



Agenda Date: 4/12/23  
Agenda Item: VC

**STATE OF NEW JERSEY**  
**Board of Public Utilities**  
44 South Clinton Avenue, 1<sup>st</sup> Floor  
Post Office Box 350  
Trenton, New Jersey 08625-0350  
[www.nj.gov/bpu/](http://www.nj.gov/bpu/)

WATER

IN THE MATTER OF THE APPLICATION OF	)	ORDER AUTHORIZING
MIDDLESEX WATER COMPANY FOR AUTHORITY TO	)	ISSUANCE OF PRINCIPAL
ISSUE AND SELL UP TO \$300.0 MILLION OF	)	AMOUNT DEBT
PRINCIPAL AMOUNT DEBT SECURITIES	)	SECURITIES
	)	
	)	DOCKET NO. WF22110689

**Parties of Record:**

**Brian O. Lipman, Esq., Director**, New Jersey Division of Rate Counsel  
**Jay L. Kooper, Esq., Vice President, General Counsel & Secretary**, Middlesex Water Company

**BY THE BOARD:**

On November 4, 2022, Middlesex Water Company (“Middlesex”, “Petitioner”, or “Company”), a public utility of the State of New Jersey, by petition filed with the New Jersey Board of Public Utilities (“Board”) pursuant to N.J.S.A. 48:3-7, 48:3-9 and N.J.A.C. 14:1-5.9, requested authority:

- a) To borrow up to an aggregate principal amount of \$300.0 million in one (1) or more negotiated transactions in the form of notes and/or first mortgage bonds through loans from the New Jersey State Revolving Fund Program (“NJSRF”), the New Jersey Economic Development Authority (“NJEDA”), private placement, and other financial institutions as needed in one or more negotiated transactions, and to make, execute and deliver one or more loan agreements therefor, and to make, execute and deliver to the placement agent one or more contracts of purchase in connection therewith, if necessary, as well as such other documents as are reasonably required to perform its obligations thereunder; and
- b) To make, execute, and deliver one (1) or more Supplemental Indentures of Mortgage (“Supplemental Indentures”) to the Company’s Indenture Trustee, for the purpose, among other things, of issuing and describing the terms and conditions of the Company’s First Mortgage Bonds issued in connection with borrowings under the Petition (“Company First Mortgage Bonds”).

According to the petition, the foregoing authority was requested in furtherance of planned infrastructure upgrades, replacements and improvements to the Company’s water system, which

are necessary to ensure the continued provision of safe and reliable water service to its customers. These plans include the preparation of a perpetual five-year capital infrastructure budget that is based on the Company's engineering assessments, system studies and government regulatory requirements. The Company's current five-year program, known as "Water For Tomorrow," projects that Middlesex will spend approximately \$288.0 million through the year 2026 to replace aging infrastructure, remain compliant with water quality requirements, and enhance service. The funding of Middlesex's projected \$288.0 million infrastructure investment will require a combination of funds generated from operations, debt financing and equity investments in order to maintain a balanced capital structure to continue to attract investor interest.

The Company proposed as part of this overall plan to borrow up to \$300.0 million, in one (1) or more negotiated transactions in the form of notes and/or first mortgage bonds through loans from the NJSRF, the NJEDA, private placement and other financial institutions as needed in order to fund portions of its Water For Tomorrow program. It is contemplated that the Company will issue debt securities in a series of one or more transaction offerings over a multi-year period to accommodate the Company construction timetable for the Water For Tomorrow program.

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

To evidence and secure the Company's obligation to repay the loans, the Company proposed to issue and deliver, in accordance with N.J.S.A. 48:3-7 and 48:3-9 and N.J.A.C. 14:1-5.9, up to \$300.0 million in the form of notes, first mortgage bonds, and/or other debt securities through loans from the NJSRF, the NJEDA, private placement, and other financial institutions, as needed, with final maturity of each note or bond to not exceed 40 years from the date of issuance.

The New Jersey Division of Rate Counsel ("Rate Counsel") reviewed this matter and, by letter dated February 14, 2023, indicated that it does not object to Board approval of the petition. Rate Counsel also recommended that any Board approval include the following conditions:

- The authority granted by the Board should be restricted to fund utility operations and investments only, not to fund affiliated entities.
- The Company should be obligated to issue its planned debt financing at the lowest reasonable cost.
- The Company should be obligated to utilize a prudent and cost-effective capital structure and mix of capital to finance its utility rate base at the lowest reasonable cost.

Rate Counsel also reserved its rights to take appropriate positions in future Board proceedings involving the Company, including any such proceeding currently pending before the Board.

## **DISCUSSION AND FINDINGS**

The Board, after investigation, having considered the petition, exhibits submitted in this proceeding, and the comments of Rate Counsel and Board Staff, pursuant to N.J.S.A. 48:3-9, **HEREBY FINDS** that the proposed transactions and actions proposed to be taken by Petitioner as indicated above are in accordance with law, in the public interest, and approving of the purposes thereof, **HEREBY ORDERS** that Petitioner be and is **HEREBY AUTHORIZED** to:

- a) Borrow up to \$300.0 million in loans from the NJSRF, the NJEDA, private placement, and other financial institutions as needed in one (1) or more negotiated transactions, and to make, execute and deliver one or more loan agreements therefor, and to make, execute and deliver to the placement agents one (1) or more contracts of purchase in connection therewith, if necessary, as well as such other documents as are reasonably required to perform its obligations thereunder; and
- b) Make, execute, and deliver such Supplemental Indentures of Mortgage to the Company's Indenture Trustee or other such securitization as needed.

This Order is issued subject to the following provisions:

- 1) This Order shall not be construed as directly or indirectly fixing for any purpose whatsoever any value of the tangible or intangible assets now owned or hereafter to be owned by the Petitioner; nor as certifying that the securities authorized to be issued and sold will be represented by tangible or intangible assets of commensurate value or investment cost.
- 2) This Order shall not affect nor in any way limit the exercise of the authority of this Board or of this State, in any future petition or in any proceedings with respect to rates, franchises, service, financing (including method of sale of securities), accounting, capitalization, depreciation, or in any other matters affecting the Petitioner.
- 3) Beginning January 15, 2024, no later than January 15 of each year following the issuance of this Order, Petitioner shall submit a letter report to the Board Secretary and copy the Chief Economist detailing each debt issuance concluded in the prior year pursuant to the authorization contained in this Order. The last such letter report shall be filed no later than January 15, 2026. Each report must include the name of the issuing entity, issue date, amount of debt issued, the term in years, final maturity date, coupon rate, price to public, underwriters discount, net proceeds after expenses, gross proceeds before expenses, breakdown of estimated issuance costs including, but not limited to, information such as the underwriting fees, underwriting expenses, legal fees and expenses, recordation taxes and fees, trustee fees, etc. and any other material provision with respect to the terms and conditions of the new issuance.
- 4) Petitioner shall furnish the Board with copies of the executed Supplemental Indentures.
- 5) The Bonds herein authorized to be issued shall not be redeemed at a premium, prior to maturity, without further Board approval.
- 6) The authority granted by the Board in this docket is restricted to fund utility operations and investments only, not to fund affiliated entities.
- 7) The Company shall issue its planned debt financing at the lowest reasonable cost.

- 8) The Company shall utilize a prudent and cost-effective capital structure and mix of capital to finance its utility rate base at the lowest reasonable cost.
- 9) The authority granted in this Order shall become null and void and of no effect with respect to any portion which is not exercised on or before December 31, 2025.

This Order shall become effective on April 19, 2023.

DATED: April 12, 2023

BOARD OF PUBLIC UTILITIES  
BY:



\_\_\_\_\_  
JOSEPH L. FIORDALISO  
PRESIDENT



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MARY-ANNA HOLDEN  
COMMISSIONER



\_\_\_\_\_  
DIANNE SOLOMON  
COMMISSIONER



\_\_\_\_\_  
DR. ZENON CHRISTODOULOU  
COMMISSIONER

ATTEST:



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SHERRI L. GOLDEN  
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 APPLICATION OF MIDDLESEX WATERCOMPANY FOR  
AUTHORITY TO ISSUE AND SELL UP TO \$300.0 MILLION OF PRINCIPAL AMOUNT DEBT  
SECURITIES

DOCKET NO. WF22110689

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