



State of New Jersey  
DIVISION OF RATE COUNSEL  
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April 25, 2023

**Via Electronic Mail**

Ms. Sherri Golden, Board Secretary  
New Jersey Board of Public Utilities  
44 South Clinton Avenue, 1st Floor  
P.O. Box 350  
Trenton, New Jersey 08625-0350

**Re: I/M/O the Petition of Middlesex Water Company for Authority to  
Issue Up to 3,700,000 Shares of Common Stock Under the Middlesex  
Water Company Investment Plan  
BPU Docket No.: WF23020095**

Dear Secretary Golden:

Please accept for filing in the above-referenced matter the New Jersey Division of Rate Counsel's ("Rate Counsel") comments concerning Middlesex Water Company's ("Middlesex" or "the Company") February 17, 2023 petition to the New Jersey Board of Public Utilities ("Board") requesting authorization to issue up to 3,700,000 shares of common stock under the Middlesex Water Company Investment Plan ("Plan").

Consistent with the Order issued by the Board in connection with *In the Matter of the New Jersey Board of Public Utilities' Response to the COVID-19 Pandemic for a Temporary Waiver of the Requirements for Certain Non-Essential Obligations*, BPU Docket No EO20030254, dated March 19, 2020, these documents are being electronically filed with the Secretary of the Board and with SJG. No paper copies will follow.

**A. Background**

Middlesex, a regulated public utility with local offices in Iselin, New Jersey, provides water service to approximately 61,000 retail customers, primarily in eastern Middlesex County, and also provides water under wholesale contracts to the City of Rahway, Townships of Edison and Marlboro, the Borough of Highland Park, and the Old Bridge Municipal Utilities Authority. Middlesex recorded revenues of approximately \$105.4 million in 2022.

On February 17, 2023, Middlesex filed a petition (“Petition”) and supporting documents with the Board requesting authorization to issue up to 3,700,000 shares of the Company’s Common Stock, no par value, pursuant to the Plan.

**B. Rate Counsel Comments**

The Plan provides participants with a means to reinvest cash dividends paid on Middlesex common stock and to purchase additional shares of common stock directly from the Company without paying any brokerage commission fee or service charge.

Under previous authorizations by the Board, Middlesex currently can issue up to 3,000,000 shares of common stock under the Plan.<sup>1</sup> As of December 31, 2022, the Company had approximately 17.64 million shares of common stock issued and outstanding.<sup>2</sup> Of this total, it is estimated that approximately 2.8 million shares were purchased through the Plan<sup>3</sup>. Middlesex anticipates that the demand for shares of common stock purchased through the Plan will deplete the available authorized inventory by sometime later this year.<sup>4</sup>

On April 12, 2023, the Board approved Middlesex’s request in Docket No. WF22110689 to issue and sell up to \$300 million of long-term debt. This financing authority was intended to assist Middlesex in financing its five-year capital expansion program, known as Water for Tomorrow, in which the Company intends to spend

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<sup>1</sup> Petition, para. 13 and Exhibit G.

<sup>2</sup> Petition, para. 14.

<sup>3</sup> Middlesex’s response to RCR-4.

<sup>4</sup> Petition, para. 11.

approximately \$288 million through the year 2026 to replace aging infrastructure, to remain compliant with water quality requirements and to enhance new service. At the same time, Middlesex is obligated to maintain a balanced capital structure. The Company's most recent approved capital structure consists of 46.83% long-term debt, 0.17% preferred stock, and 53.00% common equity.<sup>5</sup> Given that Middlesex's request to issue \$300 million of long-term debt was recently approved by the Board, it stands to reason that the Company will also have to increase its common equity to maintain an appropriately balanced total capital structure. Issuing shares of common equity through the Plan is one such means to increase the Company's common equity balance. In fact, Middlesex expects to raise \$1.5 million annually over the next three years through common share purchases under the Plan if the Company's Petition is approved.<sup>6</sup>

**C. Rate Counsel Recommendation**

Issuing shares of common stock through the Plan provides participants with a convenient and economical way of reinvesting cash dividends and to purchase additional shares directly from the Company without paying any brokerage commission fee or service charge. Selling common shares through the Plan also results in savings for the Company. The Company's request in this proceeding represents an increase of 700,000 shares from the previously authorized level of 3,000,000 million shares that are authorized for purchase under the Plan. The Company anticipates that given the expected rate of purchase, the additional 700,000 share inventory will be sufficient for the next six to eight years.<sup>7</sup> For these reasons, the Division of Rate Counsel is not opposed to the relief sought by Middlesex in the Petition. A Board Order approving the Petition, however, should include the provisions that were included in Middlesex's proposed order found in Exhibit E of the Petition. To wit:

1. This Order shall not be construed as a certification that the securities authorized to be offered for sale will be represented by tangible or intangible assets of commensurate value or investment cost.

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<sup>5</sup> Middlesex's response to RCR-6.

<sup>6</sup> Middlesex's response to RCR-5.

<sup>7</sup> Petition, para. 20.

2. The Board's approval is expressly limited to the sale of Common Stock without par value described herein and more fully described in the Petition and supporting documents.
3. 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, services, financing, accounting, capitalization, depreciation or in any other matters affecting the Petitioner.
4. This Order shall not be construed as directly or indirectly fixing, for any purpose whatsoever, any value of the tangible or intangible assets now owned or hereafter to be owned by Petitioner.
5. Pursuant to N.J.A.C. 14:1-5.9(b)(1)-(2), Petitioner shall file semiannually with the Board a statement setting forth the following: (1) the amount of stocks or other evidence of indebtedness issued under this Order; and (2) the extent to, and in detail, the manner in which the proceeds thereof have been distributed.

With these conditions, Rate Counsel does not oppose the Board granting Middlesex the authority to issue up to 3,700,000 shares of common stock having no par value through the Plan.

Respectfully Submitted,

Brian O. Lipman, Esquire  
Director, Rate Counsel

By: -Susan E. McClure-  
Susan E. McClure, Esquire

C: Service List via e-mail

**MIDDLESEX WATER COMPANY FOR  
APPROVAL TO ISSUE UP TO  
3,700,000 SHARES OF COMMON  
STOCK UNDER THE  
MIDDLESEX WATERCOMPANY  
INVESTMENT PLAN  
BPU DOCKET NO.: WF23020095**

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