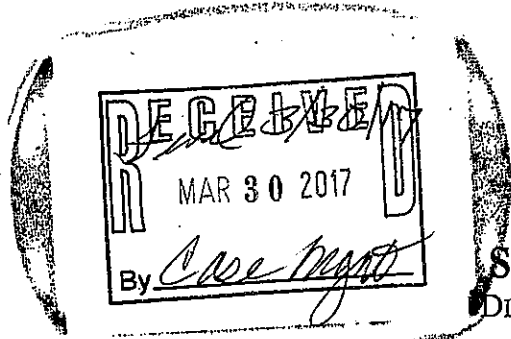
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BOARD OF PUBLIC UTILITIES

MAR 29 2017

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CHRIS CHRISTIE
Governor

KIM GUADAGNO
Lt. Governor

March 29, 2017
BOARD OF PUBLIC UTILITIES
STEFANIE A. BRAND
Director

Hand Delivery & First Class Mail

Irene Kim Asbury, Secretary
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MAR 30 2017

DIVISION OF WATER

RE: I/M/O the Matter of the Joint Petition of American Water Works Company, Inc., Environmental Disposal Corp., and New Jersey American Water Company, Inc., for Approval of a Plan to Transfer Ownership and Control of Environmental Disposal Corp. to New Jersey American Water Company, Inc.
BPU Docket No.: WM16100969

Dear Secretary Asbury:

Please accept for filing an original and eleven copies of the Division of the Rate Counsel's ("Rate Counsel") comments regarding the above referenced matter. Please date stamp the additional copy as "filed" and return it in the enclosed, self-addressed, stamped envelope. Thank you for your consideration and attention to this matter.

On October 14, 2016, American Water Works Company, Inc. ("American Water"), Environmental Disposal Corp. ("EDC") and New Jersey-American Water Company, Inc. ("NJAW") (collectively, "Joint Petitioners"), petitioned the Board of Public Utilities ("BPU" or the "Board"), pursuant to N.J.S.A. 48:2-51.1, N.J.S.A. 48:3-7, N.J.S.A. 48:3-10, and N.J.A.C. 14:1-5.14, if applicable, or any other statute or regulation deemed relevant by the Board, for approval of the transfer of ownership and control of all of the issued and outstanding shares of

Irene Kim Asbury, Secretary
Board of Public Utilities
Comment Letter

capital stock of EDC to NJAW (the "Transfer"), with EDC remaining as a stand-alone operating subsidiary of NJAW.

Background

On December 16, 2015, in Docket No. WM15040492, the Board approved the purchase by American Water of all the issued and outstanding capital stock of EDC from The Hills Development Company. That prior proceeding is hereinafter referred to as the "Change in Control Proceeding." American Water also owns NJAW. Both EDC and NJAW are currently subsidiaries of American Water (hereinafter referred to jointly as "American Water Subsidiaries"). American Water is a publicly traded company. NJAW is a regulated public utility corporation engaged in the production, treatment and distribution of water, and the collection and treatment of sewage within its defined service territory within the State of New Jersey. NJAW's service territory includes portions of the following counties: Atlantic, Bergen, Burlington, Camden, Cape May, Essex, Gloucester, Hunterdon, Mercer, Middlesex, Monmouth, Morris, Ocean, Passaic, Salem, Somerset, Union and Warren. As of December 31, 2015, NJAWC services approximately 620,000 water and fire service customers and 41,000 sewer service customers in 188 municipalities. EDC is a regulated public utility corporation providing wastewater service to more than 5,300 customer accounts in Bedminster and Bernards Townships in Somerset County, New Jersey. In addition, EDC also provides wastewater treatment service to the Boroughs of Far Hills, Peapack, Gladstone and portions of Bedminster, adjacent to EDC's service territory, on the basis of long term contracts.

Following the Transfer, the American Water Subsidiaries would continue to operate under their current tariffed rate schedules. Pursuant to the Stipulation approved in Docket No. WM15040492, EDC will not seek to increase its rates for a period of five (5) years after that

closing. This condition will not be affected by the Transfer. The assets and liabilities of EDC will continue to be owned and controlled by EDC, specifically including, but not limited to, all franchises, consents, permits, contracts, licenses and certificates of EDC.

The Division of Rate Counsel was extensively involved in the Change in Control proceeding and is a signatory to that Stipulation. Rate Counsel has reviewed the Joint Petition and the Joint Petitioner's responses to Board Staff's data requests SE-1 through SE-21 and SR-1 through SR-13. Based on that review and the Change in Control proceeding, Rate Counsel has concluded that the proposed Transfer is ministerial in nature and will have no substantive impact on the governance, management or operation of any of the corporate entities. The proposed transaction will also not have any adverse impact on competition, or the rates, service or employees of any of American Subsidiaries. Rate Counsel recommends that Board approval should not include authorization to allow any specific assets to be included in NJAW's or EDC's rate base. The determination of whether assets are appropriate for inclusion in rate base should be deferred to a future base rate case proceeding.

Rate Counsel further recommends that any Board Order approving the Transfer contain the following language:

This Order shall not be construed as directly or indirectly fixing for any purposes whatsoever any value of any tangible or intangible assets now owned or hereafter to be owned by the Petitioner.

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, accounting, capitalization, depreciation, or in any other matter affecting the Petitioner.

These provisions will satisfy the concerns of Rate Counsel that Board approval is limited to approval of the Transfer, and does not indicate authorization to include any specific assets or

Irene Kim Asbury, Secretary
Board of Public Utilities
Comment Letter

amounts in rate base, or indicate authorization for any future ratemaking treatment. With these caveats, Rate Counsel is not opposed to approval of the Petition.

Respectfully submitted,

STEFANIE A. BRAND
Director, Rate Counsel

By: 

Susan E. McClure, Esquire
Assistant Deputy Rate Counsel

C: Service List via e-mail and first class mail

I/M/O OF AMERICAN WATER WORKS
COMPANY, INC. AND NEW JERSEY-
AMERICAN WATER COMPANY, INC. FOR
APPROVAL OF A PLAN TO TRANSFER
OWNERSHIP AND OF CONTROL OF
EDC TO NEW JERSEY-AMERICAN
WATER COMPANY, INC.

DOCKET NO. WM16100969

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Newark, NJ 07101



AGENDA DATE: 8/16/00

STATE OF NEW JERSEY
Board of Public Utilities
Two Gateway Center
Newark, NJ 07102

IN THE MATTER OF THE PETITION OF)
NEW JERSEY-AMERICAN WATER)
COMPANY, INC. FOR APPROVAL OF A)
FINANCIAL SERVICES AGREEMENT)

ORDER OF APPROVAL

BPU DOCKET NO.: WF00040252

Cozen and O'Connor, by William D. Lavery, Jr., Esq., Cherry Hill, N. J. 08002, for New Jersey-American Water Company, Inc.

Fred S. Grygiel, Chief Economist, Mark C. Beyer, Manager, and Mario Aguilar, Accountant II, Office of the Economist on behalf of the Staff of the Board of Public Utilities

BY THE BOARD:

On April 27, 2000 New Jersey-American Water Company, Inc. ("Petitioner" or "NJAWC"), a public utility corporation of the State of New Jersey, having a principal office at 500 Grove Street, Haddon Heights, New Jersey 08035, filed a Petition with the New Jersey Board of Public Utilities ("Board"), pursuant to N.J.S.A. 48:3-7.1 and 3-7.2 requesting approval to enter into a Financial Services Agreement ("Agreement") with American Water Works Financing Corporation.¹ The Petition states that both NJAWC and AWCC are wholly-owned subsidiaries of American Water Works Company, Inc. ("AWW"). In addition to NJAWC, AWW wholly owns 24 utility subsidiary companies which serve more than 10 million people in over 1,000 communities in 23 states.

Under the Agreement, AWCC will provide two types of financial services. First, AWCC will provide NJAWC with access to short-term and long-term debt. Second, AWCC will provide NJAWC cash management through cash sweeps and investment of excess cash. NJAWC seeks permission to enter into the Agreement and believes that the financial services arrangement accomplished via the Agreement is reasonable and in the public interest.

¹ Subsequent to the filing of the Petition, Petitioner advised the Board and the parties that the name of the financing corporation had been revised to American Water Capital Corp. ("AWCC").

A. ACCESS TO SHORT AND LONG-TERM DEBT

At present, NJAWC provides for its own financing needs, whether those needs be via lines of credit or long-term debt. Generally speaking, NJAWC obtains short-term debt (i.e., debt with a maturity of one-year or less) from banks and issues long-term debt through competitive bids in the public market as well as through tax exempt financings.

Because of changes in the financial markets, an opportunity exists for NJAWC and its affiliates to borrow on an unsecured basis at rates prevailing in the public market while minimizing borrowing expenses.² Lenders have been syndicating and securitizing their loans in larger amounts so they can lend larger amounts and reduce their exposure to a single borrower. Larger loans are less costly for each dollar borrowed because up front issuance costs remain relatively constant regardless of the size of the loan. Additionally, changes in the federal securities laws have enabled public security markets to become attractive alternatives to private placements and bank borrowings on which utilities have traditionally relied. The natural result is that borrowers obtain faster and easier access to the public debt market that has in turn encouraged those markets to provide short-term debt opportunities on attractive terms.

These developments in the financial markets have caused lenders, such as insurance companies, to favor public markets as more attractive investment alternatives than the traditional, secured, privately placed bonds that were, at one time, the mainstay of their portfolios. As institutional lenders such as insurance companies moved into the public market, the dollar volume of the issues that the market was willing and able to accommodate also increased. As the cost per dollar of substantial borrowings decreased and competition among lenders in the market increased, it has become apparent that borrowers can derive significant savings if they can participate in that market. Clearly, however, borrowers can derive those benefits only if the amounts they borrow are large enough, and their credit rating high enough, to meet the market's significant entry-level requirements.

The natural result of these changes in the financial markets has enabled companies to consolidate the cash management, short-term borrowing and funds investment functions for operating subsidiaries in a single financing subsidiary. Through pooling of borrowing requirements on both short-term and long-term bases, NJAWC and its affiliates can borrow large enough amounts that will enable them to obtain advantageous terms that are presently available. Combined borrowing power increases the efficiencies of borrowing operations and lowers the cost thereof.

In accordance with the provisions of the Agreement, AWCC will permit NJAWC to "pool" its borrowing requirements with AWW (collectively the "Participants"), each of which will enter into a separate agreement with AWCC, with terms substantially similar to those in the Agreement. As a result, the Agreement will enable NJAWC to: (i) reduce the amount of administrative costs it incurs (per dollar of debt issued), in connection with debt issuances through the spreading of administrative costs over a larger issuance amount; and (ii) reduce overall borrowing costs. Such reduced costs will be reflected when rates are set.

² Under the terms of the Agreement, AWCC will not be precluded from engaging in secured borrowings if those borrowings provide the most favorable terms available.

Under the respective agreements with AWCC, each Participant (including NJAWC) will, each year, provide AWCC with an estimate of its borrowing requirements for the coming year and, on a rolling basis, for one to three years in advance. On the basis of this information, AWCC will arrange to obtain funds necessary to meet the Participants' short and long-term debt requirements. AWCC will arrange for short-term borrowings (i.e., borrowings with maturities of one year or less) through bank lines of credit and, where appropriate, through short-term obligations issued in the public market. To meet the participants' requirements for long-term debt, AWCC will register its own debt securities for sale in the public market by filing a "shelf registration" with the United States Securities and Exchange Commission. A "shelf registration" involves the registration of a maximum amount of debt to be issued and puts that amount "on the shelf" from which it can be drawn down and sold from time to time in increments. Use of shelf registrations will enable AWCC to respond quickly to changes in the public market and to sell securities when rates and terms are most favorable.

AWCC will loan the proceeds of its borrowings and debt issuances to Participants, including NJAWC, on the same terms (including maturity and interest rates) as those obtained by AWCC. The indebtedness of NJAWC to AWCC will be evidenced by a note in one of the two forms attached as exhibits to the Agreement. The form of short-term note in the amount of the maximum anticipated short-term borrowings over the course of a year will evidence NJAWC's obligation in respect to short term indebtedness. The form of medium/long-term notes attached to the Agreement will evidence medium and long-term borrowings, which have a specific maturity, amount and payment schedule. Each Participant's debt to AWCC will be unsecured.

AWW will issue a "support letter" for the benefit of the purchasers of AWCC's debt. A "support letter" requires the parent company of a group to continue to own all the issued and outstanding stock of its financing subsidiary, to cause its financing subsidiary to maintain a positive tangible net worth and, if its financing subsidiary is unable to satisfy its obligations when due, to provide funds to assure such payment. AWW's undertaking under its support letter will constitute a separate, registerable security under the Federal Securities laws. As co-registrants, AWW and AWCC will be subject to the statutory liabilities imposed by the Securities Act of 1933 and, AWCC will become a reporting company under the Securities Exchange Act of 1934.

As discussed above, by "pooling" the borrowing requirements of the Participants, AWCC will be able to arrange for the issuance of short and long-term debt on more favorable terms and at lower cost than the terms and costs which would normally be applicable to debt issued by NJAWC directly on its own behalf. The projected interest rate that would currently be applicable for short-term loans from AWCC to NJAWC under the Agreement is based upon a spread ("Basis Points" or "BPS") over the 30-day London Interbank Borrowing Rate ("LIBOR"), which is approximately 6.7%. The projected spread under the Agreement is 10-15 BPS, which yields an estimated interest rate of 6.8% to 6.85%. This interest rate is lower than the most favorable interest rate currently available to NJAWC for short-term borrowing from banks. The projected interest rate that would currently be applicable for long-term loans from AWCC to NJAWC under the Agreement would depend on the duration of the loan. In general, however, the interest rate would be approximately 170 BPS over the rate for U.S. Treasury Securities. For example, the current interest rate for the 10-year U.S. Treasury Security is 6.1%. Thus, the current long-term interest rates under the Agreement would be 7.8%. Nothing in the Agreement, however, prevents NJAWC from borrowing from others or obtaining cash management services from others on whatever terms it deem appropriate. Accordingly, NJAWC can take advantage of tax-exempt financings, to the extent the same are available to it.

Through this Petition, NJAWC is requesting approval only to enter into the Agreement and to obtain future funding through AWCC in accordance with the terms of the Agreement. NJAWC is not requesting herein approval for any specific debt issuance for which approval is required under existing statutes and regulations. NJAWC understands that it must timely file for such financing approval in accordance with the provisions of N.J.S.A. 48:3-9 as is normally required. It is contemplated that NJAWC's application for such long-term debt will seek approval to issue debt not to exceed a specified amount within a set time period and within specific terms and parameters. Approval of the Agreement will permit NJAWC to issue to AWCC short-term debt instruments (i.e., debt with a maturity of twelve months or less), for which approval is not otherwise required under governing statutes or regulations.

B. CASH MANAGEMENT SERVICES

AWCC will provide cash management services which will enable NJAWC and other Participants to manage their cash balances more efficiently. Under this program, operating cash surpluses of each Participant (including NJAWC) will be "swept" on a daily basis. NJAWC will be allowed to determine the amount of operating cash surpluses to be swept. Such cash surplus shall be treated as a "loan" to AWCC, and AWCC will pay the Participant interest on that loan at the same rate that AWCC is required to pay for its own short-term borrowings under AWCC's bank lines. The projected interest rate that would currently be available to the cash surplus of NJAWC that is treated as a "loan" to AWCC under the Agreement is from 6.8% to 6.85%. This interest rate exceeds the interest on excess cash balances that NJAWC would otherwise be able to receive on bank deposits and other available short-term investment options.

The cash that AWCC obtains through the daily cash sweeps will be used to offset the amount that AWCC would otherwise be required to obtain under bank lines of credit and/or through the public market on a short-term basis. The excess cash will be used by AWCC to make loans to those Participants with short-term cash requirements, for which they will also pay AWCC interest at the same rate as AWCC pays for its own short-term borrowings. The projected interest rate under the Agreement that would currently be applicable for short-term loans to NJAWC of excess cash that AWCC has obtained through daily cash sweeps is 6.8% to 6.85%. By using system-wide internally generated cash obtained through the daily cash sweeps, AWCC will be able to reduce the overall principal amount of short-term borrowings from external sources, thereby reducing borrowing costs, such as commitment fees. This reduction in costs will benefit all Participants, including NJAWC.

Since the Agreement contemplates that NJAWC, a wholly-owned subsidiary of AWW, will be loaning money to AWCC, also a wholly-owned subsidiary of AWW, N.J.S.A. 48:3-7.2 requires approval of the Board in writing of such cash management service.

C. CHARGES TO NJAWC UNDER THE AGREEMENT

Petitioner states that the costs incurred by AWCC in connection with its bank credit lines and short-term public borrowings will be divided among NJAWC and the other Participants in proportion to the maximum principal amount that each Participant requests be made available to it during the course of a given year. The costs incurred by AWCC in connection with each long-term debt issuance by AWCC will be passed through to NJAWC and each Participant in proportion to the principal amount of that issuance that is loaned to each Participant. Additionally, AWCC also will charge NJAWC and each Participant a portion of AWCC's

overhead. These overhead costs will be allocated among NJAWC and the other Participants in the same proportion as each Participant's long and maximum-short term debt borrowings and investments in a year bear to the total of all of the long and maximum short-term borrowings and investments by all of the Participants together during the course of the same year. It is expected that overhead charges will be more than offset by the reduction in the costs incurred by the NJAWC and the other Participants to obtain their own financing. No profit element will be included in any charges rendered by AWCC to NJAWC.

D OTHER TERMS OF THE AGREEMENT

The Agreement provides that the obligations of NJAWC and the other Participants in the financing program are several and not joint. Accordingly, NJAWC's obligations will be limited to the amount that it actually borrows. Additionally, NJAWC has the right to inspect AWCC's books and records. NJAWC may terminate the Agreement by giving 10 days prior written notice. AWCC can terminate the Agreement by giving 90 days prior written notice. No termination will effect any amounts then outstanding or due under an outstanding or due under an outstanding note.

The Board, after considering the verified Petition, the exhibits submitted therewith and the discovery responses of Petitioner, being satisfied that the Agreement is to be made in accordance with law and is not contrary to the public interest, HEREBY APPROVES said Agreement for services to be provided to New Jersey-American Water Company, Inc. by American Water Capital Corp.

This Order is issued subject to the following provisions:

1. Petitioner may not consummate any long-term financing without returning to the Board via Petition seeking such authorization;
2. Petitioner may not borrow any sum from AWCC for a period of time greater than one year without approval of the Board;
3. Petitioner may only deposit with AWCC such surplus cash as it would otherwise have available for investment in short-term investment instruments;
4. Petitioner shall make available to the Board or the Board's Staff, upon request, such information and records deemed relevant by the Board and which pertain to the services provided by AWCC and the amounts paid for those services;
5. The Board retains the right to review the reasonableness of the actual charges in the context of any subsequent rate case proceeding.

6. This Order shall not affect or in any way limit the exercise of the authority of this Board or of the State, in any future Petition with respect to rates, franchises, services, financing, accounting, capitalization, depreciation or any other matters affecting the Petitioner.

DATED: *August 17, 2000*

BOARD OF PUBLIC UTILITIES

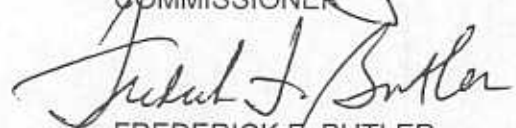
BY:



HERBERT H. TATE
PRESIDENT



CARMEN J. ARMENTI
COMMISSIONER



FREDERICK R. BUTLER
COMMISSIONER

ATTEST:

Frances L. Smith
FRANCES L. SMITH
SECRETARY

/rb



AGENDA DATE: 8/16/00
AGENDA ITEM: 11C

STATE OF NEW JERSEY
Board of Public Utilities
Two Gateway Center
Newark, NJ 07102

EXECUTIVE SUMMARY

DATE: July 31, 2000

RE: In the matter of the petition of New Jersey American-Water Company, Inc. *TSJ*
for approval of a Financial Services Agreement

Docket No. WF00040252

On April 27, 2000 New Jersey-American Water Company, Inc. ("Petitioner" or "NJAWC"), a public utility corporation of the State of New Jersey, having a principal office at 500 Grove Street, Haddon Heights, New Jersey 08035, filed a Petition with the Board requesting approval to enter into a Financial Services Agreement ("Agreement") with American Water Works Financing Corporation.¹ The Petition states that both NJAWC and AWCC are wholly-owned subsidiaries of American Water Works Company, Inc. ("AWW"). In addition to NJAWC, AWW wholly owns 24 utility subsidiary companies which serve more than 10 million people in over 1,000 communities in 23 states.

Under the Agreement, AWCC will provide two types of financial services. First, AWCC will provide NJAWC with access to short-term and long-term debt. Second, AWCC will provide NJAWC cash management through cash sweeps and investment of excess cash.

In accordance with the provisions of the Agreement, AWCC will permit NJAWC to "pool" its borrowing requirements with AWW (collectively the "Participants"), each of which will enter into a separate agreement with AWCC, with terms substantially similar to those in the Agreement. As a result, the Agreement will enable NJAWC to: (i) reduce the amount of administrative costs it incurs (per dollar of debt issued), in connection with debt issuances through the spreading of administrative costs over a larger issuance amount; and (ii) reduce overall borrowing costs. Such reduced costs will be reflected when rates are set.

By "pooling" the borrowing requirements of the Participants, AWCC will be able to arrange for the issuance of short and long-term debt on more favorable terms and at lower cost than the terms and costs which would normally be applicable to debt issued by NJAWC directly on its own behalf.

AWCC will provide cash management services which will enable NJAWC and other Participants to manage their cash balances more efficiently. Under this program, operating cash surpluses of each Participant (including NJAWC) will be "swept" on a daily basis. NJAWC will be allowed

¹ Subsequent to the filing of the Petition, Petitioner advised the Board and the parties that the name of the financing corporation had been revised to American Water Capital Corp. ("AWCC").

to determine the amount of operating cash surpluses to be swept. Such cash surplus shall be treated as a "loan" to AWCC, and AWCC will pay the Participant interest on that loan at the same rate that AWCC is required to pay for its own short-term borrowings under AWCC's bank lines. This interest rate exceeds the interest on excess cash balances that NJAWC would otherwise be able to receive on bank deposits and other available short-term investment options.

The Ratepayers Advocate participated in the review of this petition, however, at this time, we do not know their position. It is anticipated that the Ratepayers Advocate either will not comment or comment that the transaction is not contrary to the public interest.

Petitioner indicates that approval has been received from the Illinois Commerce Commission and that appropriate documentation has been filed in all of the other jurisdiction where commission approval is required.

Other utility companies that have similar service agreements are Atlantic City Electric Company, Rockland Electric Company and Bell Atlantic.

After review of the exhibits submitted and the discovery responses of Petitioner, the Office of the Economist is satisfied that the Agreement is to be made in accordance with law and is not contrary to the public interest. Therefore, we recommend that the Agreement for services to be provided to New Jersey-American Water Company, Inc. by American Water Capital Corp. be approved.

/rb



Agenda Date: 11/16/15
Agenda Item: 5E

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 PETITION OF NEW)
JERSEY-AMERICAN WATER COMPANY, INC. FOR)
REVIEW AND RE-APPROVAL OF A SERVICE)
AGREEMENT WITH AMERICAN WATER WORKS)
SERVICE COMPANY, AN AFFILIATE OF PETITIONER) ORDER OF APPROVAL

DOCKET NO. WO13050374

Parties of Record:

Robert Brabston, Esq, Corporate Counsel, New Jersey-American Water Company
Stefanie A. Brand, Esq., Director, New Jersey Division of Rate Counsel

BY THE BOARD:¹

On May 2, 2013, New Jersey-American Water Company ("NJAW", "Petitioner", "Company"), a public utility of the State of New Jersey having its principal offices at 1025 Laurel Oak Road, Voorhees, New Jersey filed a petition with the New Jersey Board of Public Utilities ("Board") pursuant to N.J.S.A. 48:3-7.1 for approval of its continuing participation in its Service Agreement with American Water Works Service Company, Inc. ("Service Company"). NJAW states in its petition that the Service Agreement was approved by the Board in I/M/O New Jersey-American Water Company for Approval of a Modified Service Agreement with American Water Works Service Company, an Affiliate of Petitioner, (Docket No. WE89030322. (August 21, 1989). The Petitioner further states that it agreed to have the Board review the Service Agreement in I/MO the Petition of New Jersey-American Water Company, Inc. for Approval of Increased Tariff Rates and Charges for Water and Sewer Service; Change in Depreciation Rates and Other Tariff Modifications, Docket No. WR11070460. (May 1, 2012).

NJAW is engaged in the production, treatment and distribution of water and the collection and treatment of wastewater and serves approximately 613,000 metered water customers and approximately 35,500 wastewater customers in all or part of 188 municipalities in portions of the following counties within the State of New Jersey: Atlantic, Bergen, Burlington, Camden, Cape May, Essex, Gloucester, Hunterdon, Middlesex, Mercer, Monmouth, Morris, Ocean, Passaic, Salem, Somerset, Union and Warren.

¹ Commissioner Upendra J. Chivukula recused himself due to a potential conflict of interest and as such took no part in the discussion or deliberation of this matter.

According to the petition both the Service Company and NJAW are wholly-owned subsidiaries of American Water Works Company, Inc. ("American"), a Delaware corporation with offices at 1025 Laurel Oak Road, Voorhees, New Jersey. The petition further states that American owns 16 utility subsidiaries as well as various non-utility subsidiary companies that together provide water, wastewater and other water resource management services to approximately fourteen million people in the United States and Canada.

The Petitioner states that:

1. The Service Company has provided administrative and operating services to NJAW and its predecessor companies pursuant to a Service Agreement dated January 1, 1971 and approved by the Board in I/M/O the Application of the Bernards Water Company, Commonwealth Water Company, Gravity Water Supply Company, New Jersey Water Service Company, Monmouth Consolidated Water Company, and New Jersey Water Company for Approval of Modified Service Contracts with American Water Works Service Company, Inc., Docket No. 7012-701. (January 15, 1971).
2. The Service Agreement was modified on January 1, 1989 and approved by the Board in I/M/O the Petition of New Jersey-American Water Company for Approval of a Modified Service Contract with American Water Works Service Company, an Affiliate of Petitioner, Docket No. WE89030322. (August 21, 1989).
3. In 2003, the then-affiliated Elizabethtown Water Company ("Elizabethtown") and Mount Holly Water Company ("Mount Holly") entered into an identical agreement with the Service Company in I/M/O Elizabethtown Water Company and the Mount Holly Water Company for Approval of a Service Agreement with American Water Works Service Company, Inc., Docket No. WO03050359 (11/17/2003).²
4. The Service Agreement has thus essentially been presented to the Board, and approved, on three separate occasions in approximately 40 years.
5. The Service Company will continue to provide the services described in the Service Agreement at a lower cost and on a more efficient basis than NJAW could obtain said services on a standalone basis.

² Elizabethtown and Mount Holly were not affiliated with the Service Company. The Board approved the merger of NJAW and the parent company of Elizabethtown and Mount Holly in I/M/O the Joint Petition of New Jersey-American Water Company, Inc. and Thames Water Aqua Holdings GmbH for Approval of a Change in Control of New Jersey-American Water Company, Inc., Docket No. WM01120883. (11/26/02). The Mount Holly Water Company subsequently merged with and into Elizabethtown Water Company, which in turn merged with and into New Jersey-American Water Company in I/M/O the Joint Petition of New Jersey-American Water Company, Inc., Elizabethtown Water Company, Inc., and the Mount Holly Water Company, Inc. for Approval of the Merger of Elizabethtown Water Company and the Mount Holly Water Company into New Jersey-American Water Company and for Related Authorizations, Docket No. WM06030253. (November 15, 2006).

6. The nature of NJAW's operations have not materially changed since the January 1, 1989 effective date of the Service Agreement approved by the Board in I/M/O the Petition of New Jersey-American Water Company for Approval of a Modified Service Contract with American Water Works Service Company, an Affiliate of Petitioner, Docket No. WE89030322. (August 21, 1989). The services provided by the Service Company to NJAW still fall within the categories set forth in the Service Agreement. The Service Agreement so approved and presented here for review is virtually identical in all substantive respects to the agreement that the Service Company has with all other regulated subsidiaries of American and this form of agreement has been uniformly approved in all states with jurisdiction. Therefore, there has been no change in the Service Agreement between NJAW and the Service Company.

By letter dated July 25, 2014, the Division of Rate Counsel ("Rate Counsel") submitted its comments concerning the petition. Rate Counsel stated that it has devoted increased attention to the Service Company in recent years because the charges that the Service Company has billed to NJAW have increased from approximately \$37,000,000.00 in 2009 to almost \$62,000,000.00 in 2012. While a majority of this increase is attributable to the New Business Transformation platform, the increase is still very significant for the ratepayers who have to pay these charges. Rate Counsel went on to say that following discussions with the Company and a review of the discovery, it was satisfied that: (a) the Company has begun making improvements to the areas that are of greatest concern to Rate Counsel; (b) NJAW appears to be responding to Rate Counsel's concern that its percentage of allocated charges has been too high; and (c) the Company is moving in the direction of increasing its percentage of direct charges. By increasing the percentage of direct charges, the Company has taken steps towards greater transparency in Service Company charges.

Rate Counsel stated that it would not object to the re-adoption of the Service Agreement if the Board adopted the following recommendations:

1. Petitioner be directed to increase the percentage of fees that it pays to the Service Company to at least fifty percent (overhead included) by the end of 2016 because the Company must continue its focus on increasing direct charges to ensure that NJAW ratepayers are paying only for those services that are benefiting New Jersey and not now subsidizing operations in other states or unregulated affiliates.
2. Approval of the petition should not include authorization to include in rates any expenses or capital items associated with the Service Agreement because such issues are properly reserved for base rate cases.
3. The Board's approval be limited only to the re-approval of the Service Agreement.

By letter dated August 24, 2015, the Petitioner responded to Rate Counsel's comments and requested that the Service Agreement be reapproved without the direct charge condition recommended by Rate Counsel. The Company stated that:

1. Rate Counsel did not offer any cost based justification for its recommendation; nor did Rate Counsel examine whether or not such a condition would create additional costs to comply or otherwise impede the efficiency to which services are provided to NJAW's customers.

2. Contrary to Rate Counsel's assertions, Rate Counsel and the Board have routinely reviewed the services provided by the Service Company to NJAW.
3. The Service Agreement has been scrutinized in at least two Board Ordered Management Audits.
4. The Service Company provides its services to NJAW and its affiliates at cost.
5. The Service Company endeavors to provide its services in the most efficient and cost effective fashion.

With regard to the requirement that Petitioner be required to increase the percentage of fees, the Board is not convinced that this additional requirement is necessary at this time. To the extent a question or issue arises regarding the charges allocated to NJAW, Rate Counsel and any other party will have the opportunity to examine any charges in the context of future rate proceeding.

The Board, after investigation, **HEREBY FINDS** that Service Agreements have been executed between Petitioner or its predecessor companies and the Service Company since 1971. The Board **ALSO FINDS** that the Service Company has provided administrative and operating services to NJAW and its predecessor companies pursuant to the terms of the Service Agreement. The Board, after review of the matter and the positions of both New Jersey-American Water Company, Inc. and Rate Counsel, **HEREBY APPROVES** the Petitioner's request to re-approve the Service Agreement subject to the following additional conditions:

1. This Order shall not be construed as directly or indirectly fixing for any purposes whatsoever the value of any tangible or intangible assets not owned or hereafter to be owned by Petitioner.
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, accounting, capitalization, depreciation, or in any other matters affecting New Jersey-American Water Company.
3. The Service Agreement with American Water Works Service Company, Inc. shall not be assigned to any party without prior approval of this Board.
4. American Water Works Service Company, Inc. shall maintain its books and records at its offices at 1025 Laurel Oak Road, Voorhees, New Jersey 08043 and shall make available its books and records for inspection by this Board, upon request of this Board, furnish any and all information with respect to the management services rendered by American Water Works Service Company, Inc. and the details and cost thereof.
5. The cost and expense of any examination of the books and records related to the Service Agreement by Board Staff or other duly appointed representative of the Board shall be borne by American Water Works Service Company, Inc.
6. The Petitioner shall obtain Board approval prior to the termination, renewal or amendment of the Service Agreement.

This Order shall be effective on November 26, 2015.

DATED: 11-10-15

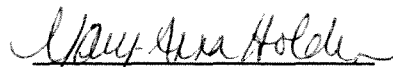
BOARD OF PUBLIC UTILITIES
BY:




RICHARD S. MROZ
PRESIDENT



JOSEPH L. FIORDALISO
COMMISSIONER



MARY-ANNA HOLDEN
COMMISSIONER

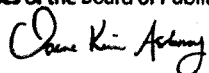


DIANNE SOLOMON
COMMISSIONER

ATTEST: 

IRENE KIM ASBURY
SECRETARY

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



THIS AGREEMENT AND PLAN OF MERGER (“Agreement”), dated March 9, 2023, between New Jersey-American Water Company, Inc. (“NJ American”), a New Jersey corporation, and Environmental Disposal Corp. (“EDC”), a New Jersey corporation, provides as follows:

WITNESSETH:

WHEREAS, NJ American owns all of the issued and outstanding common stock of EDC;

WHEREAS, the respective boards of directors and NJ American and EDC have approved this Agreement, pursuant to which EDC will merge with and into NJ American, with NJ American as the surviving corporation, and have authorized the respective officers of NJ American and EDC to execute and deliver this Agreement;

WHEREAS, Section 14A:10-1 *et seq.* of the New Jersey Business Corporation Act (the “New Jersey Act”) authorizes the merger of one or more New Jersey corporations with and into a New Jersey corporation; and

WHEREAS, EDC desires to merge with and into NJ American and NJ American wishes to acquire all of the properties and obligations of EDC.

NOW, THEREFORE, in consideration of the premises and of the mutual covenants, agreements and undertakings contained herein, and intending to be legally bound, the parties hereby agree as follows:

**SECTION 1
MERGER**

Section 1.1 Merger. In accordance with the provisions of this Agreement, and the New Jersey Act, at the Effective Time (as that term is hereinafter defined) EDC shall merge with and into NJ American, and NJ American shall continue as the surviving corporation (hereinafter such merger shall be referred to as the “Merger” and NJ American shall sometimes hereinafter be referred to as the “Surviving Corporation”). At the Effective Time, the separate corporate existence of EDC shall cease and the Surviving Corporation shall continue its corporate existence under the laws of the State of New Jersey.

Section 1.2 Consummation of Merger: Effective Time: The Merger will occur on the first business day after the end of the appeal period following the approval of the Merger by the New Jersey Board of Public Utilities (the “BPU”), or such other later date as the parties may agree, at which date and time the parties hereto will cause the Closing to occur and thereafter the Merger to be consummated by filing with the New

Jersey Department of the Treasury a Certificate of Merger in the form attached hereto as Exhibit A. The Merger shall be effective upon the filing of the certificate (the “Effective Time”).

Section 1.3 Closing. The Closing of the Merger and the other transactions contemplated hereby will take place in accordance with Section 1.2 above and be held at the offices of NJ American, 1 Water Street, Camden, New Jersey, or at such other place and time as the parties may agree.

Section 1.4 Consequences of Merger. The Certificate of Incorporation of NJ American in effect immediately prior to the Effective Time shall be the Certificate of Incorporation of the Surviving Corporation. The By-laws of NJ American in effect immediately prior to the Effective Time shall be the By-laws of the Surviving Corporation.

From and after the Effective Time, until successors are appointed in accordance with the By-laws of the Surviving Corporation, the directors and officers of the Surviving Corporation shall be as follows:

Board of Directors

Mark K. McDonough
Tywannette M. Balmir
Vincent Maione
Michael McKeever
Donald C. Shields
Thomas Shroba
Richard Smith

Officers

President.....	Mark K. McDonough
Director of Finance and Treasurer	Michael B. McKeever
Director – Human Resources	Deana Earland Perez
Vice President, Secretary and General Counsel	Stephen R. Bishop
Vice President – Operations.....	Thomas Shroba
Vice President – Engineering.....	Donald C. Shields
Assistant Secretary.....	Christopher M. Arfaa
Assistant Treasurer.....	David Bowler
Assistant Treasurer.....	Nicholas Furia
Assistant Comptroller	Melissa Ciullo

Without any action on the part of any person, the Surviving Corporation shall succeed to all rights and property of EDC and shall be subject to all the obligations and liabilities of both NJ American and EDC in the same manner as if the Surviving Corporation had itself incurred them.

Section 1.5 Assumption of Debt. NJ American shall assume all of the liabilities of EDC, and in connection therewith, NJ American shall execute such documents as may be necessary or desirable to assume all of the obligations of EDC.

Section 1.6 Further Assurances. If at any time after the Effective Time the Surviving Corporation shall consider it necessary or desirable to vest, perfect, confirm or record in the name of the Surviving Corporation its right, title or interest in and to the properties of EDC acquired by it by reason of and as a result of the Merger, or otherwise to carry out the purposes of this Agreement, the Surviving Corporation and its proper officers are authorized to execute and deliver in the name of and on behalf of EDC or the Surviving Corporation all such deeds, bills of sale, assignments and other documents and instruments, and to perform in the name of and on behalf of EDC and the Surviving Corporation, all such other acts and things necessary or desirable to vest, perfect, confirm or record all its right, title or interest in and to such properties in the Surviving Corporation or otherwise to carry out the purposes of this Agreement.

SECTION II CONSIDERATION AND CONVERSION OF SHARES

Section 2.1 No Need for Consideration. As the common stock of EDC is one hundred percent (100%) owned by NJ American, no consideration in cash or in stock is required to complete the Merger.

Section 2.2 Conversion. From and after the Effective Time, all outstanding shares of EDC's common stock shall no longer be outstanding and shall automatically be canceled and retired and cease to exist. Each share of EDC's common stock held in the treasury of EDC as of the Effective Time, if any, shall, by virtue of the Merger and without any action on the part of any person, be canceled without payment of any consideration therefor. Each share of NJ American common and preferred stock issued and outstanding at the Effective Time shall, following the Merger and without any action on the part of the holder thereof, remain issued and outstanding and each shareholder thereof will hold the same number of shares, with identical designations, preferences, limitations, and rights.

SECTION III TERMINATION OF AGREEMENT

Section 3.1 Termination of Agreement. This Agreement may be terminated at any time prior to the Effective Time:

- (a) By mutual consent of NJ American and EDC;

- (b) If any law or rule or order, decree, writ or injunction shall be enacted or issued that renders the Merger inadvisable or undesirable in the opinion of the Board of Directors of NJ American or EDC; or
- (c) If the BPU does not approve the Merger.

Section 3.2 Effect of Termination. In the event of the termination of this Agreement pursuant to Section 3.1, this Agreement shall forthwith become null and void and there shall be no liability on the part any party hereto or its shareholders, directors or officers.

SECTION IV MISCELLANEOUS

Section 4.1 Entire Agreement: Amendments. This Agreement contains the entire understanding between the parties hereto, and no agreements, representations or warranties, oral or written, express or implied, have been made by the parties which are not set forth or referred to expressly in this Agreement. No alteration, amendment or modification of this Agreement shall be valid unless made in a written instrument signed by the parties hereto.

Section 4.2 Successors and Assigns. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns, but no other third party shall be a beneficiary hereof.

Section 4.3 Section Headings. The section paragraph headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

Section 4.4 Expenses. Whether or not the Merger shall close, each party hereto shall pay its own expenses incurred in connection with this Agreement and the transactions contemplated hereby, including without limitation, their respective legal and accounting fees.

Section 4.5 Further Assurances. The parties agree to execute and deliver such further instruments and documents and to take such further actions as are necessary or desirable to consummate the transactions contemplated hereby.

Section 4.6 Applicable Law. This Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of New Jersey.

Section 4.7 Counterparts. This Agreement may be executed in two or more counterparts each of which shall be an original instrument, but all of which shall constitute one and the same instrument.

Section 4.8 Variation of Pronouns. All pronouns and variations thereof shall be deemed to refer to masculine, feminine, neuter, singular or plural, as the identity of the person or persons may require in context.

Section 4.9 Severability. Every provision of this Agreement is intended to be severable, and in the event that any one or more provisions are deemed invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions hereof or thereof shall not be affected or impaired thereby, and any invalidity, illegality or unenforceability in any jurisdiction shall not affect the same in any other jurisdiction.

IN WITNESS WHEREOF, the undersigned hereunto set their hands as of the day and year first above written.

ATTEST:

NEW JERSEY-AMERICAN WATER COMPANY, INC.



Christopher M. Arfaa

By: 

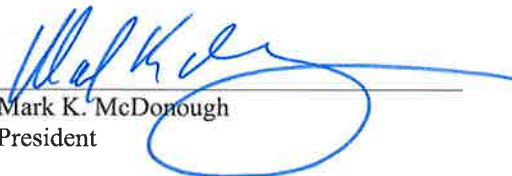
Mark K. McDonough
President

ATTEST:

ENVIRONMENTAL DISPOSAL CORP.



Christopher M. Arfaa

By: 

Mark K. McDonough
President

EXHIBIT A

UMC-2 11/03

New Jersey Division of Revenue
Certificate of Merger
(Profit Corporations)

This form may be used to record the merger or consolidation of a corporation with or into another business entity or entities, pursuant to NJSA 14A. Applicants must ensure strict compliance with the requirements of State law and insure that all filing requirements are met. This form is intended to simplify filing with the State Treasurer. Applicants are advised to seek out private legal advice before submitting filings to the Department of the Treasury, Division of Revenue's office.

1. Type of Filing: **Merger**
2. Name of Surviving Business Entity: **New Jersey-American Water Company, Inc.**
3. Name(s)/Jurisdiction(s) of All Participating Business Entities:

<u>Name</u>	<u>Jurisdiction</u>	<u>Identification #</u>
New Jersey-American Water Company, Inc.	New Jersey	0001011600
Environmental Disposal Corp.	New Jersey	0100130016

4. Date Merger adopted: **November 7, 2022**

5. Voting:

(a) **New Jersey-American Water Company, Inc.**

Pursuant to N.J.S.A. 14A:10-3(4), no vote of the shareholders of New Jersey-American Water Company, Inc. is required to approve the merger. The merger has been unanimously approved by the Board of Directors of New Jersey-American Water Company, Inc.

(b) **Environmental Disposal Corp.**

77,000 shares of Common Stock Outstanding

Pursuant to N.J.S.A. 14A:10-5.1(1), since New Jersey-American Water Company, Inc. owns 100% of the outstanding shares of Environmental Disposal Corp., no vote of the shareholders of Environmental Disposal Corp. is required to approve the merger. The merger has been unanimously approved by the Board of Directors of Environmental Disposal Corp.

6. Service of Process Address (For use if the surviving business entity is not authorized or registered by the State Treasurer: **N/A (New Jersey-American Water Company, Inc. is surviving entity and is a corporation registered by the State Treasurer)**

The surviving business entity agrees that it may be served with process in this State in any action, suit or proceeding for the enforcement of any obligation of any domestic or foreign corporation, previously amenable to suit in this State, which is a party to this merger/consolidation, and in any proceeding for the enforcement of the rights of a dissenting shareholder of such domestic corporation against the surviving corporation.

The State Treasurer is hereby appointed as agent to accept service of process in any such action, suit, or proceeding which shall be forwarded to the surviving business entity at the Service of Process address stated above.

The Surviving Business Entity also agrees that it will promptly pay to the dissenting shareholders of any such domestic corporation the amount, if any, to which they may be entitled under the provisions of Title I 4A.

7. Effective Date: the date of filing of this Certificate.

Entity	Signature	Name	Title	Date
New Jersey- American Water Company, Inc.	_____	Mark K. McDonough	President	
Environmental Disposal Corp.	_____	Mark K. McDonough	President	

**Remember to attach: 1) the plan of merger or consolidation; and 2) if the surviving or resulting business is not a registered or authorized domestic or foreign corporation, a Tax Clearance Certificate for each participating corporation.

NJ Division of Revenue, PO Box 308, Trenton NJ 08646

NEW JERSEY-AMERICAN WATER COMPANY, INC.
Board of Directors Meeting
November 7, 2022

Agenda Item 5

Action for Board Consideration:

**APPROVE THE MERGER OF ENVIRONMENTAL DISPOSAL CORP.
WITH AND INTO NEW JERSEY-AMERICAN WATER COMPANY, INC.**

RESOLVED, that subject to the approval of the New Jersey Board of Public Utilities (“BPU”), the merger of Environmental Disposal Corp., a New Jersey corporation, (“EDC”) with and into the Company is hereby authorized, pursuant to a proposed Agreement and Plan of Merger between the Company and EDC, a copy of which is attached hereto as **Exhibit A** (such Agreement and Plan of Merger as it may be so amended, being the “Merger Agreement”), and represented by the Certificate of Merger to be filed with the Department of Treasury of the State of New Jersey, a copy of which is attached hereto as **Exhibit B** (such Certificate of Merger as it may be so amended, being the “Certificate of Merger”);

RESOLVED, that the proper officers of the Company be, and each of them acting alone hereby is, authorized and directed to file or cause to be filed a petition with the BPU for authorization and approval of the merger of EDC with and into the Company;

RESOLVED, that the form, terms and provisions of such proposed Merger Agreement and the Certificate of Merger, drafts of which have been submitted to the Board of Directors of the Company and filed with the records of the Company, be, and they hereby are approved, and the proper officers of the Company be, and each of them acting alone hereby is, authorized and directed to execute and deliver such Merger Agreement and Certificate of Merger in the name and on behalf of the Company, with such changes, additions and modifications thereto as the officer or officers of the Company executing and/or delivering the same shall approve, such execution and delivery to be conclusive evidence of such approval on behalf of the Company;

RESOLVED, that the proper officers of the Company be, and each of them acting alone hereby is, authorized to execute and deliver in the name and on behalf of the Company such amendments to such Merger Agreement and Certificate of Merger as the officer or officers of the Company executing and/or delivering the same shall approve, such execution and delivery to be conclusive evidence of such approval on behalf of the Company;

RESOLVED, that, upon authorization and approval by the BPU, the Merger be consummated in accordance with the terms and conditions of the Merger Agreement, effective upon the filing of the Certificate of Merger relating to the Merger with the Department of the Treasury of the State of New Jersey and that the proper officers of the

Board of Directors Meeting
New Jersey-American Water Company, Inc. – November 7, 2022
Approval of Merger of EDC and New Jersey-American Water

Company be, and each of them acting alone hereby is, authorized to execute and deliver in the name and on behalf of the Company, to file the Certificate of Merger with the Department of Treasury of the State of New Jersey;

RESOLVED, pursuant to the Merger Agreement, the Company is hereby authorized to make, execute and deliver any documents or agreements as may be necessary or desirable in order to assume all of the obligations of EDC;

RESOLVED, that the proper officers of the Company be, and each of them hereby are, authorized and directed to take any and all appropriate actions in furtherance of the foregoing resolutions.



Mark K. McDonough
7 Nov, 2022 11:08:09 AM EST



Tywannette M. Balmir
7 Nov, 2022 11:08:13 AM EST



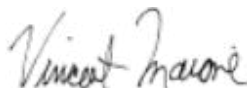
Donald C. Shields
7 Nov, 2022 11:08:16 AM EST



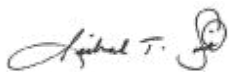
Thomas Shroba
7 Nov, 2022 11:08:23 AM EST



Michael B. McKeever
7 Nov, 2022 11:20:25 AM EST



Vincent Maione
7 Nov, 2022 11:08:24 AM EST



Richard Smith
7 Nov, 2022 11:08:49 AM EST

ENVIRONMENTAL DISPOSAL CORP.
UNANIMOUS WRITTEN CONSENT OF BOARD OF DIRECTORS

The undersigned, being all of the Directors of ENVIRONMENTAL DISPOSAL CORP. (the "Company"), acting pursuant to Section 14A:6-7.1 of the New Jersey Business Corporation Act, do hereby approve, adopt and consent to the following resolutions and agree that said resolutions shall have the same force and effect as though duly adopted at a meeting of the Board of Directors of the Company duly called and held:

RESOLVED, that subject to the approval of the New Jersey Board of Public Utilities ("BPU"), the Company merge with and into New Jersey-American Water Company, Inc. ("New Jersey American") (the "Merger"), pursuant to a proposed Agreement and Plan of Merger between the Company and New Jersey American, a copy of which is attached hereto as **Exhibit A** (such Agreement and Plan of Merger as it may be so amended, being the "Merger Agreement") and represented by the Certificate of Merger to be filed with the Department of Treasury of the State of New Jersey, a copy of which is attached hereto as **Exhibit B** (such Certificate of Merger as it may be so amended, being the "Certificate of Merger");

RESOLVED, that the proper officers of the Company be, and each of them acting alone hereby is, authorized and directed to file or cause to be filed a petition with the BPU for authorization and approval of the merger of the Company with and into New Jersey American;

RESOLVED, that the form, terms and provisions of such proposed Merger Agreement and the Certificate of Merger, drafts of which have been submitted to the Board of Directors of the Company and filed with the records of the Company, be, and they hereby are approved, and the proper officers of the Company be, and each of them acting alone hereby is, authorized and directed to execute and deliver such Merger Agreement and Certificate of Merger in the name and on behalf of the Company, with such changes, additions and modifications thereto as the officer or officers of the Company executing and/or delivering the same shall approve, such execution and delivery to be conclusive evidence of such approval on behalf of the Company;

RESOLVED, that the proper officers of the Company be, and each of them acting alone hereby is, authorized to execute and deliver in the name and on behalf of the Company such amendments to such Merger Agreement and Certificate of Merger as the officer or officers of the Company executing and/or delivering the same shall approve, such execution and delivery to be conclusive evidence of such approval on behalf of the Company;

RESOLVED, that, upon authorization and approval by the BPU, the Merger be consummated in accordance with the terms and conditions of the Merger Agreement, effective upon the filing of the Certificate of Merger relating to the Merger with the Department of the Treasury of the State of New Jersey and that the proper officers of the Company be, and each of them acting alone hereby is, authorized to execute and deliver in the name and on behalf of the

Environmental Disposal Corp (EDC): NJAWC and EDC Merger - Unanimous Written Consent - Approval of Merger (NJAWC and EDC)

Company, to file the Certificate of Merger with the Department of Treasury of the State of New Jersey.

RESOLVED, that the proper officers of the Company be, and each of them hereby are, authorized and directed to take any and all appropriate actions in furtherance of the forgoing resolutions.

IN WITNESS WHEREOF, the undersigned have executed this unanimous written consent on the dates set forth below, and it shall be effective as of November 7, 2022.



Mark K. McDonough
29-Nov-2022 9:27:31 PM EST



Michael B. McKeever
29-Nov-2022 16:29 AM EST



Thomas Shroba
29-Nov-2022 1:07:18 PM EST

NAME OF UTILITY: Environmental Disposal Corporation

YEAR

2021

COMPARATIVE BALANCE SHEET					
ASSETS AND OTHER DEBITS					
		SCHED. PAGE NO. (b)	BALANCE END OF YEAR (c)	BALANCE BEGINNING OF YEAR (d)	INCREASE OR (Decrease) (e)
UTILITY PLANT					
101-05	Utility Plant	13	45,032,664	44,008,442	1,024,222
107	Construction Work in Progress	15	389,177	611,681	(222,504)
108	Utility Plant Acquisition Adjustments	-	0	0	0
109	Utility Plant Adjustments	-	0	0	0
111	Depreciation and Amortization Reserve for	-	0	0	0
	Utility Plant (Cr.)	16	(22,429,276)	(21,521,342)	(907,934)
	Net Utility Plant		22,992,565	23,098,781	(106,216)
OTHER PROPERTY AND INVESTMENTS					
121	Nonutility Property	-	0	0	0
122	Dep. Reserve for Nonutility Property (Cr.)	-	0	0	0
123	Investment in Assoc. Companies	-	12,310,329	12,310,329	0
124	Other Investments	-	309,531	385,316	(75,785)
125	Sinking Funds	-	0	0	0
128	Miscellaneous Special Funds	-	0	0	0
	Total Other Property and Investments		12,619,860	12,695,645	(75,785)
CURRENT AND ACCURED ASSETS					
131	Cash	-	(2,219)	(2,219)	0
134	Special Deposits	-	0	0	0
141	Notes Receivable	-	0	0	0
142	Accounts Receivable/Customer A/R & Other	-	515,883	466,992	48,891
144	Reserve for Uncollect. Accts. (Cr.)	-	(146,930)	(96,177)	(50,753)
146	Receivables from Assoc. Companies	-	0	0	0
156	Materials and Supplies	-	9,767	12,162	(2,395)
160	Prepayments	18	91,264	102,905	(11,641)
174	Other Current and Accrued Assets	18	363,475	337,549	25,926
	Total Current and Accrued Assets		831,240	821,212	10,028
DEFERRED DEBITS					
181	Unamort. Debt Disc. and Expense	19	231,967	241,734	(9,767)
182	Extraordinary Property Losses	20	0	0	0
183	Preliminary Survey and Investigation Charges	-	0	0	0
184	Retirement Work in Progress	-	0	0	0
186	Other Deferred Debits	20	50,006	71,789	(21,783)
	Total Deferred Debits		281,973	313,523	(31,550)
Total Assets and Other Debits					
			36,725,638	36,929,161	(203,523)

NAME OF UTILITY: Environmental Disposal Corporation

YEAR

2021

COMPARATIVE BALANCE SHEET				
LIABILITIES AND OTHER CREDITS				
	SCHED. PAGE NO. (b)	BALANCE END OF YEAR (c)	BALANCE BEGINNING OF YEAR (d)	INCREASE OR (Decrease) (e)
CAPITAL STOCK AND SURPLUS				
201	Common Stock	7,700,000	7,700,000	0
204	Preferred Stock	0	0	0
206	Stock Liability for Conversion	0	0	0
207	Premiums and Assessments on Capital Stock-P.I.C.	11,973,729	11,973,729	0
208	Capital Stock Subscribed	0	0	0
210	Installments Received on Capital Stock	0	0	0
212	Capital Stock Expense-Dr.	0	0	0
214	Reacquired Capital Stock (Dr.)	0	0	0
215	Non-operating Surplus (Capital Surplus)	0	0	0
216	Retained Earnings (Earned Surplus)	9,080,203	7,505,854	1,574,349
	Total	28,753,932	27,179,583	1,574,349
LONG TERM DEBT				
221	Bonds	0	0	0
222	Receivers' Certificates	0	0	0
223	Advances from Assoc. Companies	0	0	0
224	Miscellaneous Long-Term Debt	0	0	0
225	Reacquired Long-Term Dr.	0	0	0
	Total Long-Term Debt	0	0	0
CURRENT AND ACCURED LIABILITIES				
231	Notes Payable (Due within (1) year)	0	0	0
232	Accounts Payable	81,720	50,543	31,177
234	Payable to Assoc. Companies	(742,835)	1,698,680	(2,441,515)
235	Customers' Deposits	0	0	0
236	Taxes Accrued	4,921,357	4,205,711	715,646
237	Interest Accrued	0	0	0
238	Dividends Declared and Unpaid	0	0	0
239	Matured Long-Term Debt	0	0	0
242	Other Cur. and Accrued Liabilities	62,398	38,833	23,565
	Total Current and Accrued Liabilities	4,322,640	5,993,767	(1,671,127)
DEFERRED CREDITS				
251	Unamortized Premium on Debt	0	0	0
252	Customers' Advances for Construction	0	0	0
253	Other Deferred Credits	0	0	0
	Total Deferred Credits	0	0	0
OTHER CREDITS				
261	Operating and Other Reserves	0	0	0
271	Contributions in Aid of Construction	3,649,066	3,755,811	(106,745)
	Total Other Credits	3,649,066	3,755,811	(106,745)
	Total Liabilities and Other Credits	36,725,638	36,929,161	(203,523)

NAME OF UTILITY: Environmental Disposal Corporation

YEAR 2021

INCOME STATEMENT					
1. Report below a statement of income for the year according to prescribed accounts.					
2. If the increases and decreases are not derived from previously reported figures explain in footnotes.					
NUMBER AND TITLES OF ACCOUNTS (a)	FROM PAGE NO. (b)	CURRENT YEAR (c)	TOTAL PRECEDING YEAR (d)	INCREASE OR (Decrease) (e)	
I. UTILITY OPERATING INCOME					
400	Operating Revenues	28	5,541,866	5,369,481	172,385
OPERATING REVENUE DEDUCTIONS					
401	Operation Expense	29	1,697,049	1,707,336	(10,287)
402	Maintenance Expense	30	143,469	64,269	79,200
403	Depreciation Expense	17	927,189	891,856	35,333
404-7	Amortization Expense	-	0	0	0
408	Taxes Other Than Income Taxes	25	740,977	731,011	9,966
409	Income Taxes	25	468,104	872,788	(404,684)
Total Operating Expenses			3,976,788	4,267,260	(280,185)
Net Operating Revenues			1,565,078	1,102,221	462,857
412	Income from of Other Utilty Plant Leased to Others	-	0	0	0
SEWERAGE OPERATING INCOME			1,565,078	1,102,221	462,857
Net Income of Other Utility Departments					
II. OTHER INCOME					
417	Income from Nonutility Operations	32	0	0	0
418	Nonoperating Rental Income	32	0	0	0
419	Interest and Dividend Income	32	0	0	0
421	Miscellaneous Nonoperating Income	32	0	0	0
Total Other Income			0	0	0
GROSS INCOME			1,565,078	1,102,221	462,857
III. MISCELLANEOUS INCOME DEDUCTIONS					
425	Miscellaneous Amortization	33	9,767	9,767	0
426	Other Income Deductions	33	0	0	0
428	Interest on Long-Term Debt	23	0	0	0
431	Interest on Debt to Associated Companies	24	0	0	0
432	Other Interest Charges	-	0	0	0
433	Interest Charges to Construction-Credit AFUDC	-	(19,038)	(98,563)	79,525
Total Income Deductions			(9,271)	(88,796)	79,525
NET INCOME (to page 11)			1,574,349	1,191,017	383,332

NAME OF UTILITY NEW JERSEY-AMERICAN WATER COMPANY, INC. YEAR **2021**

(This Schedule for use by Class A and B)

COMPARATIVE BALANCE SHEET
WATER & SEWER

ASSETS AND OTHER DEBITS

		SCHED. PAGE NO. (b)	BALANCE END OF YEAR (c)	BALANCE BEGINNING OF YEAR (d)	INCREASE OR (Decrease) (e)
101-06	Utility Plant	15,13S	6,438,600,943	6,090,286,219	348,314,724
107	Construction Work in Progress	15S,18	179,862,872	156,532,954	23,329,918
111-13	Accum. Prov. for Depreciation (Cr.)	16S,20	(1,447,674,466)	(1,361,075,450)	(86,599,016)
114-16	Accum. Prov. for Amort. of Ut. Plt. (Cr.)	---	3,464,062	(8,589,301)	12,053,363
117-19	Utility Plant Adjustments	---	0	0	0
	Net Utility Plant		5,174,253,411	4,877,154,422	297,098,989
121	Nonutility Property	---	594,145	594,145	0
122	Accum. Prov. for Dept. and Amort of Nonutility Property (Cr.)	---	0	0	0
123	Investment in Assoc. Companies	22	31,645,000	31,676,177	(31,177)
124	Other Investments	22	15,719	11,200	4,519
125	Sinking Funds	---	0	0	0
126	Depreciation Fund	---	0	0	0
128	Other Special Funds	---	0	0	0
	Total Other Property and Investments		32,254,864	32,281,522	(26,658)
131	Cash	---	2,735,418	2,325,878	409,540
132-4	Special Deposits	---	2,230,000	8,600	2,221,400
135	Working Funds	---	0	0	0
136	Temporary Cash Investments	22	0	0	0
141	Notes Receivable	---			0
142	Customer Accounts Receivable	---	85,869,067	68,759,382	17,109,685
143	Other Accounts Receivable	---	11,496,056	8,793,332	2,702,724
144	Accum. Prov. for Uncollect. Accts. (Cr.)	22	(19,853,210)	(7,050,921)	(12,802,289)
145	Notes Rec. from Assoc. Companies	---	0	0	0
146	Accts. Rec. from Assoc. Companies	---	20,010,846	112,342,262	(92,331,416)
151-163	Materials and Supplies	---	14,913,931	12,061,076	2,852,855
165	Prepayments	23	9,386,445	6,802,077	2,584,368
171	Interest and Dividends Receivable	---	0	0	0
172	Rents Receivable	---	0	0	0
173	Accrued Utility Revenue	---	41,121,966	36,859,689	4,262,277
174	Misc. Current and Accrued Assets	23	670,743	720,324	(49,581)
	Total Current and Accrued Assets		168,581,262	241,621,699	(73,040,437)
181	Unamort. Debt Disc. and Expense	24	20,627,703	22,050,880	(1,423,177)
182	Extraordinary Property Losses	---	0	0	0
183-186	Other Deferred Debits	25	74,369,017	57,470,033	16,898,984
	Total Deferred Debits		94,996,720	79,520,913	15,475,807
	Total Assets and Other Debits		5,470,086,257	5,230,578,556	239,507,701

NAME OF UTILITY NEW JERSEY-AMERICAN WATER COMPANY, INC. YEAR 2021

(This Schedule for use by Class A and B)				
COMPARATIVE BALANCE SHEET				
LIABILITIES AND OTHER CREDITS				
	SCHED. PAGE NO. (b)	BALANCE END OF YEAR (c)	BALANCE BEGINNING OF YEAR (d)	INCREASE OR (Decrease) (e)
201-3 Common Capital Stock	26	86,974,200	86,974,200	0
204-6 Preferred Capital Stock	26	0	0	0
207-11 Other Paid-In Capital	27	1,181,081,036	1,062,184,889	118,896,147
212 Installments Rec. on Cap. Stock	---	0	0	0
214 Capital Stock Expense (Dr.)	---	0	0	0
215 Appropriated Earned Surplus	28	0	0	0
216 Unappropriated Earned Surplus	28	785,964,055	721,364,780	64,599,275
217 Reacquired Capital Stock (Dr.)	26	0	0	0
Total Proprietary Capital		2,054,019,291	1,870,523,869	183,495,422
221-22 Bonds	29	1,748,217,170	1,588,027,050	160,190,120
223 Advances from Assoc. Companies	29	0	0	0
224 Other Long-Term Debt	29	609,766	701,631	(91,865)
Total Long-Term Debt		1,748,826,936	1,588,728,681	160,098,255
231 Notes Payable	30	0	0	0
232 Accounts Payable	---	113,821,065	92,798,858	21,022,207
233 Notes Payable to Assoc. Companies	30	206,032,728	346,288,069	(140,255,341)
234 Accts. Payable to Assoc. Companies	---	4,814,676	7,724,283	(2,909,607)
235 Customer Deposits	---	0	0	0
236 Taxes Accrued	31	(2,290,957)	(1,063,848)	(1,227,109)
237 Interest Accrued	---	12,121,942	11,800,758	321,184
238 Dividends Declared	---	0	0	0
239 Matured Long-Term Debt	---	0	0	0
240 Matured Interest	---	0	0	0
241 Tax Collection Payable	---	969	2,255	(1,286)
242 Misc. Cur. and Accrued Liabilities	32	33,620,335	28,855,273	4,765,062
Total Current and Accrued Liabilities		368,120,758	486,405,648	(118,284,890)
251 Unamortized Premium on Debt	---	0	0	0
252 Customer Advances for Construction	---	121,255,523	101,557,262	19,698,261
253-55 Other Deferred Credits	32	396,499,814	461,790,294	(65,290,480)
Total Deferred Credits		517,755,337	563,347,556	(45,592,219)
261 Property Insurance Reserve	33	0	0	0
262 Injuries and Damages Reserve	33	0	0	0
263 Pensions and Benefits Reserve	33	0	0	0
265 Miscellaneous Operating Reserves	33	537,969,868	477,738,102	60,231,766
Total Operating Reserves		537,969,868	477,738,102	60,231,766
271 Contributions in Aid of Construction	---	243,394,067	243,834,701	(440,634)
Total Liabilities and Other Credits		5,470,086,257	5,230,578,557	239,507,700

NAME OF UTILITY NEW JERSEY-AMERICAN WATER COMPANY, INC.

YEAR **2021**

INCOME STATEMENT WATER & SEWER				
1. Report below a statement of income for the year according to prescribed accounts.				
2. If the increases and decreases are not derived from previously reported figures explain in footnotes.				
NUMBER AND TITLES OF ACCOUNTS (a)	FROM PAGE NO. (b)	CURRENT YEAR (c)	TOTAL PRECEDING YEAR (d)	INCREASE OR (Decrease) (e)
I. UTILITY OPERATING INCOME				
400 Operating Revenues	35, 28S	819,834,705	790,733,571	29,101,134
OPERATING EXPENSE				
401 Operation Expense	37, 38, 40	241,799,383	230,746,337	11,053,046
402 Maintenance Expense	37, 38, 40	24,788,497	24,219,585	568,912
403 Depreciation Expense	20, 16S	147,650,804	138,336,681	9,314,123
404-7 Amortization Expense	---	1,747,611	1,314,401	433,210
408 Taxes Other Than Income Taxes	31	115,766,723	109,652,249	6,114,474
409 Income Taxes	31	14,285,838	40,851,032	(26,565,194)
Total Operating Expenses		546,038,856	545,120,285	918,571
Net Operating Revenues		273,795,849	245,613,286	28,182,563
412-13 Income from Other Utility Plant Leased to Others	8	529,259	373,080	156,179
UTILITY OPERATING INCOME		274,325,108	245,986,366	28,338,742
Net Income of Other Utility Departments			0	0
II. OTHER INCOME				
417 Income from Nonutility Operations	36	7,840,273	7,684,400	155,873
418 Nonoperating Rental Income	36	0	0	0
419 Interest and Dividend Income	36	294,416	363,336	(68,920)
421 Miscellaneous Nonoperating Income	36	290,009	300,963	(10,954)
Total Other Income		8,424,698	8,348,699	75,999
GROSS INCOME		282,749,806	254,335,065	28,414,741
III. MISCELLANEOUS INCOME DEDUCTIONS				
425 Miscellaneous Amortization	42	98,975	98,975	0
426 Other Income Deductions	42	130,667	86,472	44,195
Total Miscellaneous Income Deductions		229,642	185,447	44,195
INCOME BEFORE INTEREST CHARGES		282,520,164	254,149,618	28,370,546
IV. INTEREST CHARGES				
427 Interest on Long-Term Debt	29	59,545,118	61,946,961	(2,401,843)
428-9 Amortization Deductions (net)	24	3,238,555	2,611,422	627,133
430 Interest on Debt to Associated Companies	42	522,388	3,018,636	(2,496,248)
431 Other Interest Expense	42	(205,551)	(1,137,464)	931,913
432 Interest Charges to Construction-Credit	---	(2,180,880)	(2,578,309)	397,429
Total Interest Charges		60,919,630	63,861,246	(2,941,616)
NET INCOME (to page 28)		221,600,534	190,288,372	31,312,162

New Jersey-American Water Company, Inc.

**(A wholly-owned subsidiary of
American Water Works Company, Inc.)**

Consolidated Financial Statements

As of and for the years ended December 31, 2021 and 2020



Report of Independent Auditors

To the Board of Directors of
New Jersey-American Water Company, Inc.

Opinion

We have audited the accompanying consolidated financial statements of New Jersey-American Water Company, Inc. and its subsidiary (the "Company"), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, and the related consolidated statements of income, comprehensive income, changes in common stockholder's equity, and cash flows for the years then ended, including the related notes (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute



assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

PricewaterhouseCoopers LLP

March 17, 2022

NEW JERSEY-AMERICAN WATER COMPANY, INC.
Consolidated Balance Sheets
For the Years Ended December 31, 2021 and 2020
(Dollars in thousands)

	<u>2021</u>	<u>2020</u>
ASSETS		
Property, plant and equipment	\$ 6,667,715	\$ 6,283,183
Accumulated depreciation	<u>(1,600,864)</u>	<u>(1,521,189)</u>
Property, plant and equipment, net	<u>5,066,851</u>	<u>4,761,994</u>
Current assets:		
Cash and cash equivalents	2,758	2,246
Accounts receivable, net of allowance for uncollectible accounts of \$20,502 and \$7,606, respectively	77,881	70,872
Unbilled revenues	41,485	37,197
Accounts receivable - affiliated company	15,196	6,466
Materials and supplies	14,924	12,073
Prepaid taxes	8,841	6,448
Other	4,263	1,264
Total current assets	<u>165,348</u>	<u>136,566</u>
Regulatory and other long-term assets:		
Regulatory assets	189,670	183,858
Operating lease right-of-use assets	5,675	5,669
Goodwill	43,955	43,955
Pension and postretirement benefit assets	20,251	5,299
Other	3,304	1,148
Total regulatory and other long-term assets	<u>262,855</u>	<u>239,929</u>
Total assets	<u><u>\$ 5,495,054</u></u>	<u><u>\$ 5,138,489</u></u>

The accompanying notes are an integral part of these Consolidated Financial Statements.

NEW JERSEY-AMERICAN WATER COMPANY, INC.
Consolidated Balance Sheets
For the Years Ended December 31, 2021 and 2020
(Dollars in thousands)

	<u>2021</u>	<u>2020</u>
CAPITALIZATION AND LIABILITIES		
Capitalization:		
Common stockholder's equity	\$ 2,082,773	\$ 1,897,673
Long-term debt, excluding current portion	1,699,017	1,520,954
Total capitalization	<u>3,781,790</u>	<u>3,418,627</u>
Current liabilities:		
Notes payable - affiliated company	198,361	234,805
Current portion of long-term debt	49,810	67,774
Accounts payable	113,903	92,849
Accounts payable - affiliated company	—	4,060
Accrued interest	12,122	11,801
Current portion of advances for construction	10,468	11,631
Other	41,579	40,832
Total current liabilities	<u>426,243</u>	<u>463,752</u>
Regulatory and other long-term liabilities:		
Advances for construction	110,788	89,927
Deferred income taxes and investment tax credits	523,044	472,789
Regulatory liabilities	375,684	422,926
Operating lease liabilities	6,292	6,259
Accrued pension expense	—	1,974
Other	24,169	14,644
Total regulatory and other long-term liabilities	<u>1,039,977</u>	<u>1,008,519</u>
Contributions in aid of construction	247,044	247,591
Commitments and contingencies (see Note 16)		
Total capitalization and liabilities	<u>\$ 5,495,054</u>	<u>\$ 5,138,489</u>

The accompanying notes are an integral part of these Consolidated Financial Statements.

NEW JERSEY-AMERICAN WATER COMPANY, INC.
Consolidated Statements of Income
For the Years Ended December 31, 2021 and 2020
(Dollars in thousands)

	<u>2021</u>	<u>2020</u>
Operating revenues	<u>\$ 825,906</u>	<u>\$ 796,476</u>
Operating expenses (income):		
Operation and maintenance	285,355	266,462
Depreciation and amortization	150,326	140,543
General taxes	116,508	110,383
Gain on asset dispositions	(30)	(64)
Total operating expenses, net	<u>552,159</u>	<u>517,324</u>
Operating income	<u>273,747</u>	<u>279,152</u>
Other income (expenses):		
Interest, net	(62,817)	(66,088)
Allowance for other funds used during construction	8,005	7,856
Allowance for borrowed funds used during construction	2,186	2,608
Non-operating benefit costs, net	16,927	9,694
Other, net	(119)	(49)
Total other expenses	<u>(35,818)</u>	<u>(45,979)</u>
Income before income taxes	237,929	233,173
Provision for income taxes	14,754	41,724
Net income	<u>\$ 223,175</u>	<u>\$ 191,449</u>

The accompanying notes are an integral part of these Consolidated Financial Statements.

NEW JERSEY-AMERICAN WATER COMPANY, INC.
Consolidated Statements of Comprehensive Income
For the Years Ended December 31, 2021 and 2020
(Dollars in thousands)

	<u>2021</u>	<u>2020</u>
Net income attributable to common stockholder	\$ 223,175	\$ 191,449
Other comprehensive income (loss), net of tax:		
Change in employee benefit plan funded status, net of tax of \$129 and \$20 in 2021 and 2020, respectively	488	(72)
Net other comprehensive income (loss)	488	(72)
Comprehensive income attributable to common stockholder	<u>\$ 223,663</u>	<u>\$ 191,377</u>

The accompanying notes are an integral part of these Consolidated Financial Statements.

NEW JERSEY-AMERICAN WATER COMPANY, INC.
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2021 and 2020
(Dollars in thousands)

	2021	2020
Cash flows from operating activities		
Net income	\$ 223,175	\$ 191,449
Adjustments to reconcile to net cash flows provided by operating activities		
Depreciation and amortization	150,326	140,642
Amortization of debt expense	3,248	2,621
Deferred income taxes and amortization of investment tax credits	14,754	27,561
Provision for losses on accounts receivable	3,137	2,897
Allowance for other funds used during construction	(8,005)	(7,856)
Gain on asset dispositions	(30)	(64)
Pension and non-pension postretirement benefits	(9,328)	(3,069)
Other, net	(5,774)	(1,918)
Changes in assets and liabilities:		
Accounts receivable and unbilled revenues	(24,193)	(18,136)
Pension and non-pension postretirement benefit contributions	(6,980)	(6,832)
Accounts payable	1,906	4,913
Accounts receivable - affiliated company and Accounts payable - affiliated company, net	(9,502)	(7,312)
Accrued interest	321	(567)
Other current liabilities	(4,657)	4,186
Net cash provided by operating activities	<u>328,398</u>	<u>328,515</u>
Cash flows from investing activities		
Capital expenditures	(405,884)	(430,054)
Acquisitions	(2,230)	(12,528)
Removal costs from property, plant and equipment retirements, net	(25,390)	(23,899)
Proceeds from the disposition of property, plant and equipment	340	—
Net cash used in investing activities	<u>(433,164)</u>	<u>(466,481)</u>
Cash flows from financing activities		
Proceeds from issuance of long-term debt	196,383	169,116
Repayment of long-term debt	(35,801)	(13,681)
Debt issuance costs and make-whole premium on early debt redemption	(142)	(4,960)
Net borrowings of notes payables - affiliated company	(36,444)	(14,103)
Advances and contributions, net of refunds of \$6,221 and \$8,561 in 2021 and 2020, respectively	23,663	13,202
Capital contributions by stockholder	115,000	126,000
Dividends paid	(157,459)	(139,714)
Net cash provided by financing activities	<u>105,200</u>	<u>135,860</u>
Net increase (decrease) in cash and restricted cash	434	(2,106)
Cash and restricted cash at beginning of year	2,339	4,445
Cash and restricted cash at end of year	<u>\$ 2,773</u>	<u>\$ 2,339</u>
Cash paid during the year for:		
Interest, net of capitalized amount	\$ 57,051	\$ 59,269
Income taxes	\$ 17,963	\$ 18,730
Non-cash investing activity		
Capital expenditures acquired on account but unpaid as of year end	\$ 78,531	\$ 60,923

The accompanying notes are an integral part of these Consolidated Financial Statements.

NEW JERSEY-AMERICAN WATER COMPANY, INC.
Consolidated Statements of Changes in Common Stockholder's Equity
For the Years Ended December 31, 2021 and 2020
(Dollars in thousands)

	Common Stock		Paid-in-Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Total
	Shares	Par Value				
Balance as of December 31, 2019	3,478,968	\$ 86,974	\$ 955,343	\$ (3,261)	\$ 680,438	\$1,719,494
Net income	—	—	—	—	191,449	191,449
Capital contributions	—	—	126,516	—	—	126,516
Net other comprehensive loss	—	—	—	(72)	—	(72)
Dividends declared	—	—	—	—	(139,714)	(139,714)
Balance as of December 31, 2020	3,478,968	\$ 86,974	\$ 1,081,859	\$ (3,333)	\$ 732,173	\$1,897,673
Net income	—	—	—	—	223,175	223,175
Capital contributions	—	—	118,896	—	—	118,896
Net other comprehensive income	—	—	—	488	—	488
Dividends declared	—	—	—	—	(157,459)	(157,459)
Balance as of December 31, 2021	<u>3,478,968</u>	<u>\$ 86,974</u>	<u>\$ 1,200,755</u>	<u>\$ (2,845)</u>	<u>\$ 797,889</u>	<u>\$2,082,773</u>

The accompanying notes are an integral part of these Consolidated Financial Statements.

NEW JERSEY-AMERICAN WATER COMPANY, INC.

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

(Dollars in thousands)

Note 1: Organization and Operation

New Jersey-American Water Company, Inc. (the “Company”) provides water and wastewater services in the State of New Jersey. As a public utility operating in New Jersey, the Company functions under rules and regulations prescribed by the New Jersey Board of Public Utilities (the “Board”). Environmental Disposal Corporation (“EDC”) is a wholly-owned subsidiary of the Company and functions under the rules and regulations prescribed by the Board. The Company is a wholly-owned subsidiary of American Water Works Company, Inc. (“AWW”). The accompanying Consolidated Financial Statements include the accounts of the Company and EDC.

Note 2: Significant Accounting Policies

Regulation

The Company is subject to regulation by the Board, the New Jersey Department of Environmental Protection and the U.S. Environmental Protection Agency. As such, the Company follows authoritative accounting principles required for rate regulated utilities, which requires the effects of rate regulation to be reflected in the Company’s Consolidated Financial Statements. The Board generally authorizes revenue at levels intended to recover the estimated costs of providing service, plus a return on net investments, or rate base. The Board may also approve accounting treatments, long-term financing programs and cost of capital, operation and maintenance (“O&M”) expenses, capital expenditures, taxes, affiliated transactions and relationships, reorganizations, mergers, and acquisitions, along with imposing certain penalties or granting certain incentives. Due to timing and other differences in the collection of a regulated utility’s revenues, these authoritative accounting principles allow a cost that would otherwise be charged as an expense by a non-regulated entity, to be deferred as a regulatory asset if it is probable that such cost is recoverable through future rates. Conversely, these principles also require the creation of a regulatory liability for amounts collected in rates to recover costs expected to be incurred in the future, or amounts collected in excess of costs incurred and are refundable to customers. See Note 4—Regulatory Matters for additional information.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States (“GAAP”) requires that management make estimates, assumptions and judgments that could affect the Company’s financial condition, results of operations and cash flows. Actual results could differ from these estimates, assumptions and judgments. The Company considers its critical accounting estimates to include (i) the application of regulatory accounting principles and the related determination and estimation of regulatory assets and liabilities, (ii) revenue recognition and the estimates used in the calculation of unbilled revenue, (iii) accounting for income taxes, (iv) benefit plan assumptions and (v) the estimates and judgments used in determining loss contingencies. The Company’s critical accounting estimates that are particularly sensitive to change in the near term are amounts reported for regulatory assets and liabilities, income taxes, benefit plan assumptions and contingency-related obligations.

Property, Plant and Equipment

Property, plant and equipment consists primarily of utility plant. Additions to utility plant and replacement of retirement units of utility plant are capitalized and include costs such as materials, direct labor, payroll taxes and benefits, indirect items such as engineering and supervision, transportation and an allowance for funds used during construction (“AFUDC”). Costs for repair, maintenance and minor replacements are charged to O&M expense as incurred.

The cost of utility plant is depreciated using the straight-line average remaining life, group method. The Company records depreciation in conformity with amounts approved by the Board after regulatory review of the information the Company submits to support its estimates of the assets’ remaining useful lives.

When units of property, plant and equipment are replaced, retired or abandoned, the carrying value is credited against the asset and charged to accumulated depreciation. To the extent the Company recovers cost of removal or other retirement costs through rates after the retirement costs are incurred, a regulatory asset is recorded. In some cases, the Company recovers retirement costs through rates during the life of the associated asset and before the costs are incurred. These amounts result in a regulatory liability being reported based on the amounts previously recovered through customer rates, until the costs to retire those assets are incurred.

The costs incurred to acquire and internally develop computer software for internal use are capitalized as a unit of property. The carrying value of these costs amounted to \$85,600 and \$80,532 as of December 31, 2021 and 2020, respectively.

Cash and Cash Equivalents, and Restricted Cash

Substantially all cash is invested in interest-bearing accounts. All highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents.

Restricted cash consists primarily of proceeds from financings for the construction and capital improvement of facilities. Proceeds are held in escrow or interest-bearing accounts until the designated expenditures are incurred. Restricted cash is classified on the Consolidated Balance Sheets as either current or long term based upon the intended use of the cash.

Presented in the table below is a reconciliation of the cash and cash equivalents and restricted cash amounts as presented on the Consolidated Balance Sheets to the sum of such amounts presented on the Consolidated Statements of Cash Flows for the years ended December 31:

	2021	2020
Cash and cash equivalents	\$ 2,758	\$ 2,246
Restricted cash included in other current assets	—	78
Restricted cash included in other long-term assets	15	15
Cash and cash equivalents and restricted cash as presented on the Consolidated Statements of Cash Flows	<u>\$ 2,773</u>	<u>\$ 2,339</u>

Accounts Receivable and Unbilled Revenues

The majority of the Company’s accounts receivable is due from utility customers and represents amounts billed to the Company’s customers on a monthly basis. Credit is extended based on the guidelines of the Board and collateral is generally not required. Unbilled revenues are accrued when service has been provided but has not been billed to customers.

Allowance for Uncollectible Accounts

Allowance for uncollectible accounts are maintained for estimated probable losses resulting from the Company's inability to collect receivables from customers. Accounts that are outstanding longer than the payment terms are considered past due. A number of factors are considered in determining the allowance for uncollectible accounts, including the length of time receivables are past due, previous loss history, current economic and societal conditions and reasonable and supportable forecasts that affect the collectability of receivables from customers. The Company generally writes off accounts when they become uncollectible or are over a certain number of days outstanding. An increase in the allowance for uncollectible accounts for the periods ending December 31, 2021 and 2020 reflects the impacts from the COVID-19 pandemic, including an increase in uncollectible accounts expense and a reduction in amounts written off due to shutoff moratoria in place.

Materials and Supplies

Materials and supplies are stated at the lower of cost or net realizable value. Cost is determined using the average cost method.

Leases

The Company has operating and finance leases involving real property, including facilities, utility assets, vehicles, and equipment. The Company determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use ("ROU") assets, other current liabilities and operating lease liabilities on the Consolidated Balance Sheets. Finance leases are included in property, plant and equipment, current portion of long-term debt, and long-term debt, excluding current portion on the Consolidated Balance Sheets. The Company has made an accounting policy election not to include operating leases with a lease term of twelve months or less.

ROU assets represent the right to use an underlying asset for the lease term and the lease liabilities represent the obligation to make lease payments arising from the lease. ROU assets and lease liabilities are generally recognized at the commencement date based on the present value of discounted lease payments over the lease term. As most of the Company's leases do not provide an implicit rate, the Company uses its incremental borrowing rate based on the information available at the commencement date in determining the present value of discounted lease payments. The implicit rate is used when readily determinable. ROU assets also include any upfront lease payments and excludes lease incentives. The Company's lease terms may include options to extend or terminate the lease when it is reasonably certain that the option will be exercised. Lease expense is recognized on a straight-line basis over the lease term.

The Company has lease agreements with lease components (e.g., fixed payments including rent, real estate taxes and insurance costs) and non-lease components (e.g., common-area maintenance costs), which are generally accounted for separately; however, the Company accounts for the lease and non-lease components as a single lease component for certain leases. Certain lease agreements include variable rental payments adjusted periodically for inflation. Additionally, the Company applies a portfolio approach to effectively account for the ROU assets and lease liabilities. The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Goodwill

Goodwill represents the excess of the purchase price paid over the estimated fair value of the assets acquired and liabilities assumed in the acquisition of a business. The Company has recorded \$43,955 of goodwill at December 31, 2021 and 2020. Goodwill is not amortized, and is tested for impairment at least annually or more frequently if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying value.

The Company's annual impairment testing is performed as of November 30 of each year, in conjunction with the completion of the Company's annual business plan. The Company assesses qualitative factors to determine whether quantitative testing is necessary. If it is determined, based upon qualitative factors, that the estimated fair value of a reporting unit is more likely than not, greater than its carrying value, no further testing is required. If the Company bypasses the qualitative assessment, or performs the qualitative assessment and determines that the estimated fair value of a reporting unit is more likely than not, less than its carrying value, a quantitative, fair value-based assessment is performed. This quantitative testing compares the estimated fair value of the reporting unit to its respective net carrying value, including goodwill, on the measurement date. An impairment loss will be recognized in the amount equal to the excess of the reporting unit's carrying value compared to its estimated fair value, limited to the total amount of goodwill allocated to that reporting unit.

Application of goodwill impairment testing requires management judgment, including the identification of reporting units and determining the fair value of reporting units. Management estimates fair value using a discounted cash flow analysis. Significant assumptions used in these fair value estimations include, but are not limited to, forecasts of future operating results, discount and growth rates.

The Company believes the assumptions and other considerations used to value goodwill to be appropriate, however, if actual experience differs from the assumptions and considerations used in its analysis, the resulting change could have a material adverse impact on the Consolidated Financial Statements.

Advances for Construction and Contributions in Aid of Construction

The Company may receive advances for construction and contributions in aid of construction from customers, home builders, real estate developers, and others to fund construction necessary to extend service to new areas. Advances are refundable for limited periods of time as new customers begin to receive service or other contractual obligations are fulfilled.

Advances that are no longer refundable are reclassified to contributions. Contributions are permanent collections of plant assets or cash for a particular construction project. For ratemaking purposes, the amount of such contributions generally serves as a rate base reduction since the contributions represent non-investor supplied funds.

Generally, the Company depreciates utility plant funded by contributions and amortizes its contributions balance as a reduction to depreciation expense, producing a result which is functionally equivalent to reducing the original cost of the utility plant for the contributions. Amortization of contributions in aid of construction was \$6,308 and \$5,891 for the years ended December 31, 2021 and 2020, respectively. For the years ended December 31, 2021 and 2020, non-cash advances and contributions received were \$1,800 and \$21,052, respectively.

Revenue Recognition

Under Accounting Standards Codification Topic 606, *Revenue From Contracts With Customers*, and all related amendments (collectively “ASC 606”), a performance obligation is a promise within a contract to transfer a distinct good or service, or a series of distinct goods and services, to a customer. Revenue is recognized when performance obligations are satisfied and the customer obtains control of promised goods or services. The amount of revenue recognized reflects the consideration to which the Company expects to be entitled to receive in exchange for goods or services. Under ASC 606, a contract’s transaction price is allocated to each distinct performance obligation. To determine revenue recognition for arrangements that the Company determines are within the scope of ASC 606, the Company performs the following five steps: (i) identifies the contracts with a customer; (ii) identifies the performance obligations within the contract, including whether any performance obligations are distinct and capable of being distinct in the context of the contract; (iii) determines the transaction price; (iv) allocates the transaction price to the performance obligations in the contract; and (v) recognizes revenue when, or as, the Company satisfies each performance obligation.

The Company’s revenues from contracts with customers are discussed below. Customer payments for contracts are generally due within 30 days of billing and none of the contracts with customers have payment terms that exceed one year; therefore, the Company elected to apply the significant financing component practical expedient and no amount of consideration has been allocated as a financing component.

Revenue is generated primarily from water and wastewater services delivered to customers. These contracts contain a single performance obligation, the delivery of water and/or wastewater services, as the promise to transfer the individual good or service is not separately identifiable from other promises within the contracts and, therefore, is not distinct. Revenues are recognized over time, as services are provided. There are generally no significant financing components or variable consideration. Revenues include amounts billed to customers on a cycle basis and unbilled amounts calculated based on estimated usage from the date of the meter reading associated with the latest customer bill, to the end of the accounting period. The amounts that the Company has a right to invoice are determined by each customer’s actual usage, an indicator that the invoice amount corresponds directly to the value transferred to the customer. The Company also recognizes revenue when it is probable that future recovery of previously incurred costs or future refunds that are to be credited to customers will occur through the ratemaking process.

Income Taxes

AWW and its subsidiaries participate in a consolidated federal income tax return for U.S. tax purposes. Members of the consolidated group are charged with the amount of federal income tax expense determined as if they filed separate returns.

Certain income and expense items are accounted for in different time periods for financial reporting than for income tax reporting purposes. The Company provides deferred income taxes on the difference between the tax basis of assets and liabilities and the amounts at which they are carried on the Consolidated Balance Sheets. These deferred income taxes are based on the enacted tax rates expected to be in effect when these temporary differences are projected to reverse. In addition, regulatory assets and liabilities are recognized for the effect on revenues expected to be realized as the tax effects of temporary differences, previously flowed through to customers, reverse.

Investment tax credits have been deferred and are being amortized to income over the average estimated service lives of the related assets.

The Company recognizes accrued interest and penalties related to tax positions as a component of income tax expense. See Note 11—Income Taxes for additional information.

Allowance for Funds Used During Construction

AFUDC is a non-cash credit to income with a corresponding charge to utility plant that represents the cost of borrowed funds or a return on equity funds devoted to plant under construction. AFUDC is recorded to the extent permitted by the Board.

New Accounting Standards

Presented in the table below are new accounting standards that were adopted by the Company in 2021:

Standard	Description	Date of Adoption	Application	Effect on the Consolidated Financial Statements
Facilitation of the Effects of Reference Rate Reform on Financial Reporting	Provided optional guidance for a limited time to ease the potential accounting burden associated with the transition from London Interbank Offered Rate ("LIBOR"). The guidance contains optional expedients and exceptions for contract modifications, hedging relationships, and other transactions that reference LIBOR or other reference rates expected to be discontinued. The expedients elected must be applied for all eligible contracts or transactions, with the exception of hedging relationships, which can be applied on an individual	March 12, 2020 through December 31, 2022	Prospective for contract modifications and hedging relationships; applied as of January 1, 2020.	The standard did not have a material impact on the Consolidated Financial Statements.
Simplifying the Accounting for Income Taxes	The guidance removes exceptions related to the incremental approach for intraperiod tax allocation, the requirement to recognize a deferred tax liability for changes in ownership of a foreign subsidiary or equity method investment, and the general methodology for calculating income taxes in an interim period when the year-to-date loss exceeds the anticipated loss. The guidance adds requirements to reflect changes to tax laws or rates in the annual effective tax rate computation in the interim period in which the changes were enacted, to recognize franchise or other similar taxes that are partially based on income as an income-based tax and any incremental amounts as non-income-based tax, and to evaluate when a step up in the tax basis of goodwill should be considered part of the business combination in which the book goodwill was originally recognized and when it should be considered a separate transaction.	January 1, 2021	Modified retrospective for amendments related to changes in ownership of a foreign subsidiary or equity method investment; Modified retrospective or retrospective for amendments related to taxes partially based on income; Prospective for all other amendments.	The standard did not have a material impact on the Consolidated Financial Statements.

Presented in the table below are recently issued accounting standards that have not yet been adopted by the Company as of December 31, 2021:

Standard	Description	Date of Adoption	Application	Estimated Effect on the Consolidated Financial Statements
Disclosures by Business Entities about Government Assistance	The amendments in this update requires additional disclosures regarding government grants and contributions. These disclosures require information on the following three items about these government transactions to be provided: information on the nature of transactions and related accounting policy used to account for transactions, the line items on the balance sheet and income statement affected by these transactions including amounts applicable to each line, and significant terms and conditions of the transactions, including commitments and contingencies	January 1, 2022	Either prospective or retrospective	The Company is evaluating any impact on its Consolidated Financial Statements.
Accounting for Contract Asset and Contract Liabilities from Contracts with Customers	The guidance requires an acquirer in a business combination to recognize and measure contract assets and contract liabilities acquired in a business combination in accordance with ASC 606 as if it had originated the contracts.	January 1, 2023; early adoption permitted	Prospective	The Company is evaluating any impact on its Consolidated Financial Statements, as well as the timing of adoption.

Reclassifications

Certain reclassifications have been made to prior periods in the Consolidated Financial Statements and Notes to conform to the current presentation.

Note 3: Impact of the COVID-19 Pandemic

AWW continues to monitor the COVID-19 pandemic and has experienced financial impacts including an increase in uncollectible accounts expense and certain incremental O&M expenses. The Company has also experienced reduced late fees and foregone reconnect fees as a result of the pandemic. These impacts are collectively referred to as “financial impacts.”

On July 2, 2020 the Board issued an order authorizing deferred accounting for COVID-19 financial impacts in New Jersey. Consistent with this regulatory order, the Company has recorded \$17,546 in regulatory assets and \$1,327 of regulatory liabilities for the financial impacts related to the COVID-19 pandemic on the Consolidated Balance Sheets as of December 31, 2021. As of March 15, 2022 the moratoria on the suspension of service disconnections for residential accounts and any accounts primarily serving residential customers due to non-payment expired.

Note 4: Regulatory Matters

As necessary, the Company applies to the Board for changes in the rates charged for its provision of water and wastewater service. The rate request is based on the level of operating expenses and capital costs that are expected to be in effect when rates become effective, with present rate revenues generally based on historical average usages adjusted for known changes, such as an increase or decrease in the number of customers or documented changes in customer usage.

On January 14, 2022, the Company’s New Jersey subsidiary filed a general rate case requesting approximately \$110,000 in additional annualized revenues excluding proposed reductions for excess accumulated deferred income taxes (“EADIT”) as a result of the Tax Cuts and Jobs act of 2017 and infrastructure surcharges.

Effective December 30, 2021 and June 28, 2021, the Company implemented infrastructure surcharges for annualized incremental revenues of approximately \$12,000 and \$14,000, respectively.

On March 2, 2021, an administrative law judge (“ALJ”) in the Office of Administrative Law of New Jersey filed an initial decision with the Board that recommended denial of a petition filed by the Company, which sought approval of acquisition adjustments in rate base of approximately \$29,000 associated with the acquisitions of Shorelands Water Company, Inc. in 2017 and the Borough of Haddonfield’s water and wastewater systems in 2015. On July 29, 2021, the Board issued an order adopting the ALJ’s initial decision without modification. The Company subsequently filed a Notice of Appeal with the New Jersey Appellate Division on September 10, 2021. The Company filed its brief in support of the Appeal on March 3, 2022. There is no financial impact to the Company as a result of the Board’s order, since the acquisition adjustments are currently recorded as goodwill on the Consolidated Balance Sheets.

On July 2, 2020, the Board issued an Order Authorizing Establishment of a Regulatory Asset for Incremental COVID-19 Related Expenses (“Order”) in Docket No. AO20060471. The Order authorized each regulated utility to create a COVID-19 related regulatory asset by deferring on its books and records the prudently incurred incremental costs related to COVID-19 beginning on March 9, 2020 and through September 30, 2021, or 60 days after Governor Murphy declares or otherwise orders that the public health emergency is no longer in effect, or, in the absence of such a declaration or order, 60 days from the time the public health emergency automatically terminates pursuant to N.J.S.A. 26:13-3(b), whichever is later. The Board also ordered all affected utilities to maintain detailed records of all COVID-19-related costs and savings during the public health emergency. The Board further ordered all deferred costs to be offset by any federal or state assistance that the utility may receive as a direct result of COVID-19. The Board required each utility to file quarterly reports of the COVID-19 related costs incurred and offsets verified by an authorized representative with the first report due by August 1, 2020 for the period ending June 30, 2020. Under the Order, all affected utilities must file a petition with the Board by December 31, 2021, or within 60 days of the close of the regulatory asset period, whichever is later. Any potential rate recovery must be addressed in this proceeding, or in the alternative, in a utility’s future base rate case. On July 21, 2021, the Company filed a letter motion that requests that the Board: 1) extend the regulatory asset period authorized under the Order to allow the Company to properly include all of its COVID-19 financial impacts, including those due to the shutoff moratorium disconnection grace period; and 2) adjust the deadline for submitting a recovery petition associated with such deferred regulatory asset to a date no later than 60 days after the close of the extended regulatory asset period. On September 14, 2021, the Board ordered that the regulatory asset period be extended from September 30, 2021 to December 31, 2022, and that a petition for recovery of these assets be filed within 60 days of this new date.

On June 4, 2021, the Governor signed legislation ending the New Jersey public health emergency but maintaining the state of emergency previously declared by the Governor. On June 14, 2021, the Governor announced that the moratorium on utility shut-offs would end on June 30, 2021. However, the Governor’s Executive Order No. 246 establishes a six-month grace period, through December 31, 2021, during which no water or wastewater utility may discontinue service to New Jersey residents, which includes all residential accounts and any accounts primarily serving residential customers, due to nonpayment. On December 21, 2021, Governor Phil Murphy signed Senate Bill 4081, extending the utility shutoff grace period established under Executive Order No. 246 from December 31, 2021, to March 15, 2022, for all water, municipal electric, and sewer customers. The Company continues to comply with this directive.

Regulatory Assets

Regulatory assets represent costs that are probable of recovery from customers in future rates. Substantially all of the Company's regulatory assets balance at December 31, 2021 earn a return. Presented in the table below is the composition of regulatory assets as of December 31:

	<u>2021</u>	<u>2020</u>
Removal costs recovered through rates	\$ 140,035	\$ 144,437
Unamortized debt expense	20,414	21,711
Other	29,221	17,710
Total regulatory assets	<u>\$ 189,670</u>	<u>\$ 183,858</u>

Removal costs recovered through rates are estimated costs to retire assets at the end of their expected useful lives that are recovered through customer rates over the lives of the associated assets.

Unamortized debt expense is amortized over the lives of the respective issues. Call premiums on the redemption of long-term debt, as well as unamortized debt issuance costs, are deferred and amortized to the extent they will be recovered through future service rates.

Other includes the financial impacts relating to the COVID-19 pandemic, deferred rate proceedings costs, deferred pension costs, acquisition purchase adjustments, and make-whole premiums.

Regulatory Liabilities

Regulatory liabilities generally represent amounts that are probable of being credited or refunded to customers through the ratemaking process. Also, if costs expected to be incurred in the future are currently being recovered through rates, the Company records those expected future costs as regulatory liabilities. Presented in the table below is the composition of regulatory liabilities as of December 31:

	<u>2021</u>	<u>2020</u>
Income taxes recovered through rates	\$ 328,896	\$ 374,039
Cost of removal	32,300	33,500
Other	14,488	15,387
Total regulatory liabilities	<u>\$ 375,684</u>	<u>\$ 422,926</u>

Income taxes recovered through rates relate to EADIT that are either currently being amortized as a reduction to income tax expense or will be addressed in future rate cases or other proceedings. This regulatory liability is mainly comprised of the remeasurement of accumulated deferred income taxes resulting from the reduction in the federal corporate income tax rate from 35% to 21% which became effective January 1, 2018, as a result of the Tax Cuts and Jobs Act of 2017.

Effective on November 1, 2020, the Company began to amortize the regulatory liability as part of its rate case settlement. In addition to amortizing the EADIT as part of the new base rates, the Company agreed to provide a catch-up bill credit to customers of \$32,500 over a 10-month period which began November 1, 2020. This catch-up is to cover the period of January 1, 2018 through October 31, 2020 which covers the period from when the lower federal tax rate went into effect until new base rates went into effect to customers.

The Company has a cost of removal liability that is reported separately from its cost of removal asset pursuant to a Board order. The cost of removal liability includes costs recovered through customer rates in excess of retirement costs incurred. These costs will be refunded through customer rates during the life of the associated assets.

Other primarily includes the financial impacts relating to the COVID-19 pandemic, costs recovered for purchase water and sewage treatment charges in excess of the recoverable amount allowed by the Board, and settlement proceeds from lawsuits being amortized through 2050.

Note 5: Revenue Recognition

Disaggregated Revenues

Presented in the table below are operating revenues disaggregated for the year ended December 31, 2021:

	Revenue from Contracts with Customers	Other Revenues Not from Contracts with Customers (a)	Total Operating Revenues
Water Services:			
Residential	\$ 453,271	\$ —	\$ 453,271
Commercial	157,560	—	157,560
Industrial	30,266	—	30,266
Fire Service	55,262	—	55,262
Public and other	15,214	—	15,214
Sales for resale	46,738	—	46,738
Total water services	758,311	—	758,311
Wastewater services:			
Residential	37,971	—	37,971
Commercial	8,132	—	8,132
Industrial	26	—	26
Public and other	1,753	—	1,753
Total wastewater services	47,882	—	47,882
Miscellaneous utility charges	1,380	—	1,380
Lease contract revenue	—	3,248	3,248
Other	14,967	118	15,085
Total operating revenues	<u>\$ 822,540</u>	<u>\$ 3,366</u>	<u>\$ 825,906</u>

(a) Includes revenues associated with lease contracts and intercompany rent, which are outside the scope of ASC 606, and accounted for under other existing GAAP.

Presented in the table below are operating revenues disaggregated for the year ended December 31, 2020:

	Revenue from Contracts with Customers	Other Revenues Not from Contracts with Customers (a)	Total Operating Revenues
Water Services:			
Residential	\$ 446,821	\$ —	\$ 446,821
Commercial	146,500	—	146,500
Industrial	27,347	—	27,347
Fire Service	55,156	—	55,156
Public and other	13,832	—	13,832
Sales for resale	43,848	—	43,848
Total water services	<u>733,504</u>	<u>—</u>	<u>733,504</u>
Wastewater services:			
Residential	33,968	—	33,968
Commercial	7,607	—	7,607
Industrial	15	—	15
Public and other	1,501	—	1,501
Total wastewater services	<u>43,091</u>	<u>—</u>	<u>43,091</u>
Miscellaneous utility charges	1,216	—	1,216
Lease contract revenue	—	3,326	3,326
Other	15,244	95	15,339
Total operating revenues	<u>\$ 793,055</u>	<u>\$ 3,421</u>	<u>\$ 796,476</u>

(a) Includes revenues associated with lease contracts and intercompany rent, which are outside the scope of ASC 606, and accounted for under other existing GAAP.

Note 6: Acquisitions

On March 29, 2021, the Company entered into an agreement to acquire the water and wastewater assets of Egg Harbor City for \$21,800. The water and wastewater systems currently serve approximately 1,500 customers each, or 3,000 combined, and are being sold through the New Jersey Water Infrastructure Protection Act process. In connection with the execution of the acquisition agreement, the Company paid a \$2,180 deposit to the seller in 2021. The Company expects to close this acquisition in mid-2022, pending regulatory approval.

On February 14, 2022, the Company entered into an agreement to acquire the wastewater assets of the Borough of Bound Brook for \$5,000. The wastewater system currently serves approximately 2,900 customers. The Company expects to close this acquisition in mid-2022, pending regulatory approval.

During 2020, the Company closed an acquisition of Long Hill Township wastewater system for a purchase price of \$12,700, accounted for as a business combination. The Company acquired net utility plant of \$12,700.

Note 7: Property, Plant and Equipment

Presented in the table below are the major classes of utility plant by category at December 31:

	Range of Remaining Useful Life	2021	2020
Utility Plant:			
Land and other non-depreciable assets	—	\$ 38,393	\$ 37,631
Sources of supply	29 to 94 Years	194,716	185,515
Treatment and pumping	8 to 73 Years	1,189,270	1,159,853
Transmission and distribution	53 to 128 Years	2,742,339	2,548,553
Services, meters and fire hydrants	13 to 86 Years	1,426,434	1,346,811
General structures and equipment	6 to 109 Years	525,375	471,883
Wastewater	4 to 114 Years	366,878	383,787
Construction work in progress	—	180,252	157,145
Total utility plant		6,663,657	6,291,178
Utility plant acquisition adjustments		3,464	(8,589)
Non-utility property		594	594
Total property, plant and equipment		<u>\$ 6,667,715</u>	<u>\$ 6,283,183</u>

The provision for depreciation expressed as a percentage of the aggregate average depreciable asset balances was 2.59% and 2.61% in 2021 and 2020, respectively.

Note 8: Long-Term Debt

Presented in the table below are the components of long-term debt as of December 31:

	Rate	Weighted Average Rate	Maturity Date	2021	2020
Mortgage bonds	0.85%-7.17%	2.70%	2023-2039	\$ 480,725	\$ 480,725
Variable rate loans	0.00%-5.50%	0.95%	2022-2047	139,775	128,853
Notes payable to affiliated company	2.30%-6.59%	4.04%	2024-2051	1,129,461	979,709
Finance lease obligations	12.25%	12.25%	2026	610	702
Long-term debt				1,750,571	1,589,989
Unamortized debt premium, net				(1,744)	(1,261)
Less current portion of long-term debt				(49,810)	(67,774)
Total long-term debt				<u>\$1,699,017</u>	<u>\$ 1,520,954</u>

The general mortgage bonds are issued in series. No bonds senior to the general mortgage bonds may be issued so long as the general mortgage bonds are outstanding. Based on the calculation methodology specified by the debt agreements, the amount of bonds authorized is limited, as long-term debt cannot exceed 65% of total capitalization, and adjusted net income of the Company must be equal to or greater than 1.5 times the aggregate annual interest charges on all long-term debt of the Company. At December 31, 2021, long-term debt was 46% of total capitalization and net income excluding gains or losses on property sales, amortization of debt issuance costs, interest on long-term debt, and provision for income taxes was 4.83 times the aggregate annual interest charges on all long-term debt. Mortgage bonds are collateralized by utility plant.

The Company has entered into variable rate loan agreements with the New Jersey Infrastructure Bank (“NJIB”). Under the terms of these loan agreements, the Company requests funds as needed to fund a portion of eligible costs to construct certain environmental infrastructure facilities. The variable rate loans include amounts not yet withdrawn that remain in the trust, which are recorded as restricted cash on the Consolidated Balance Sheets until drawn down by the Company. In 2021 and 2020, the Company applied \$78 and \$178, respectively, of its restricted cash to pay down certain NJIB variable rate loans.

Presented in the table below are the issuances of long-term debt in 2021:

Type	Rate	Maturity	Amount
Long term notes payable	0.00%	2022-2047	\$ 17,308
Long term notes payable	5.00%	2047	75
Total			<u>\$ 17,383</u>

Repayments of long-term debt amounted to \$6,551 in 2021.

The long-term notes payable to affiliated company are unsecured and were issued to American Water Capital Corporation (“AWCC”), a subsidiary of AWW, for the principal amount. AWCC provided the funding for these notes by issuing senior notes to institutional investors at a price equal to the principal amount.

Presented in the table below are the issuances of long-term debt payable to AWCC in 2021:

Type	Rate	Maturity	Amount
Long term notes payable due to AWCC	2.30%	2031	\$ 89,500
Long term notes payable due to AWCC	3.25%	2051	89,500
Total			<u>\$179,000</u>

The Company used proceeds from the offering to prepay \$29,250 of its outstanding 5.77% Senior Notes due December 21, 2021.

Presented in the table below are future sinking fund payments and debt maturities:

	Amount
2022.....	\$ 49,810
2023.....	156,754
2024.....	112,886
2025.....	89,574
2026.....	6,649
Thereafter.....	1,334,898

Note 9: Short-Term Debt

The Company maintained a line of credit through AWCC of \$310,000 at December 31, 2021 and 2020. The Company may borrow from the line of credit. No compensating balances are required under the agreements. Funds were primarily used for short-term operating needs. There were \$198,361 and \$234,805 of outstanding borrowings at December 31, 2021 and 2020, respectively. The weighted average annual interest rate on these borrowings was 0.17% and 0.84% in 2021 and 2020, respectively. Short-term debt is presented as Notes payable-affiliated company on the Consolidated Balance Sheets.

AWW, through AWCC, has committed to make additional financing available to the Company, as needed, to pay its obligations as they come due.

Note 10: General Taxes

Presented in the table below are the components of general tax expense for the years ended December 31:

	<u>2021</u>	<u>2020</u>
Gross receipts and franchise	\$ 104,340	\$ 99,304
Property	5,324	4,916
Payroll	3,917	3,638
Other general	2,927	2,525
Total general taxes	<u>\$ 116,508</u>	<u>\$ 110,383</u>

Note 11: Income Taxes

Presented in the table below are the components of income tax expense for the years ended December 31:

	<u>2021</u>	<u>2020</u>
Federal income taxes:		
Current	\$ (688)	\$ 14,163
Deferred	15,773	27,892
Amortization of deferred investment tax credits	(331)	(331)
Total income taxes	<u>\$ 14,754</u>	<u>\$ 41,724</u>

The primary components of the net deferred tax liability of \$515,628 and \$465,041 at December 31, 2021 and 2020, respectively, include basis differences in utility plant partially offset by advances and contributions.

No valuation allowances were required on deferred tax assets at December 31, 2021 and 2020 as management believes it is more likely than not that deferred tax assets will be realized.

As of December 31, 2021 and 2020, the Company's reserve for uncertain tax positions is \$22,785 and \$18,420 respectively, excluding accrued interest and penalties. The Company's tax positions relate primarily to the deductions claimed for repair and maintenance costs on its utility plant. The Company does not anticipate material changes to its unrecognized tax benefits within the next year. Since there are no federal or state NOLs available, tax attributes are not available to reduce the liabilities for uncertain tax positions or interest accrued as presented on the Company's Financial Statements.

The Company recognizes interest and penalties related to income tax matters in income tax expense. The Company did not have any interest or penalties related to tax matters as of December 31, 2021 and 2020.

The Company files income tax returns in the United States federal jurisdiction. With few exceptions, the Company is no longer subject to U.S. federal tax examinations by tax authorities for years before 2018. The Company is not subject to state income taxes.

Note 12: Employee Benefit Plans

Savings Plan for Employees

The Company maintains a 401(k) savings plan, sponsored by AWW, allowing employees to save for retirement on a tax-deferred basis. Employees can make contributions that are invested at their direction in one or more funds. The Company makes matching contributions based on a percentage of an employee's contribution, subject to certain limitations. Due to the Company's discontinuing new entrants into the defined benefit pension plan, on January 1, 2006, the Company began providing an additional 5.25% of base pay defined contribution benefit for union employees hired on or after January 1, 2001 and non-union employees hired on or after January 1, 2006. The Company expensed contributions to the plans of \$2,643 and \$2,333 for 2021 and 2020, respectively. All of the Company's contributions are invested in one or more funds at the direction of the employees.

Pension Benefits

The Company participates in a Company-funded defined benefit pension plan, sponsored by AWW, covering eligible employees hired before January 1, 2006. Benefits under the plan are based on an employee's years of service and compensation. The pension plan was closed for most employees hired on or after January 1, 2006. Union employees hired on or after January 1, 2001 had their accrued benefit frozen and will be able to receive this benefit as a lump sum upon termination or retirement.

The Company's pension cost is based on an allocation from AWW of the total cost related to the plan. The allocation is based upon the Company's participants' pensionable earnings as a percentage of AWW's total plan pensionable earnings. Information regarding accumulated and projected benefit obligations is not prepared at the subsidiary level. The Company was allocated a benefit of \$2,237 and costs of \$3,246 in 2021 and 2020, respectively.

AWW's funding practice is to contribute at least the greater of the minimum amount required by the Employee Retirement Income Security Act of 1974 or the normal cost. Further, AWW will consider additional contributions if needed to avoid "at risk" status and benefit restrictions under the Pension Protection Act of 2006. AWW may also consider increased contributions based on other financial requirements and the plan's funded position. The Company's pension contributions are based on an allocation from AWW of the total contributions related to the plan. Contributions are allocated to the Company from AWW based upon the Company's participants' pensionable earnings as a percentage of AWW's total plan pensionable earnings. The Company made contributions of \$6,527 and \$6,832 in 2021 and 2020, respectively. The Company expects to contribute \$6,848 to the AWW plan in 2022.

Additionally, in connection with the acquisition of Shorelands Water Company ("SWC"), the Company assumed the pension of SWC. As part of the acquisition, effective April 3, 2017, the accrued benefit of the plan was frozen. The assumed pension benefit plan of SWC is accounted for as a single employer plan of the Company. As of December 31, 2021 and 2020, the fair value of the plan assets was \$9,371 and \$8,814 and the benefit obligation was \$10,403 and \$10,773.

Postretirement Benefits Other Than Pensions

The Company participates in a Company-funded plan, sponsored by AWW, that provides varying levels of medical and life insurance to eligible retirees. The retiree welfare plans are closed for union employees hired on or after January 1, 2006, and for non-union employees hired on or after January 1, 2002.

Costs of the Company are based on an allocation from AWW of the total cost related to the plan. The allocation is based upon the Company’s covered participants as a percentage of AWW’s total plan covered participants. Information regarding accumulated and projected benefit obligations is not prepared at the subsidiary level.

The Company is allocated costs for all postretirement plans sponsored by AWW that provide certain life insurance and health care benefits for retired employees. The Company was allocated a benefit of \$7,222 and \$6,316 in 2021 and 2020, respectively.

Contributions of \$453 were made in 2021 and none were made in 2020, respectively. No contribution to the plan is required in 2022.

Note 13: Related Parties

American Water Works Service Company, Inc. (“AWWS”), a subsidiary of AWW, provides certain management and operational services to the Company (administration, accounting, communications, data processing, education and training, engineering, financial, health and safety, human resources, information systems, internal audit, legal, operations, procurement, rates, security, risk management, water quality, research and development, etc.) and other operating companies that are subsidiaries of AWW on an at-cost, not-for-profit basis in accordance with a management and service agreement.

Purchases of such services by the Company were accounted for as follows:

	2021	2020
Included in operation and maintenance expense as a charge against income	\$ 55,105	\$ 53,061
Capitalized primarily in utility plant	17,822	17,504
	<u>\$ 72,927</u>	<u>\$ 70,565</u>

The Company received cash capital contributions of \$115,000 and \$126,000 from AWW in 2021 and 2020, respectively. The Company also received non-cash capital contributions of \$3,896 and \$516 in 2021 and 2020, respectively.

The Company maintains a line of credit through AWCC. The Company also participates in AWCC’s centralized treasury function, whereby the Company transfers its cash to AWCC and the Company’s checks are issued out of AWCC. Under this arrangement, available cash is used to pay-down the line of credit and issued checks increase the Company’s line of credit balance.

Presented in the table below are a summary of the Company's transactions with AWCC:

	2021	2020
Fees paid to AWCC	\$ 584	\$ 770
Interest expense on short-term borrowings with AWCC	522	3,019
Interest expense on long-term debt with AWCC	45,145	40,929
Accrued interest expense including amounts due to AWCC	9,404	9,037

The Company pays dividends to AWW on a quarterly basis. The amount of the dividend is based on a percentage of net income adjusted for certain items. The Company paid dividends of \$157,459 and \$139,715 in 2021 and 2020, respectively.

The Company sells water to affiliated companies, which are other subsidiaries of American Water Enterprises ("AWE") to fulfill their obligations to provide water to outside parties. Sales to other AWW affiliates totaled \$14,967 and \$15,244 in 2021 and 2020, respectively.

Note 14: Fair Value of Financial Information

The following methods and assumptions were used by the Company in estimating its fair value disclosures for financial instruments:

Current assets and current liabilities: The carrying amounts reported on the Consolidated Balance Sheets for current assets and current liabilities approximate their fair values.

Long-term debt: The fair values of the Company's long-term debt are categorized within the fair value hierarchy based on the inputs that are used to value each instrument. The fair value of long-term debt classified as Level 1 is calculated using quoted prices in active markets. Level 2 instruments are valued using observable inputs and Level 3 instruments are valued using observable and unobservable inputs.

Presented in the table below are carrying amounts and fair values of the financial instruments:

	As of December 31, 2021				
	Carrying Amount	At Fair Value			
		Level 1	Level 2	Level 3	Total
Long-term debt (excluding finance lease obligations)	\$ 1,748,217	\$ —	\$ 1,309,129	\$ 652,735	\$ 1,961,864

	As of December 31, 2020				
	Carrying Amount	At Fair Value			
		Level 1	Level 2	Level 3	Total
Long-term debt (excluding finance lease obligations)	\$ 1,588,026	\$ —	\$ 1,240,980	\$ 668,934	\$ 1,909,914

Fair Value Measurements

To increase consistency and comparability in fair value measurements, GAAP establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels as follows:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access as of the reporting date. Financial assets and liabilities utilizing Level 1 inputs include active exchange-traded equity securities, exchange-based derivatives, mutual funds, and money market funds.
- Level 2 - Inputs other than quoted prices included within Level 1 that are directly observable for the asset or liability or indirectly observable through corroboration with observable market data. Financial assets and liabilities utilizing Level 2 inputs include fixed income securities, non-exchange-based derivatives, commingled investment funds not subject to purchase and sale restrictions and fair-value hedges.

- Level 3 - Unobservable inputs, such as internally-developed pricing models for the asset or liability due to little or no market activity for the asset or liability. Financial assets and liabilities utilizing Level 3 inputs include infrequently-traded non-exchange-based derivatives and commingled investment funds subject to purchase and sale restrictions.

Recurring Fair Value Measurements

The Company had immaterial amounts of assets and liabilities measured and recorded at fair value on a recurring basis as of December 31, 2021 and 2020.

Note 15: Leases

Certain operating leases have renewal options ranging from one to 10 years. The exercise of lease renewal options is at the Company's sole discretion. Renewal options that the Company was reasonably certain to exercise are included in the Company's ROU assets. Certain operating leases contain the option to purchase the leased property. The operating leases for real property and equipment will expire over the next 29 years and four years, respectively.

Rental expenses under operating and finance leases presented on the Consolidated Balance Sheets were \$647 and \$720 for the years ended December 31, 2021 and 2020, respectively.

Presented in the table below is supplemental cash flow information for the year ended December 31:

	2021
Cash paid for amounts in lease liabilities (a)	\$ 530
Right-of-use assets obtained in exchange for new operating lease liabilities	236

(a) Includes operating and financing cash flows from operating and finance leases

Presented in the table below are the weighted-average remaining lease terms and the weighted-average discount rates for finance and operating leases:

	As of December 31, 2021
Weighted-average remaining lease term:	
Finance lease	4 years
Operating leases	37 years
Weighted-average discount rate:	
Finance lease	12 %
Operating leases	5 %

Presented in the table below are the future maturities of lease liabilities at December 31, 2021:

	Amount
2022	\$ 635
2023	484
2024	425
2025	428
2026	312
Thereafter	14,488
Total lease payments	16,772
Imputed interest	(9,462)
Total	\$ 7,310

Note 16: Commitments and Contingencies

Commitments have been made in connection with certain construction programs. The estimated capital expenditures required under legally binding contracts amounted to \$101,838 at December 31, 2021.

The Company also maintains long-term agreements with other water purveyors for the purchase of water to supplement their water supply. Costs incurred related to these commitments were \$34,810 for the year ended December 31, 2021. The total future annual commitments related to minimum quantities of purchased water having non-cancelable terms is estimated to be \$32,887 in 2022, \$31,593 in 2023, \$17,361 in 2024, \$17,170 in 2025, \$17,034 in 2026 and \$190,667 thereafter.

The Company is routinely involved in legal actions incident to the normal conduct of its business. At December 31, 2021, the Company has identified loss contingencies that are probable or reasonably possible for existing matters. It is reasonably possible that losses could range up to \$255 for existing matters.

Note 17: Subsequent Events

The Company performed an evaluation of subsequent events for the accompanying Consolidated Financial Statements through March 17, 2022, the date this report was issued and determined that no circumstances warranted recognition and disclosure of those events or transactions in the Consolidated Financial Statements as of December 31, 2021.


STATE OF NEW JERSEY
DEPARTMENT OF THE TREASURY
FILING CERTIFICATE (CERTIFIED COPY)

Corporation Name: ENVIRONMENTAL DISPOSAL CORP.
Business Id: 0100130016
Certificate Number: 6000185542

I, THE TREASURER OF THE STATE OF NEW JERSEY, DO HEREBY CERTIFY, THAT THE ABOVE NAMED BUSINESS DID FILE AND RECORD IN THIS DEPARTMENT AN AMENDMENT ON October 30, 2003 AND THAT THE ATTACHED IS A TRUE COPY OF THIS DOCUMENT AS THE SAME IS TAKEN FROM AND COMPARED WITH THE ORIGINAL(S) FILED IN THIS OFFICE AND NOW REMAINING ON FILE AND OF RECORD.

IN TESTIMONY WHEREOF, I HAVE HEREUNTO SET MY
HAND AND AFFIXED MY OFFICIAL SEAL AT
TRENTON, THIS
September 28, 2022 A.D.




ELIZABETH MAHER MUOIO
STATE TREASURER

VERIFY THIS CERTIFICATE ONLINE AT

https://www1.state.nj.us/TYTR_StandingCert/JSP/Verify_Cert.jsp

**SCHEDULE
CAR-100-M**

ANNUAL REPORT
Include with your CBT Return
(See Reverse Side For Instructions)

A. BUSINESS IDENTIFICATION				
BUSINESS NAME Environmental Disposal Corp.		FEIN 22-2391983		FILING YEAR 2000
BUSINESS ID 0100130016				
B. BUSINESS ADDRESSES				
MAIN BUSINESS ADDRESS INFORMATION (REQUIRED)				
NAME Environmental Disposal Corp. c/o Thomas H. Dillon, President		STREET P.O. Box 709 Route 206 South		
CITY Pluckemin	STATE NJ	ZIP CODE 07978		
PRINCIPAL BUSINESS ADDRESS INFORMATION				
NAME Environmental Disposal Corp. c/o Thomas H. Dillon, President		STREET P.O. Box 709 Route 206 South		
CITY Pluckemin	STATE NJ	ZIP CODE 07978		
C. OFFICERS/DIRECTORS (Required)				
NAME Thomas H. Dillon		TITLE President/Director		
STREET c/o Gale and Dillon, LLC One Newark Center		CITY Newark	STATE NJ	ZIP CODE 07102
NAME Michael Leeder		TITLE Secretary/Treasurer		
STREET c/o Kitson & Partners 200 Campus Drive		CITY Florham Park	STATE NJ	ZIP CODE 07921
NAME Duncan Ellsworth		TITLE Director		
STREET 61 Stevens Lane		CITY Far Hills	STATE NJ	ZIP CODE 07931
<input checked="" type="checkbox"/> Check box if you have more than three officers/directors. Attach a schedule.				
D. CHANGE OF REGISTERED AGENT/OFFICE (Use only if you are making a change)				
NAME	STREET	CITY	STATE	ZIP CODE
E. FEE AMOUNT				
ENTER YOUR ANNUAL REPORT FEE OF \$50 (OR \$75 WITH REGISTERED AGENT/OFFICE CHANGE) ON LINE 20, PAGE 1 OF CBT-100 or CBT-100S.				
<p>CAR FILED</p> <p>OCT 30 2003</p> <p>State Treasurer</p>				
Signature (Chairman of the Board, President, Vice-President, Registered Agent, General Partner or Authorized Representative) <i>Thomas H. Dillon</i>				Date: 10/28/03

Thomas H. Dillon, President/Registered Agent

0100130016

Schedule to CAR-100-M**Environmental Disposal Corp.**
(ID: 0100130016)**C. OFFICERS/DIRECTORS** *(continued)*

<u>Name</u>	<u>Title</u>	<u>Address</u>
Pat Keefe	Director	P.O. Box 3175 1 Elizabethtown Plaza Union, NJ 07083
Nick Mattia	Director	7217 St. Georges Way University Park, FL 34201


STATE OF NEW JERSEY
DEPARTMENT OF THE TREASURY
FILING CERTIFICATE (CERTIFIED COPY)

Corporation Name: ENVIRONMENTAL DISPOSAL CORP.
Business Id: 0100130016
Certificate Number: 6000185540

I, THE TREASURER OF THE STATE OF NEW JERSEY, DO HEREBY CERTIFY, THAT THE ABOVE NAMED BUSINESS DID FILE AND RECORD IN THIS DEPARTMENT AN AMENDMENT ON October 30, 2003 AND THAT THE ATTACHED IS A TRUE COPY OF THIS DOCUMENT AS THE SAME IS TAKEN FROM AND COMPARED WITH THE ORIGINAL(S) FILED IN THIS OFFICE AND NOW REMAINING ON FILE AND OF RECORD.

IN TESTIMONY WHEREOF, I HAVE HEREUNTO SET MY
HAND AND AFFIXED MY OFFICIAL SEAL AT
TRENTON, THIS
September 28, 2022 A.D.



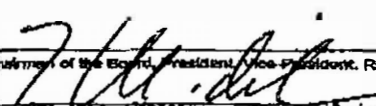

ELIZABETH MAHER MUOIO
STATE TREASURER

VERIFY THIS CERTIFICATE ONLINE AT

https://www1.state.nj.us/TYTR_StandingCert/JSP/Verify_Cert.jsp

**SCHEDULE
CAR-100-M**

ANNUAL REPORT
Include with your CBT Return
(See Reverse Side For Instructions)

A. BUSINESS IDENTIFICATION				
BUSINESS NAME	FEIN		FILING YEAR	
Environmental Disposal Corp.	22-2391983		2001	
BUSINESS ID				
0100130016				
B. BUSINESS ADDRESSES				
MAIN BUSINESS ADDRESS INFORMATION (REQUIRED)				
NAME	STREET			
Environmental Disposal Corp. c/o Thomas H. Dillon, President	P.O. Box 709 Route 206 South			
CITY	STATE	ZIP CODE		
Pluckemin	NJ	07978		
PRINCIPAL BUSINESS ADDRESS INFORMATION				
NAME	STREET			
Environmental Disposal Corp. c/o Thomas H. Dillon, President	P.O. Box 709 Route 206 South			
CITY	STATE	ZIP CODE		
Pluckemin	NJ	07978		
C. OFFICERS/DIRECTORS (Required)				
NAME	TITLE			
Thomas H. Dillon	President/Director			
STREET	CITY	STATE	ZIP CODE	
c/o Gale and Dillon, LLC One Newark Center	Newark	NJ	07102	
NAME	TITLE			
Michael Leader	Secretary/Treasurer			
STREET	CITY	STATE	ZIP CODE	
c/o Kitson & Partners 200 Campus Drive	Florham Park	NJ	07921	
NAME	TITLE			
Duncan Ellsworth	Director			
STREET	CITY	STATE	ZIP CODE	
61 Stevens Lane	Far Hills	NJ	07931	
<input checked="" type="checkbox"/> Check box if you have more than three officers/directors. Attach a schedule.				
D. CHANGE OF REGISTERED AGENT/OFFICE (Use only if you are making a change)				
NAME	STREET	CITY	STATE	ZIP CODE
E. FEE AMOUNT				
ENTER YOUR ANNUAL REPORT FEE OF \$50 (OR \$75 WITH REGISTERED AGENT/OFFICE CHANGE) ON LINE 20, PAGE 1 OF CBT-100 or CBT-100S.				
<p>CAR FILED</p> <p>OCT 30 2003</p> <p>State Treasurer</p>				
Signature (Chairman of the Board, President, Vice President, Registered Agent, General Partner or Authorized Representative)				Date:
 Thomas H. Dillon, President/Registered Agent				10/28/03

0100130016

Schedule to CAR-100-M**Environmental Disposal Corp.**
(ID: 0100130016)C. OFFICERS/DIRECTORS (*continued*)

<u>Name</u>	<u>Title</u>	<u>Address</u>
Pat Keefe	Director	P.O. Box 3175 1 Elizabethtown Plaza Union, NJ 07083
Nick Mattia	Director	7217 St. Georges Way University Park, FL 34201


STATE OF NEW JERSEY
DEPARTMENT OF THE TREASURY
FILING CERTIFICATE (CERTIFIED COPY)

Corporation Name: ENVIRONMENTAL DISPOSAL CORP.
Business Id: 0100130016
Certificate Number: 6000185541

I, THE TREASURER OF THE STATE OF NEW JERSEY, DO HEREBY CERTIFY, THAT THE ABOVE NAMED BUSINESS DID FILE AND RECORD IN THIS DEPARTMENT A RESTATED ON February 18, 1999 AND THAT THE ATTACHED IS A TRUE COPY OF THIS DOCUMENT AS THE SAME IS TAKEN FROM AND COMPARED WITH THE ORIGINAL(S) FILED IN THIS OFFICE AND NOW REMAINING ON FILE AND OF RECORD.

IN TESTIMONY WHEREOF, I HAVE HEREUNTO SET MY
HAND AND AFFIXED MY OFFICIAL SEAL AT
TRENTON, THIS
September 28, 2022 A.D.




ELIZABETH MAHER MUOIO
STATE TREASURER

VERIFY THIS CERTIFICATE ONLINE AT
https://www1.state.nj.us/TYTR_StandingCert/JSP/Verify_Cert.jsp

RESTATED CERTIFICATE OF INCORPORATION

OF

ENVIRONMENTAL DISPOSAL CORP.

Dated as of January 15, 1999

FILED

FEB 18 1999

RST

James A. DiIorio, Jr.
State Treasurer

TO: SECRETARY OF STATE
STATE OF NEW JERSEY

THE UNDERSIGNED corporation certifies that it has adopted the following restated Certificate of Incorporation:

FIRST: The name of the corporation is ENVIRONMENTAL DISPOSAL CORP.

SECOND: The purpose of the corporation is to engage in any activity within the purposes for which corporations may be organized under the provisions of Title 14A, Corporations, General of the New Jersey Statutes.

THIRD: The corporation is authorized to issue 125,000 shares of common stock with par value of \$100.

FOURTH: The address of the corporation's current registered office is 100 Campus Drive, Suite 105, Florham Park, New Jersey 07932, and the name of the corporation's current registered agent at such address is Thomas H. Dillon.

FIFTH: The number of directors constituting the current Board of Directors is three (3); and the names and addresses of the Directors are as follows:

Thomas H. Dillon
100 Campus Drive
Suite 105
P.O. Box 992
Florham Park, NJ 07932

Duncan S. Ellsworth, Jr.
61 Stevens Lane
R.D. #1
Far Hills, NJ 07931

Nicholas Mattia
12 Winding Wood Lane
Acton, MA 01720

541002 /
1031965


0100130016

SIXTH: The duration of this corporation shall be unlimited.

SEVENTH: The effective date of this Amended and Restated Certificate of Incorporation shall be the date of filing.

IN WITNESS WHEREOF, the undersigned, the Vice President of the above named corporation, has hereunto signed this Amended and Restated Certificate of Incorporation on the 15th day of January, 1999.

ENVIRONMENTAL DISPOSAL CORP

By: 

Michael G. Leeder
Vice President


STATE OF NEW JERSEY
DEPARTMENT OF THE TREASURY
FILING CERTIFICATE (CERTIFIED COPY)

Corporation Name: ENVIRONMENTAL DISPOSAL CORP.
Business Id: 0100130016
Certificate Number: 6000185543

I, THE TREASURER OF THE STATE OF NEW JERSEY, DO HEREBY CERTIFY, THAT THE ABOVE NAMED BUSINESS DID FILE AND RECORD IN THIS DEPARTMENT AN AMENDMENT ON October 30, 2003 AND THAT THE ATTACHED IS A TRUE COPY OF THIS DOCUMENT AS THE SAME IS TAKEN FROM AND COMPARED WITH THE ORIGINAL(S) FILED IN THIS OFFICE AND NOW REMAINING ON FILE AND OF RECORD.

IN TESTIMONY WHEREOF, I HAVE HEREUNTO SET MY
HAND AND AFFIXED MY OFFICIAL SEAL AT
TRENTON, THIS
September 28, 2022 A.D.




ELIZABETH MAHER MUOIO
STATE TREASURER

VERIFY THIS CERTIFICATE ONLINE AT
https://www1.state.nj.us/TYTR_StandingCert/JSP/Verify_Cert.jsp

**SCHEDULE
CAR-100-M**

ANNUAL REPORT
Include with your CBT Return
(See Reverse Side For Instructions)

A BUSINESS IDENTIFICATION		FEIN		FILING YEAR	
BUSINESS NAME Environmental Disposal Corp.		22-2391983		1999	
BUSINESS ID 0100130016					
B BUSINESS ADDRESSES					
MAIN BUSINESS ADDRESS INFORMATION (REQUIRED)					
NAME Environmental Disposal Corp. c/o Thomas H. Dillon, President		STREET P.O. Box 709 Route 206 South		CITY	
Pluckemin		STATE NJ		ZIP CODE 07978	
PRINCIPAL BUSINESS ADDRESS INFORMATION					
NAME Environmental Disposal Corp. c/o Thomas H. Dillon, President		STREET P.O. Box 709 Route 206 South		CITY	
Pluckemin		STATE NJ		ZIP CODE 07978	
C OFFICERS/DIRECTORS (Required)					
NAME Thomas H. Dillon		TITLE President/Director		CITY	
STREET c/o Gale and Dillon, LLC One Newark Center		STATE NJ		ZIP CODE 07102	
NAME Michael Leeder		TITLE Secretary/Treasurer		CITY	
STREET c/o Kitson & Partners 200 Campus Drive		STATE NJ		ZIP CODE 07921	
NAME Duncan Ellsworth		TITLE Director		CITY	
STREET 61 Stevens Lane		STATE NJ		ZIP CODE 07931	
<input checked="" type="checkbox"/> Check box if you have more than three officers/directors. Attach a schedule.					
D CHANGE OF REGISTERED AGENT/OFFICE (Use only if you are making a change)					
NAME		STREET		CITY	
				STATE	
				ZIP CODE	
E. FEE AMOUNT					
ENTER YOUR ANNUAL REPORT FEE OF \$50 (OR \$75 WITH REGISTERED AGENT/OFFICE CHANGE) ON LINE 20, PAGE 1 OF CBT-100 or CBT-100S.					
<div style="display: flex; justify-content: space-between; align-items: center;"> <div style="font-size: 2em; font-family: cursive;">CAR</div> <div style="text-align: center;"> <h1 style="margin: 0;">FILED</h1> <p style="margin: 5px 0;">OCT 30 2003</p> <p style="margin: 0;">State Treasurer</p> </div> </div>					
Signature (Chairman of the Board, President, Vice-President, Registered Agent, General Partner or Authorized Representative) <i>TH. Dillon</i>					Date: 10/28/03

Thomas H. Dillon, President/Registered Agent

0100130016

Schedule to CAR-100-M**Environmental Disposal Corp.**
(ID: 0100130016)**C. OFFICERS/DIRECTORS** *(continued)*

<u>Name</u>	<u>Title</u>	<u>Address</u>
Pat Keefe	Director	P.O. Box 3175 1 Elizabethtown Plaza Union, NJ 07083
Nick Mattia	Director	7217 St. Georges Way University Park, FL 34201



AMENDED AND RESTATED
ARTICLES OF INCORPORATION
OF
NEW JERSEY-AMERICAN WATER COMPANY, INC.

Article One

The name of the corporation is New Jersey-American Water Company, Inc.

Article Two

The registered agent of New Jersey-American Water Company, Inc. is National Registered Agents, Inc. of NJ, 100 Canal Pointe Blvd., Suite 108, Princeton, New Jersey 08540.

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Article Three

The total authorized capital stock of the Corporation is Four Million Three Hundred Thousand (4,300,000) shares consisting of Three Hundred Thousand (300,000) shares of Cumulative Preferred Stock of the par value of \$100 per share (hereinafter called the Cumulative Preferred Stock) and Four Million (4,000,000) shares of Common Stock of the par value of \$25 per share (hereinafter called Common Stock).

General Description. The following is a general description of the classes of stock of the Corporation, the terms on which the respective classes of stock are created, and the designations, preferences, rights, qualifications, limitations or restrictions relating to the respective classes of Stock:

(1) *Common Stock*

The Common Stock having a par value of Twenty-five Dollars (\$25) per share and the rights and privileges of the holders thereof and the rights and obligations of the Corporation in respect thereof shall be as follows:

(a) Except as otherwise provided below in the general terms of the Cumulative Preferred Stock, the holders of Common Stock shall be vested with the sole voting rights.

(b) Subject to the below provisions of the general terms of the Cumulative Preferred Stock, such dividends (payable in cash, stock or otherwise) as may be determined by the Board of Directors may be declared and paid on the Common Stock, but only out of funds legally available for the payment of dividends.

(c) In the event of any liquidation, dissolution or winding up whether voluntary or involuntary, of the Corporation, all assets and funds of the Corporation remaining after paying or providing for the payment to the holders of the Cumulative Preferred Stock of the full distributive amounts to which they are respectively entitled, as hereinafter provided, shall be divided among and paid to the holders of the Common Stock according to their respective rights and interests.

(d) The Corporation may, at any time and from time to time, issue and dispose of any of the authorized and unissued shares of the Common Stock for such consideration as may be fixed by the Board of Directors, subject to any provisions of law then applicable.

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(2) *Cumulative Preferred Stock*

(a) Board of Directors is hereby empowered to cause the shares of the Cumulative Preferred Stock to be issued from time to time in one or more series. The shares of any particular series may vary from the shares of another or other series in respect of:

- (i) The number of shares of which the series is to be comprised;
- (ii) The annual dividend rate for the particular series and the date from which dividends on all shares of such series issued prior to the record date for the first dividend for such series shall be cumulative;
- (iii) The redemption price or prices, if any, for the particular series and any other terms of redemption;
- (iv) The amount per share for the particular series payable to the holders thereof upon any voluntary liquidation, dissolution or winding up of the Corporation, provided that such amount shall not exceed \$110 per share;
- (v) The terms and amount of any sinking fund provided for the purchase or redemption of shares of the particular series.
- (vi) The terms upon which the holders thereof may convert the same into stock of any other class or classes or any one or more series of the same class or of another class or classes;
- (vii) If and to the extent permitted by law, any other related, participating, optional or special rights and privileges of, and qualifications, limitations or restrictions on the rights of, the holders of the shares of each series;

so far as not inconsistent with the provisions of this Article VI applicable to all series of Cumulative Preferred Stock. All shares of the Cumulative Preferred Stock of all series shall be of equal rank, and shall be identical in all respects except as hereinbefore provided; and all shares of the Cumulative Preferred Stock of any particular series shall be identical in all respects except as to the date or dates from which dividends thereon shall be cumulative as provided in paragraph (b) below. Any shares of the Cumulative Preferred Stock which shall have been redeemed or purchased and retired shall thereafter, if and to the extent permitted by law, have the status of authorized and unissued shares.

The Board of Directors is hereby empowered to fix, in the manner provided by law, the designation, description, and terms of such series, consistent with the foregoing provisions as to the permissible respects in which the shares of one series may vary from the shares of other series.

(b) The holders of shares of each series of the Cumulative Preferred Stock at the time outstanding shall be entitled to receive, when and as declared by the Board of Directors, out of the funds available for the payment of dividends, cumulative preferential dividends, at the annual dividend rate for the particular series, payable quarter-yearly on the first days of January, April, July and October in each year (except that the first dividend on the initially issued shares of any series shall be payable on the first such day next succeeding the expiration of thirty days after the date of issue of such shares), to stockholders of record on the respective dates, not exceeding thirty days preceding such dividend payment dates, fixed for the purpose by the Board of Directors in advance of the payment of the respective dividends. No dividend shall be declared on any series of the Cumulative Preferred Stock in

respect of any quarter-yearly dividend period unless there shall likewise be declared on all shares of the Cumulative Preferred Stock of each other series at the time outstanding, like proportionate dividends, ratably, in proportion the respective annual dividend rates fixed therefor, in respect of the same quarter-yearly dividend period, to the extent that such shares are entitled to receive dividends for such quarter-yearly dividend period. The dividends on shares of the Cumulative Preferred Stock shall be cumulative. In the case of all shares of each particular series, the dividends on shares of such series shall be cumulative;

(i) If issued prior to the record date for the first dividend on the shares of such series, then from the date for the particular series fixed therefor;

(ii) If issued during the period commencing on a record date for a dividend on the shares of such series and terminating at the close of the payment date for such dividend, then from such dividend payment date; and

(iii) Otherwise from the quarter-yearly dividend payment date next preceding the date of issue of such shares;

So that unless dividends on all outstanding shares of each particular series of the Cumulative Preferred Stock, at the annual dividend rate and from the dates for accumulation thereof, shall have been paid or declared or set apart for payment for all past quarter-yearly dividend periods, but without interest on cumulative dividends, no dividends shall be paid or declared, or set apart for payment, and no other distribution shall be made on the Common Stock or other stock of the Corporation ranking junior to the Cumulative Preferred Stock as to either assets or dividends, and no Common Stock, or such junior stock, shall be purchased or otherwise acquired for value by the Corporation. The holders of the Cumulative Preferred Stock shall not be entitled to receive any dividends thereon other than dividends referred to in this paragraph.

(c)

(i) The Corporation, by action of its Board of Directors, subject to the terms and conditions upon which shares of any particular series are subject to redemption, may redeem the whole or any part of the Cumulative Preferred Stock at the time outstanding, or the whole or any part of any series thereof, at any time or from time to time, by paying in cash the redemption price for the particular series fixed therefor, together with accrued dividends to the date fixed for such redemption.

(ii) In case of the redemption (pursuant to a sinking fund requirement or otherwise) of a part only of any series of the Cumulative Preferred Stock at the time outstanding, the shares to be redeemed shall be selected by lot, or on a pro rata basis, or by lot as to some holders and on a pro rata basis as to another holder or holders, or otherwise, as the Board of Directors, in their discretion, may determine; provided, however, that such selection shall be pro rata in respect of any registered holder of the Cumulative Preferred Stock of the series from which the selection is to be made having five percent (5%) or more of such Cumulative Preferred Stock registered in her/his name, as follows: the Corporation shall allocate to each such registered holder a proportion of the shares to be redeemed equal, as nearly as practicable, to the proportion that the shares of such series then outstanding registered in the name of such holder bears to all shares of such series outstanding (in which case the selection by lot of the number of shares to be redeemed not so allocated shall be made from the registered holders holding less than five percent (5%) of the aggregate number of shares of each series). The Board of Directors shall have full power and authority, subject to the limitations and conditions herein contained, to prescribe the

manner in which and the terms and conditions upon which the shares of the Cumulative Preferred Stock shall be redeemed from time to time.

(iii) Notice of every such redemption (pursuant to a sinking fund requirement or otherwise) shall be given at least thirty days and not more than ninety days prior to the date fixed for such redemption by first class mail, to the holders of record of the shares of Cumulative Preferred Stock so to be redeemed, at their respective addresses as the same shall appear on the books of the Corporation. If such notice of redemption shall have been duly given and if on or before the redemption date specified in such notice all funds necessary for such redemption shall have been set aside by the Corporation, separate and apart from its other funds, in trust for the account of the holders of the Cumulative Preferred Stock to be redeemed, so as to be and continue to be available therefor, then, notwithstanding that any certificate for shares of Cumulative Preferred Stock so called for redemption shall not have been surrendered for cancellation, from and after the date fixed for such redemption, the shares represented thereby shall no longer be deemed outstanding, the right to receive dividends thereon shall cease to accrue and all rights with respect to such shares so called shall forthwith on such redemption date cease and terminate, except only the right of the holders thereof to receive, out of the funds so set aside in trust, the amount payable upon the redemption thereof, without interest; provided, however, if the Corporation shall deposit in trust, for the account of the holders of shares of the Cumulative Preferred Stock to be redeemed, funds necessary for such redemption with a bank or trust company in good standing, organized under the laws of the United States of America or of the State of New York, or of the Commonwealth of Pennsylvania doing business in the Borough of Manhattan, City of New York, or in the City of Philadelphia, Pennsylvania, or in the City of Pittsburgh, Pennsylvania, having capital, surplus and undivided profits aggregating at least \$5,000,000, designated in such notice of redemption, and if the Corporation shall have stated in such notice of redemption, that the funds necessary for such redemption shall be payable on or after a date therein specified, earlier than the redemption date, then, on such earlier date, all shares of Cumulative Preferred Stock with respect to which such deposit shall have been made shall no longer be deemed to be outstanding, and all rights with respect to such shares of Cumulative Preferred Stock shall forthwith cease and terminate, except only the right of the holders thereof to receive, on such earlier date, out of the funds so deposited in trust, the amount payable upon the redemption thereof, without interest. Nothing herein contained shall limit any legal right of the Corporation to purchase or otherwise acquire any shares of the Cumulative Preferred Stock.

(d) Before any amount shall be paid to, or any assets distributed among, the holders of the Common Stock or any other stock of the Corporation ranking junior to the Cumulative Preferred Stock as to assets, upon any liquidation, dissolution, or winding up, of the Corporation, and after paying or providing for the payment of all creditors of the Corporation, the holders of the Cumulative Preferred Stock of each series at the time outstanding shall be entitled to be paid in cash: (i) if such liquidation, dissolution, or winding up be voluntary, the amount for the particular series fixed therefor or (ii) if such liquidation, dissolution, or winding up be involuntary, \$100 per share, together with, in either case, accrued dividends to the date of such payment or distribution. No payments on account of such distributive amounts shall be made to the holders of the Cumulative Preferred Stock of any series unless there shall likewise be paid at the same time to the holders of the Cumulative Preferred Stock of each other series at the time outstanding like proportionate distributive amounts, ratably, in proportion to the full distributive amounts to which they are respectively entitled, as provided herein. The holders of the Cumulative Preferred Stock shall not be entitled to receive any amounts with respect thereto upon any liquidation, dissolution, or winding up, of the Corporation, whether voluntary or involuntary, other than the amounts referred to in this paragraph. Any liquidation, dissolution or winding up of the Corporation in connection with, or as a consequence of, the acquisition of all or a substantial part of the property of

the Corporation by one or more municipal corporations or other governmental subdivisions or governmental bodies shall be deemed to be an involuntary liquidation, dissolution or winding up of the Corporation.

(e)

(i) No cash shall be set aside in any fiscal year for the purchase or redemption of shares of any one series of the Cumulative Preferred Stock pursuant to any sinking fund established for such series unless in such fiscal year there shall likewise be set aside, for the purchase or redemption of shares of each series of Cumulative Preferred Stock for which a sinking fund shall have been established, a like proportionate amount of cash for each series of the Cumulative Preferred Stock for which a sinking fund shall have been established, ratably in proportion to the respective annual sinking fund requirements for each such series.

(ii) No cash shall be required to be set aside in any fiscal year for the purchase or redemption of shares of any series of the Cumulative Preferred Stock pursuant to any sinking fund except to the extent (a) of the net income of the Corporation for the preceding fiscal year available for dividend on Common Stock, or (b) the capital or surplus of the Corporation legally available therefor.

(iii) Regardless of any other provision hereof, if and so long as dividends on the shares of any series of the Cumulative Preferred Stock shall be in arrears, in whole or in part, the Corporation shall not directly or indirectly redeem, purchase or otherwise acquire, or set apart any sum (whether to meet any sinking fund requirement or otherwise) for the redemption, purchase or other acquisition of shares of any series of the Cumulative Preferred Stock, except that the Corporation at any time may redeem or acquire and retire all of the Cumulative Preferred Stock at the time outstanding.

(iv) If and so long as the Corporation shall be in default with respect to any sinking fund requirement with respect to any series of the Cumulative Preferred Stock, then, unless and until all such defaults have been cured, no Cumulative Preferred Stock shall be redeemed, purchased or otherwise acquired directly or indirectly by the Corporation and no sum shall be set aside by the Corporation for any such purpose, except that:

(x) The Corporation at any time may redeem or acquire and retire all of the Cumulative Preferred Stock at the time outstanding; and

(y) The Corporation may set aside sums and may effect redemptions, purchases or other acquisitions for the purposes of curing the default.

(v) The sinking fund requirements for each series of the Cumulative Preferred Stock for which a sinking fund has been established shall be cumulative, so that if in any fiscal year the Corporation shall not have set aside in cash the full sinking fund requirements (whether or not there shall be any funds legally available for the purpose) for such fiscal year for each series of the Cumulative Preferred Stock for which a sinking fund has been established, the amount of the deficiency shall be added to the sinking fund requirements for the next succeeding fiscal year. Unless and until all such deficiencies shall have been made good, no dividends shall be declared or paid, or set apart for payment, and no other distributions shall be made on any Common Stock, or other stock of the Corporation ranking junior to the Cumulative Preferred Stock as to either assets or dividends, and no Common Stock or such junior stock shall be purchased or otherwise acquired for value by the Corporation.

For the purpose hereof the term "sinking fund requirement" shall, with respect to any series of the Cumulative Preferred Stock, mean the amount of cash required to be set aside annually on the books of the Corporation to be used to purchase or retire shares of such series in accordance with any sinking fund or similar fund, if any, provided for such series.

(f) The holders of Cumulative Preferred Stock shall not be entitled to vote at any meeting of the stockholders of the corporation for the election of directors or for any other purpose whatsoever except as otherwise hereinafter provided.

(i) Whenever dividends on any shares of the Cumulative Preferred Stock of any series at the time outstanding shall have been in default in an amount equivalent to four (4) full quarter-yearly dividends thereon, or the Corporation shall have been in default for sixty days in any obligation to purchase or redeem shares of any series of the Cumulative Preferred Stock pursuant to any sinking fund provided therefore, the holders of all shares of the Cumulative Preferred Stock, voting separately as a class, shall thereupon be entitled to elect two additional directors of the Corporation who shall be in addition to the number previously constituting the Board of Directors, provided that such holders shall not be entitled to elect more than two directors at any time notwithstanding that default has occurred in more than one of the foregoing respects.

(ii) Whenever all dividends then in default on all shares of the Cumulative Preferred Stock then outstanding shall be paid or declared and set aside for payment, and all obligations to purchase or redeem shares of Cumulative Preferred Stock pursuant to sinking funds provided therefore shall be met, the Cumulative Preferred Stock shall thereupon be divested of any special right with respect to the election of directors provided in subparagraph (i) hereof, but subject always to the same provisions for the vesting of such special rights in the Cumulative Preferred Stock in the case of any similar future default or defaults.

(iii) In case of any vacancy in the Board of Directors occurring among the directors elected by the holders of the Cumulative Preferred Stock, as a class, pursuant to subparagraph (i) hereof, the remaining director elected by the holders of the Cumulative Preferred Stock may elect a successor to hold office for the unexpired term of the director whose place shall be vacant, or, if there is no such remaining director, such vacancies shall be filled by vote of the holders of the Cumulative Preferred Stock, voting separately as a class.

(iv) Whenever the holders of the Cumulative Preferred Stock, as a class, become entitled to elect additional directors pursuant to subparagraph (i) hereof, (or to fill vacancies pursuant to subparagraph (3) hereof), a meeting of the holders of the Cumulative Preferred Stock shall be held at any time thereafter, upon notice given as provided in the Bylaws for a special meeting, upon call by the holders of not less than twenty percent (20%) of the shares of the Cumulative Preferred Stock at that time outstanding, or upon call by the Secretary of the Corporation at the request in writing of any stockholder addressed to him at the principal office of the Corporation. At all meetings of stockholders held for the purpose of electing directors during such times as the holders of the Cumulative Preferred Stock shall have the special right, voting separately as a class, to elect directors pursuant to subparagraph (i) hereof, (or to fill vacancies pursuant to subparagraph (iii) hereof), the presence in person or by proxy of the holders of record of a majority of the outstanding shares of the Cumulative Preferred Stock, without regard to series, shall be required to constitute a quorum of such class for the election of the directors to be elected by such class, and the presence in person or by proxy of the holders of record of a majority of the outstanding shares of Common Stock shall be required to constitute a quorum of

such class for the election of the directors to be elected by such class; provided, however, that the absence of a quorum of the holders of the Cumulative Preferred Stock, as a class, or of the Common Stock, as a class, shall not prevent or invalidate the election by the other class at any such meeting, or at any adjournment thereof, of the directors to be elected by such class, if the necessary quorum of the holders of stock of such class is present in person or by proxy at such meeting or at any adjournment thereof; and provided further that in the absence of a quorum of the holders of stock of either such class, a majority of those holders of the stock of such class who are present in person or by proxy shall have power to adjourn the election of the directors to be elected by such class from time to time without notice other than announcement at the meeting until the holders of requisite amount of stock of such class shall be present in person or by proxy. At all such elections the holders of all shares of the Cumulative Preferred Stock, without regard to series, shall vote as a class, and the holders of all shares of the Common Stock shall vote as a class.

(v) Except where a vote of the stockholders of the Corporation by classes is expressly required by statute or by these general terms of the Cumulative Preferred Stock, the holders of the Cumulative Preferred Stock shall not be entitled to vote as a separate class upon any matter; and, except as otherwise provided in Section (ii) of subparagraph (h) below, whenever shares of two or more series of the Cumulative Preferred Stock are outstanding, no particular series of the Cumulative Preferred Stock shall be entitled to vote as a separate class upon any matter and all shares of the Cumulative Preferred Stock of all series shall constitute but one class, without regard to series, for any purpose for which a vote of the stockholders of the Corporation by classes is required by statute or by these general terms of the Cumulative Preferred Stock.

(g) So long as any shares of the Cumulative Preferred Stock are outstanding, the Corporation shall not, without the consent (given in writing or by vote at a meeting called for that purpose) of the holders of at least two-thirds of the total number of shares of the Cumulative Preferred Stock of all series then outstanding:

(i) Create any class or stock ranking prior to or on a parity with the Cumulative Preferred Stock as to dividends or assets or create any obligation or security convertible into shares of any such other class of stock so ranking prior to or on a parity with the Cumulative Preferred Stock;

(ii) Change any of the express terms of the Cumulative Preferred Stock, or of any series thereof, then outstanding in a manner prejudicial to the holders thereof; provided, however, that if any such change would be prejudicial to the holders of one or more, but less than all, of the series of the Cumulative Preferred Stock then outstanding, only the consent of the holders of at least two-thirds of the total number of shares of the Cumulative Preferred Stock of all series so affected as one class and without regard to series, shall be required by this subparagraph (g); or

(iii) Issue any additional shares of any series of the Cumulative Preferred Stock (and any other stock of the Corporation ranking prior thereto or on a parity therewith as to either dividends or assets) unless the net income of the corporation available for dividends determined in accordance with generally accepted accounting practice for any twelve (12) consecutive calendar months within fifteen (15) calendar months immediately preceding the calendar month within which such additional shares of stock shall be issued plus (a) interest on funded debt outstanding during such period and (b) interest charges deducted in arriving at such net corporate income and relating to other indebtedness which either will not be outstanding

immediately after the issuance of such shares or will be retired out of proceeds from the sale of such shares or from the simultaneous sale of funded debt or Common Stock, shall have been at least one and one-half (1-1/2) times the aggregate of the dividend requirements for a twelve (12) consecutive months' period upon the entire amount of the Cumulative Preferred Stock (and any other stock of the Corporation ranking prior thereto or on a parity therewith as to either dividends or assets) to be outstanding immediately after the proposed issue of such additional shares and of the interest charges for a twelve (12) months' period on the entire amount of the funded debt to the likewise outstanding, but excluding from the foregoing computation of dividend and interest requirements after the proposed issuance of such additional shares, interest requirements on all funded debt and dividends on all shares of Cumulative Preferred Stock (and any other stock of the Corporation ranking prior thereto or on a parity therewith as to either dividends or assets) which are to be retired or for the payment or redemption of which moneys shall be deposited or segregated in trust at the time of the issuance of such additional shares. The term "funded debt" as used in this subparagraph (iii) shall mean all indebtedness of the Corporation which by its terms matures more than twelve (12) months after the date of its inception and all indebtedness of the Corporation renewable or extendable at the option of the Corporation for a period ending more than twelve (12) months after the date of its inception.

(h) So long as any shares of the Cumulative Preferred Stock are outstanding, the Corporation shall not, without the consent (given in writing or by vote at a meeting called for that purpose) of the holders of at least a majority of the total number of shares of the Cumulative Preferred Stock of all series then outstanding, merge or consolidate with any other corporation unless:

(i) The corporation resulting from such merger or consolidation would not have after such merger or consolidation any authorized class of shares ranking prior to or on a parity with the Cumulative Preferred Stock as to either assets or dividends, except the same number of shares of the same par value (or shares' having the same aggregate par value, or an aggregate stated value equal to the aggregate of the par value) with the same rights and preferences as the authorized shares of the Corporation immediately preceding such merger or consolidation; or

(ii) (x) the agreement of merger or consolidation shall provide for the conversion of all shares of the Cumulative Preferred Stock into an equal number of shares of a class of capital stock (hereinafter called the "Conversion Stock") of the resulting corporation of the same par value (or shares having the same aggregate par value, or an aggregate stated value equal to the aggregate of the par value) and having comparable rights and preferences (allowing for differences of form and minor substance) as the shares of the Cumulative Preferred Stock, (y) the resulting corporation would not have after such merger or consolidation any authorized class of shares prior to or on a parity with the Conversion Stock as to either assets or dividends, except the same number of shares of the same par value (or shares having the same aggregate par value, or an aggregate stated value equal to the aggregate of the par value) with the same rights and preferences as the authorized shares of the Corporation immediately preceding such merger or consolidation and (z) it shall appear that the shares of the Conversion Stock to be outstanding immediately after such merger or consolidation could have been issued under the provisions of Section (iii) of subparagraph (g) hereof (substituting, in said provisions for the purposes hereof the combined net income of the constituent corporations for the net income of the Corporation and the shares of the Conversion Stock for the shares of the Cumulative Preferred Stock).

(i) No holder of shares of any series of the Cumulative Preferred Stock shall be entitled as such as a matter of right to subscribe for or purchase any part of any new or additional issue of

stock, or securities convertible into stock, of any class whatsoever, whether now or hereafter authorized, and whether issued for cash, property, services, by way of dividends, or otherwise.

(j) So long as any shares of the Cumulative Preferred Stock are outstanding, no dividends shall be declared or paid on any shares of Common Stock of the Corporation (other than dividends payable solely in Common Stock of the Corporation), nor shall any shares of Common Stock of the Corporation be purchased, redeemed or otherwise acquired by the Corporation except by way of donation if immediately thereafter or as the result thereof the sum of the aggregate par or stated value of all issued and outstanding shares of Common Stock of the Corporation and the amount of all surplus accounts (including premiums on capital stock) of the Corporation would be reduced to less than \$5,200,000. In making the foregoing computation (i) any write-up of the Corporation's properties made on the books of the Corporation subsequent to June 30, 1965, or (ii) any charges (whether against income or surplus) representing provision for the amortization or the write-down or write-off of any excess of book value of the Corporation's properties over the original cost thereof or over the cost thereto to any previous owner, made on the books of the Corporation subsequent to June 30, 1965, shall be disregarded.

Article Four

The business of the corporation shall be managed under the direction of a board of directors. The number of directors shall be set by the by-laws. The number of directors constituting the current board of directors is six (6). The names and addresses of the directors are as follows:

• David K. Baker New Jersey-American Water Company, Inc. 1025 Laurel Oak Road Voorhees, NJ 08043	• Elba L. Deck New Jersey-American Water Company, Inc. 1025 Laurel Oak Road Voorhees, NJ 08043
• Anne E. Estabrook Elberon Development Co. 235 Birchwood Ave. Cranford, NJ 07016	John A. Hoffinan Wilentz, Goldman & Spitzer, P.A. 90 Woodbridge Center Drive Suite 900 PO Box 10 Woodbridge, NJ 07095
• Kathy L. Pape Pennsylvania American Water Company 800 West Hershey Park Drive Hersey, PA 17050	• Stephen P. Schmitt New Jersey-American Water Company, Inc. 1025 Laurel Oak Road Voorhees, NJ 08043

Article Five

The duration of the corporation is perpetual.

Article Six

The corporation is formed for the following purposes:

To purchase, erect and maintain water and wastewater works and to supply water for public and private purposes;

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To supply water and wastewater services for public and private purposes in the State of New Jersey as it deems appropriate for its purposes;

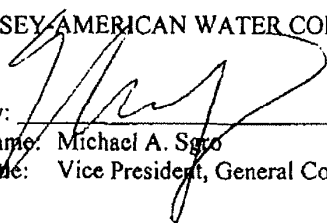
To purchase, lease, take or otherwise acquire and own, use, hold, sell, exchange, convey, lease, mortgage, work, improve, develop, subdivide, cultivate and otherwise handle, dispose of and deal in real estate, real property and any interest or right therein and to contract for and engage the services of other parties for the purpose of carrying on the same;

To perform all functions, reasonably attendant to implementing those purposes, to do anything necessary and proper for the accomplishment of those objects or necessary or incidental to the attainment of the purposes of the corporation, and to exercise any powers which are granted to corporations organized under Title 14A, Corporations, General and by Title 48, Public Utilities, Revised Statutes of New Jersey, as amended from time to time;

These are objects and purposes of the corporation, and are not a limit, restraint or restriction in any manner on its powers.

Dated this 29th day of August, 2013.

NEW JERSEY AMERICAN WATER COMPANY, INC.

By: 
Name: Michael A. Sgro
Title: Vice President, General Counsel and Secretary

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Part 2

**Certificate Required to be filed with the
RESTATED CERTIFICATE of INCORPORATION**
(For Use by Domestic Corporations)

Pursuant to N.J.S.A.14A:9-5 (5), the undersigned corporation hereby executes the following certificate:

1. Name of Corporation: New Jersey-American Water Company, Inc.
2. Restated Certificate of Incorporation was adopted on the 23 day of August, 2013.

(Use the following clause if the Restated Certificate was adopted by the shareholders.)

3. At the time of the adoption of the Restated Certificate of Incorporation, the number of shares outstanding was: The total of such shares entitled to vote thereon, and the vote of such shares was:

Total Number of Shares <u>Entitled to Vote</u>	Number of Shares Voted <u>For</u> <u>Against</u>
3,478,968	3,478,968 0

At the time of adoption of the Restated Certificate of Incorporation, the number of outstanding shares or each class or series entitled to vote thereon as a class and the vote of such shares, was: (if inapplicable, insert none".)


Class or <u>Series</u>	Total Number of Shares <u>Entitled to Vote</u>	Number of Shares Voted <u>For</u> <u>Against</u>
Common	3,478,968	3,478,968 0

(Use the following if the Restated Certificate does not amend the Certificate of Incorporation.) *n/a*

4. This Restated Certificate of Incorporation only restates and integrates and does not further amend the provisions of the Certificate of Incorporation of this corporation as heretofore amended or supplemented and there is no discrepancy between those provisions and the provisions of this Restated Certificate of Incorporation.

(Use the following if the Restated Certificate further amends the Certificate of Incorporation.)

5. This Restated Certificate of Incorporation restates and integrates and further amends the Certificate of Incorporation of this corporation by: (insert amendment or amendments adopted. If such amendment is intended to provide for an exchange, reclassification or cancellation of issued shares, insert a statement of the manner in which the same shall be affected.)
(1) update Article II Registered Office and Agent; (2) replace former Article III with new Article Six; (3) replace former Article V with new Article Four; (4) deleting Article VI (B) Series of Preferred Stock; and (5) deleting Article VII Indemnification of Officers and Directors
6. Other Provisions: none

Signature: 
Name: Michael A. Sgro

Date: 8/29/13
Title: Vice President
(Must be Chair. of Board, Pres., or Vice Pres.)

NEW JERSEY-AMERICAN WATER COMPANY, INC.

Board of Directors

Mark K. McDonough
Tywannette M. Balmir
Vincent Maione
Michael McKeever
Donald C. Shields
Thomas Shroba
Richard Smith

Officers

President.....	Mark K. McDonough
Director of Finance and Treasurer	Michael B. McKeever
Director – Human Resources	Deana Earland Perez
Vice President, Secretary and General Counsel	Debbie C. Albrecht
Vice President – Operations.....	Thomas Shroba
Vice President – Engineering.....	Donald C. Shields
Assistant Treasurer.....	Nicholas Furia
Assistant Secretary.....	Christopher M. Arfaa
Deputy General Counsel and Assistant Secretary	Stephen R. Bishop
Assistant Treasurer.....	David Bowler
Assistant Comptroller	Melissa Ciullo

Environmental Disposal Corp. (EDC)

Proposed entries to complete the merger transaction of EDC into NJAWC

Entry #1 - Proposed journal entry to close the books of EDC

	<u>Debit*</u>	<u>Credit*</u>
Equity	\$xx	
Net Assets		\$xx
Goodwill		\$xx

Entry #2 - Proposed journal entry to merge EDC's balances into NJAWC general ledger

	<u>Debit*</u>	<u>Credit*</u>
Net Assets of EDC	\$xx	
Goodwill of EDC	\$xx	
Equity of EDC		\$xx

Entry #3 - Proposed elimination of investment in subsidiary and EDC equity with NJAWC remaining the stand-alone company

	<u>Debit*</u>	<u>Credit*</u>
Equity of EDC	\$xx	
Investment in Subsidiary		\$xx

*The proposed journal entry to record the merger of EDC into NJAWC reflects the general ledger accounts for the posting of the transaction. No dollar amounts are presented, since the amounts are subject to change up through the merger date.