



STATE OF NEW JERSEY
Board of Public Utilities
44 South Clinton Avenue, 1ST 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 APPROVAL) ORDER
OF A FINANCING PROGRAM INVOLVING THE)
REFINANCING OF EXISTING LONG-TERM DEBT AND)
THE ISSUANCE OF NEW LONG-TERM DEBT)
THROUGH DECEMBER 31, 2027) DOCKET NO. WF24080610

Parties of Record:

Brian O. Lipman, Esq., Director, New Jersey Division of Rate Counsel
Christopher M. Arfaa, Esq., Senior Director, Corporate Counsel, New Jersey-American Water Company, Inc.

BY THE BOARD:¹

On August 16, 2024, New Jersey-American Water Company, Inc. (“Petitioner”, “Company” or “NJAWC”), a public utility of the State of New Jersey, submitted a petition (“Petition”), requesting authority pursuant to N.J.S.A. 48:3-7 and 48:3-9 and N.J.A.C. 14:1-5.9 to:

- (1) Issue and sell up to \$1,082,000,000 aggregate principal amount of long-term debt consisting of one (1) or more series of first mortgage bonds, notes, other bonds or other evidences of indebtedness, whether secured or unsecured, fixed rate or variable, tax-exempt or taxable (collectively, “Long-Term Debt”);
- (2) Execute and deliver one (1) or more series of supplemental mortgage indentures, loan agreements, notes, and such other documents; and
- (3) Take such actions as Petitioner determines may be necessary or desirable in connection with any of the foregoing.

According to the Petition, NJAWC intends to use the net proceeds from its issuance of Long-Term Debt to (a) provide funds for the Company’s ongoing utility plant construction program, (b) refinance outstanding Long-Term Debt of NJAWC as such debt matures or is retired or can be

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

replaced by lower-cost issues, (c) repay short-term debt incurred in connection with the Company's ongoing capital construction program, and (d) pay certain issuance costs related to the proposed financings.

Pursuant to the Petition, the Company contemplates that the issuance of Long-Term Debt could fall into several categories: a) secured or unsecured, tax-exempt or taxable securities issuances in conjunction with issuances by the New Jersey Economic Development Authority ("EDA") to the extent that NJAWC has qualifying projects and such loans are approved by the EDA; b) secured or unsecured low interest loans obtained through the New Jersey Environmental Infrastructure Trust ("NJEIT") division of the New Jersey Infrastructure Bank ("I-Bank") to the extent that the Company has qualifying projects and such loans are approved by NJEIT; c) secured or unsecured, taxable issuances in conjunction with issuances by American Water Capital Corp. ("AWWC"), a wholly-owned subsidiary of the Company's parent, American Water Works Company, Inc.; d) secured or unsecured, tax-exempt or taxable issuances, either directly by NJAWC or indirectly through and in conjunction with AWWC with the proceeds then loaned to New Jersey-American Water. The proceeds from any NJEIT or EDA loan will be used for the purpose(s) set forth in the application(s) for such loan.

The Long-Term Debt issued in conjunction with EDA and NJEIT may be secured and issued under one (1) or more supplemental indentures (the "Supplemental Indentures") to the Company's original Indenture of Mortgage dated as of May 1, 1968, as amended and supplemented (collectively, "Mortgage Indenture"). The tax-exempt or taxable Long-Term Debt issuances through and in conjunction with AWWC, if unsecured, will not be issued under the Mortgage Indenture.

The Long-Term Debt may be issued as fixed rate debt or variable rate debt. The sale of Long-Term Debt may be conducted by a private sale or public offering. According to the Petition, in connection with the issuance of Long-Term Debt, Petitioner may deem that it is in its best interest to enter into one (1) or more swap, hedge or other derivative agreements or arrangements with respect to such Long-Term Debt.

The interest rate and other terms of any loans for any Long-Term Debt issuances with the EDA and/or the NJEIT would be determined through an offering of EDA bonds and/or NJEIT bonds, as the case may be, that would include the amounts requested by NJAWC in applications approved by the EDA or the NJEIT, respectively.

By the Petition, NJAWC also seeks authority, without further Order of the Board, to issue and sell Long-Term Debt as described above in accordance with the terms and conditions contained in such accepted bid if the interest rate set forth in the bid is within maximum coupon spreads over U.S. Treasury Securities as provided in the Market Yield Spread Table set forth below and the price to be paid to Petitioner for such bid is not less than 98% of principal amount or no more than 102% of principal amount.

MARKET YIELD SPREAD TABLE

Tenure	Maximum Coupon Spread Over U.S. Treasury Securities (Basis Points)
3-Year	150
5-Year	210
7-Year	255
10-Year	255
30-Year	255

Petitioner further proposed that in the event market conditions change, the Company would file a petition with the Board requesting approval of an updated Market Yield Spread Table before issuing Long-Term Debt at coupon rates that are not within the Market Yield Spread Table set forth above.

The New Jersey Division of Rate Counsel reviewed this matter and by comments filed on October 17, 2024, recommended that the Board grant the requested authority and impose the same sixteen (16) conditions on Petitioner that the Board imposed on NJAWC when it approved the Company's most recent long-term debt authorization request, on October 28, 2021, in BPU Docket No. WF21071020.²

DISCUSSION AND FINDINGS

The Board, having considered the record and exhibits submitted in this proceeding, **FINDS** that the proposed transactions to be taken by Petitioner, as indicated above and subject to the conditions described below, are in accordance with law and are in the public interest. The Board therefore **HEREBY ORDERS** that Petitioner be and is **HEREBY AUTHORIZED** through December 31, 2027 to:

- 1) Issue and sell up to \$1,082,000,000 aggregate principal amount of Long-Term Debt in one or more offerings from time to time, not later than December 31, 2027;
- 2) Make, execute and deliver pursuant to N.J.S.A. 48:3-7 such Supplemental Indentures to the Company's Mortgage Indenture providing for the issuance of up to \$1,082,000,000 aggregate principal amount of Long-Term Debt with a maturity or maturities of not more than forty (40) years;
- 3) To make, execute and deliver one (1) or more underwriting agreements, offering statements, bond purchase agreements, remarketing agreements and repurchase agreements (in the case of variable rate securities), loan and security agreements and indentures in connection with tax-exempt financings and such other documents, agreements, instruments and indentures as may be necessary or appropriate for any of the proposed financings;
- 4) To hire a financial advisor in connection with one (1) or more of the offerings of Long-Term Debt as it deems necessary or appropriate;

² In re the Petition of New Jersey-Am. Water Co., Inc. for Approval of a Financing Program Involving the Refinancing of Existing Long-Term Debt Through December 31, 2024, BPU Docket No. WF21071020, Order dated October 28, 2021 ("October 2021 Financing Order").

- 5) To redeem, refinance, convert and/or defease any or all of its outstanding long-term debt securities so long as the redemption, refinancing, conversion and/or defeasance is accomplished on a cost saving basis; and/or
- 6) To take such action as Petitioner deems necessary or desirable in connection with any of the foregoing.

This Order is issued subject to the following provisions:

- 1) Petitioner may issue Long-Term Debt in compliance with this Order. No further Order of this Board shall be necessary for Petitioner to complete the financing or financings of the Long-Term Debt proposed by the Petitioner if the conditions of this Order are met.
- 2) Petitioner may, without further Order of the Board, issue and sell Long-Term Debt in accordance with the terms and conditions contained in such accepted bid if the interest rate set forth in the bid is within maximum coupon spreads over U.S. Treasury Securities as provided in the Market Yield Spread Table set forth above and the price to be paid to Petitioner for such bid is not less than 98% of principal amount or no more than 102% of principal amount.
- 3) Petitioner shall not issue Long-Term Debt at coupon rates in excess of those that would result from the Market Yield Spread Table set forth in this Order unless authorized by the Office of the Chief Economist of this Board upon submission by Petitioner of a request to amend this Order so as to permit Petitioner to issue Long-Term Debt at coupon rates in excess of those that would result from the current Market Yield Spread Table, accompanied by Petitioner's statement of the basis or the rationale therefore.
- 4) In the event that Petitioner sells Long-Term Debt through a negotiated sale, Petitioner shall notify the Chief Economist prior to its issuance of Long-Term Debt and will supply the following for informational purposes only: i) principal amount or amounts of the Long-Term Debt proposed to be sold; ii) anticipated maturity ranges; iii) actual current yields of United States Treasury securities; iv) range of estimated coupon spreads over United States Treasury securities; v) data, as available, with respect to recent sale of comparable Long-Term Debt of other utilities; and vi) such other information as Petitioner shall deem relevant to assess the reasonableness of the expected sale of the Long-Term Debt. Further, within seven (7) business days after the issuance and sale of any Long-Term Debt, Petitioner will provide the Chief Economist such information as was available at the time of sale upon which Petitioner based its decision to sell, such as market data with respect to utilities with similar credit ratings that have issued comparable securities.
- 5) In the event that Petitioner sells Long-Term Debt through a competitive bidding process, Petitioner shall provide this Board with the following material for informational purposes, as soon as it is available, and in no event later than twenty-four (24) hours prior to the time for the receipt of bids (which materials may be provided by mail or by facsimile transmission and confirmed by mail): a) a statement with respect of bidding for the Long-Term Debt which shall specify (i) the date and time for receipt of bids for the Long-Term Debt, (ii) the principal amount of the Long-Term Debt, (iii) the series designation of the Long-Term Debt, (iv) the minimum and maximum percentage of principal amount which may be specified in the bid as the purchase price for the Long-Term Debt, (v) the term of the Long-Term Debt, (vi) the terms and conditions, if any, upon which the Long-Term Debt may be redeemed, whether at the option of the Petitioner, pursuant to any sinking

fund or improvement fund for the Long-Term Debt, or otherwise, and (vii) such other provisions as may be established by Petitioner with respect to the terms and conditions of the Long-Term Debt and the bidding thereof and b) an assessment of the then current financial markets applicable to the Long-Term Debt which shall include (i) data with respect to recent sales of comparable securities of other utilities, (ii) interest rate spreads between United States Treasury Bonds and utility securities comparable to the Long-Term Debt, (iii) the anticipated number of bidders for the Long-Term Debt, (iv) the anticipated range of the yield of the Long-Term Debt based upon current market conditions, and (v) such other information as Petitioner shall deem relevant to assess the expected sale of the Long-Term Debt and the reasonableness of the annual cost of money.

- 6) Petitioner shall notify the Board fourteen (14) days prior to the issuance of Long-Term Debt of coupon rates in excess of ten percent (10%).
- 7) Petitioner shall, as promptly as is practicable following the end of each month during which the Long-Term Debt is sold, file with the Board a statement which shall set forth the Long-Term Debt transactions concluded during such month including the names of the agents and details of the transactions with the agents. Such statement shall also set forth (a) the principal amount, maturity date, redemption provisions, commissions and the interest rate spread over comparable United State Treasury securities for any Long-Term debt sold, and (b) the principal amount of the Long-Term Debt remaining authorized for issuance and sale in this Docket.
- 8) Petitioner shall issue the Long-Term Debt solely as provided for in this Order.
- 9) Petitioner shall furnish the Board with copies of each indenture, trust agreement, supplemental indenture, and similar instrument as executed.
- 10) Petitioner shall furnish this Board with copies of all final and complete documents as executed and filed with other regulatory agencies, if any.
- 11) 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 costs.
- 12) This Order shall not affect nor in any way limit the exercise or authority of this Board, or this State, in any future petition or in any proceeding with respect to rates, franchises, services, financing, capitalization, depreciation, or any other matters affecting the Petitioner.
- 13) 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.
- 14) Petitioner should undertake financing in a manner that achieves the lowest reasonable cost of capital to customers.
- 15) The authority granted in this Order shall become null and void and of no effect with respect to any portion thereof which is not exercised by December 31, 2027.

- 16) Beginning January 15, 2025, and every six (6) months thereafter, Petitioner shall submit to the Board Secretary, and provide a copy to the Chief Economist, a letter report detailing each debt issuance, term loan, and use of revolving credit opened or concluded in the prior six (6) months, along with copies of executed indentures associated with the authorization contained in this Order. The reports shall 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.

The Board notes that terms of this current Order are consistent with prior Board Orders approving financing programs for NJAWC. This includes the Company's most recent long term financing for \$871,000,000 that the Board approved by the October 2021 Financing Order, as well as a \$55,000,000 financing expansion and a \$776,472,550 financing the Board approved by Orders on July 14, 2021,³ and March 13, 2019,⁴ in BPU Docket Nos. WF21030650 and WF18121333, respectively. That said, this Order sets forth more specific semi-annual reporting requirements than prior Orders so as to clarify the Board's expectations of the Company.⁵

³ In re the Petition of New Jersey-Am. Water Co., Inc. for Approval of Expansion of its Financing Program Involving the Refinancing of Existing Long Term Debt and the Issuance of New Long-Term Debt Through December 31, 2021, BPU Docket No. WF21030650, Order dated July 14, 2021.


⁴ In re the Petition of New Jersey-Am. Water Co., Inc. for Approval of a Financing Program Involving the Refinancing of Existing Long Term Debt and the Issuance of New Long-Term Debt Through December 31, 2021, BPU Docket No. WF18121333, Order dated March 13, 2019.

⁵ Compare infra. p. 6, with October 2021 Financing Order at 5.

This Order shall become effective on November 28, 2024.

DATED: November 21, 2024

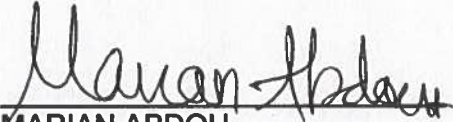
BOARD OF PUBLIC UTILITIES
BY:


CHRISTINE GUHL-SADOVY

PRESIDENT

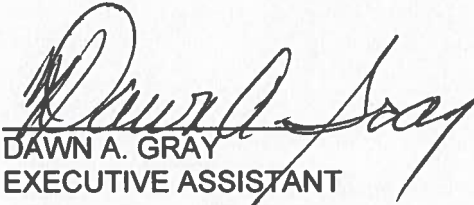


DR. ZENON CHRISTODOULOU
COMMISSIONER



MARIAN ABDOU
COMMISSIONER

ATTEST:


DAWN A. GRAY
EXECUTIVE ASSISTANT

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 PETITION OF NEW JERSEY-AMERICAN WATER COMPANY, INC. FOR APPROVAL
OF A FINANCING PROGRAM INVOLVING THE REFINANCING OF EXISTING LONG-TERM DEBT AND THE
ISSUANCE OF NEW LONG-TERM DEBT THROUGH DECEMBER 31, 2027

DOCKET NO. WF24080610

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