

August 17, 2020

Via Email

Honorable Aida Camacho-Welch, Secretary  
New Jersey Board of Public Utilities  
44 South Clinton Avenue, Suite 314  
P.O. Box 350  
Trenton, NJ 08625-0350

Re: In the Matter of the Petition of The Atlantic City Sewerage Company for  
Approval of a Financing Program Involving The Issuance of Long-Term Debt  
through June 30, 2024  
BPU Docket No. WF2008-

Dear Secretary Camacho-Welch:

Enclosed for filing please find a courtesy copy of a Petition submitted on behalf of The Atlantic City Sewerage Company, ("Petitioner") initiating the above-referenced matter. We have filed this Petition electronically with the Board of Public Utilities, pursuant to the Board's March 19, 2020 Order in Docket No. EO200230254 (*I/M/O The New Jersey Board of Public Utilities Response to the COVID-19 Pandemic for a Temporary Waiver of Requirements for Certain Non-Essential Obligations*). Accordingly, no hard copies will be provided.

Please contact me if you have any questions regarding this proceeding. Thank you for your attention to this matter.

Respectfully submitted,

  
Courtney L. Schultz

Enclosures

cc: Service List (as indicated)

**SERVICE LIST**  
IN THE MATTER OF THE PETITION OF THE ATLANTIC CITY SEWERAGE COMPANY FOR  
APPROVAL OF A FINANCING PROGRAM INVOLVING THE ISSUANCE OF  
LONG-TERM DEBT THROUGH JUNE 30, 2024  
BPU Docket No. WR2008 \_\_\_\_\_

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

IN THE MATTER OF THE PETITION OF THE :  
ATLANTIC CITY SEWERAGE COMPANY FOR : PETITION  
APPROVAL OF A FINANCING PROGRAM :  
INVOLVING THE ISSUANCE OF LONG-TERM :  
DEBT THROUGH JUNE 30, 2024 : DOCKET NO. WF2008\_\_\_\_\_  
:  
:

TO THE HONORABLE BOARD OF PUBLIC UTILITIES:

The Atlantic City Sewerage Company (“Petitioner”, “ACSC”, or “Company”), a public utility corporation of the State of New Jersey, with its principal office at 1200 Atlantic Avenue, Suite 300, Atlantic City, New Jersey 08404, respectfully submits this Petition to the New Jersey Board of Public Utilities (“Board” or “BPU”) pursuant to N.J.S.A. 48:3-7 and 48:3-9 and N.J.A.C. §14:1-5.9. Petitioner makes the following statements and submits the following information in support of this Petition:

1. Petitioner operates a sewage collection and transmission system within its defined service territory, consisting of the city of Atlantic City, New Jersey. Within its service territory, Petitioner serves approximately 7,600 customers. Petitioner purchases its sewerage treatment from the Atlantic County Utilities Authority.

2. Petitioner is seeking authorization from the Board to: (a) issue and sell Long-Term Debt in one or more offerings from time to time, and not later than June 30, 2024, in an aggregate principal amount not to exceed \$10,000,000 consisting of one or more series of First Mortgage Bonds; (b) execute and deliver one or more supplemental mortgages and such other documents as may be necessary or appropriate to effectuate the issuance of Long-Term

Debt; and (c) take such actions as Petitioner determines may be necessary or appropriate in connection with any of the foregoing.

3. The Petitioner contemplates issuance of new Long-Term Debt through tax exempt issuances in conjunction with issuances by the New Jersey Economic Development Authority (“EDA”) or taxable issuances through bank loans. The use of proceeds from Petitioner’s issuance of new Long-Term Debt will be for the construction, rehabilitation, upgrade and expansion of various sections and components of the sanitary sewer system, as may be required to meet the needs and demands of Atlantic City, while maintaining the environmental integrity of the region. Petitioner will also issue replacement Long-Term Debt in circumstances where it is economically advantageous to do so.

4. Petitioner may issue Long-Term Debt in the form of secured bonds, which will be issued pursuant to that indenture of mortgage dated as of December 31, 1991 (“Original Indenture”), by and between the Company and The Bank of New York Mellon, as successor in interest to National Community Bank of New Jersey (“Mortgage Trustee”), as supplemented by one or more supplemental indentures (the “Supplemental Indentures”) to the Original Indenture, as heretofore amended and supplemented (collectively, the “Mortgage Indenture”). The Mortgage Indenture constitutes a first mortgage lien on substantially all of the property of Petitioner except for certain excluded property. All bonds issued under the Mortgage Indenture will be *pari passu* (in other words, the bondholders will have equal claim to the assets used to secure the issuance).

5. If Petitioner issues Long-Term Debt in the form of secured bonds, Petitioner will grant a first mortgage lien on substantially all of its property. Petitioner may also make, execute and deliver to the Mortgage Trustee under the Mortgage Indenture certain financing statements

upon forms UCC-1, providing to the Mortgage Trustee a security interest in substantially all of the Petitioner's property, except for certain excluded additions.

6. Petitioner proposes to issue the Long-Term Debt, if in the form of bonds, pursuant to a private placement. For each debt issuance under this Petition, Petitioner will solicit bids from a minimum of three (3) prospective purchasers for the purchase of the Long-Term Debt through a Request for Proposals ("RFP") process. For all Long-Term Debt issued by Petitioner pursuant to this Petition, Petitioner will accept the most economically advantageous interest rate and other terms based upon analysis of any and all proposals received in response to the RFPs.

7. Petitioner is seeking authorization of the Board for the financing program described above so that it can have the flexibility to take advantage of favorable market conditions for Petitioner's indebtedness as opportunities arise without obtaining further approval of the Board. By granting Petitioner the authority it seeks, Petitioner will be in the best position to attain the lowest cost of funds available for Long-Term Debt.

8. Petitioner currently intends to make an issuance of approximately \$7 million in Long-Term Debt during the second quarter of 2021. Attached to this Petition as Exhibit C is a Schedule of Estimated Issuance Costs for this transaction.

9. In connection with the financing contemplated by this Petition, ACSC proposes to:

(a) Make, execute and deliver one or more supplemental mortgage indentures to the Original Indenture for secured debt; and

(b) Make, execute and deliver one or more underwriting agreements, official statements, bond purchase agreements, loan and security agreements and indentures and such other documents, agreements, instruments and indentures as may be necessary or appropriate for any of the proposed financings.

10. The following is a summary of the proposed terms for financing:

(a) The terms and conditions of the Long-Term Debt, including but not limited to: purchase price, interest rate, and maturity date will be established by the competitive process described in this Petition.

(b) If secured, the Long-Term Debt will be issued under and subject to the Original Indenture.

11. The Company may hire a financial advisor in connection with one or more of the issuances of Long-Term Debt, as it deems necessary or appropriate to provide assistance in evaluating the circumstances and terms surrounding a particular transaction and to advise Petitioner with respect to market conditions and prospective underwriters for the proposed financing.

12. By this Petition, the Company hereby requests authorization to issue and sell the Long-Term Debt without further approval by the Board of the specific terms and conditions thereof, and consistent with the competitive procedures described herein. Petitioner proposes to proceed with each such issuance and sale so long as it is satisfied that the sale produces the most economically beneficial transaction upon consideration of all relevant factors existing at the time.

13. Petitioner anticipates that, if the Long-Term Debt is obtained through a bond issuance, the price to be paid to Petitioner will be between 98% and 102% of the principal amount of the Long-Term Debt offered for sale.

14. In the event the conditions set forth above are satisfied, Petitioner would accept the proposal which produces the lowest effective cost of money to Petitioner and would further propose to issue and sell such securities in accordance with the terms thereof, without further order of this Board.

15. As soon as practicable following the acceptance of any proposal resulting in the issuance and sale of any Long-Term Debt hereunder, Petitioner will submit to the Board the terms of the accepted proposal as well as a summary of the relevant terms of each of the other proposals received.

16. Petitioner hereby incorporates herein by reference the following information contained in the Petitioner's Annual Report to the Board for the year ended December 31, 2019:<sup>1</sup>

- (a) Balance Sheets as of the beginning and end of 2019 (pp. 9-10).
- (b) Sewerage Plant in Service, by account, as of the beginning and the end of 2019 (pp. 13-14).
- (c) Additions to and retirements from Sewerage Plant in Service for the year 2019 (p. 15).
- (d) The capital stock of Petitioner that was authorized, issued and outstanding as of December 31, 2019 (pp. 4, 21).
- (e) As to each issue or series of long-term indebtedness of Petitioner, the principal amount authorized to be issued, date of issue, date of maturity, rate of interest and principal amount outstanding as of December 31, 2019 (p. 23). Note that for the period January 1, 2020 through December 31, 2020, the Company expects to pay \$1,448,933 against the principal amount outstanding.

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<sup>1</sup> Excerpts of the Annual Report are attached hereto as Exhibit G.

(f) A detailed income statement for the year ended December 31, 2019 (p. 12).

17. Information relating to the current financial condition of Petitioner (as of December 31, 2019), as required by N.J.A.C. 14:1-5.9(a)(9), is as follows:

(a) <u>CAPITAL STOCK</u>	<u>AMOUNT</u>
Common Stock \$0 par value, 80,000 shares authorized, 69,500 shares issued and outstanding	\$695,000
Additional Paid in Capital	\$251,315

(b) FIRST MORTGAGE BONDS OUTSTANDING

<u>Series</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Authorized</u>	<u>Outstanding</u>
2002 B	Variable	06/27/02	12/01/21	\$2,040,000	\$ 400,000
2008	4.99%	12/29/08	12/29/28	\$6,000,000	\$3,471,606
2010	3.65%	12/17/10	12/01/30	\$8,000,000	\$5,145,470
2014	2.71%	12/30/14	12/01/34	\$6,000,000	\$4,811,059
2018	3.374%	08/21/18	08/01/38	\$8,000,000	\$7,643,623
Total First Mortgage Bonds Outstanding					<u>\$21,471,758</u>

The Mortgage Indenture is a first lien upon virtually all of the Petitioner's real and personal property except certain items such as cash, investments, inventories and transportation equipment, and other excluded property.

(c) OTHER INDEBTEDNESS: There were no outstanding amounts under the Company's Line of Credit as of December 31, 2019.

(d) INTEREST CHARGED TO INCOME: The amount of interest charged to income and the rates thereof during the year ended December 31, 2019, by bond series, is portrayed on Exhibit A to this Petition. *See also* Exhibit G, Annual Report, at p. 23.



(e) DIVIDENDS PAID: The amount of dividends paid on Common Stock during the fiscal year ended December 31, 2019 was \$1,370,540. *See also Exhibit G*, Annual Report, at p. 11.

(f) FINANCIAL STATEMENTS: Comparative Consolidated Audited Financial Statements for the fiscal years ended December 31, 2018 and 2019, including balance sheets as of each date, and related statements of income and retained earnings and of cash flows for the years then ended are attached hereto as Exhibit B.

18. In support of this Petition, the following exhibits are annexed hereto and incorporated herein:

- |            |  |
|------------|--|
| Exhibit A: | The amount of interest charged to income and the rates thereof during the year ended December 31, 2019.      |
| Exhibit B: | Comparative Consolidated Audited Financial Statements for the fiscal years ended December 31, 2018 and 2019. |
| Exhibit C: | Schedule of Estimated Issuance Costs.  |
| Exhibit D: | Pro forma Capital Structure as of December 31, 2021, giving effect to the contemplated transactions.         |
| Exhibit E: | General timetable for the sale of the Long-Term Debt.  |
| Exhibit F: | Draft of a proposed form of Order.   |
| Exhibit G: | Excerpts of the Company's Annual Report to the Board for the Year Ending December 31, 2019.                  |

19. A copy of the Resolution of the Petitioner's Board of Directors authorizing the proposed transactions will be submitted to the Board once approved.

20. No franchise or right is proposed to be capitalized, directly or indirectly, by the Company as a result of, or in connection with, the proposed issue and sale of securities referred

to in this Petition. It is the intention of Petitioner, in good faith, to use the proceeds of the bonds to be issued as a result of this Petition for the purpose set forth herein.

21. All notices and communications with respect to this proceeding should be sent to:

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Atlantic City, NJ 08404  
(Phone) 609-345-0131 ext. 118  
[WStewart@ACSewerage.com](mailto:WStewart@ACSewerage.com)

22. The Company respectfully requests that the Board retain jurisdiction of this matter in order to ensure the prompt resolution of this matter and the availability of the terms on which the long-term debt will be secured.

**WHEREFORE**, the Petitioner respectfully requests that this Honorable Board authorize the Petitioner to:

(1) Pursuant to N.J.S.A. 48:3-7 and 48:3-9, issue and sell up to \$10,000,000 aggregate principal amount of new Long-Term Debt;

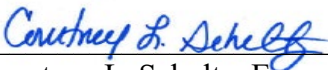
(2) Take such other action as Petitioner deems necessary or appropriate in connection with such issuances, including without limitation, the making, execution and delivery of one or more supplemental mortgage indentures and such other documents and instruments as may be necessary or desirable in connection with the issuance of any series of Long-Term Debt; and

- (3) Provide such other relief as the Board deems just, reasonable and proper.

Respectfully submitted,

THE ATLANTIC CITY SEWERAGE COMPANY

By: SAUL EWING ARNSTEIN & LEHR LLP

  
\_\_\_\_\_  
Courtney L. Schultz, Esq.

Dated: August 17, 2020

VERIFICATION

STATE OF NEW JERSEY                    )  
  ) ss:  
COUNTY OF ATLANTIC                    )

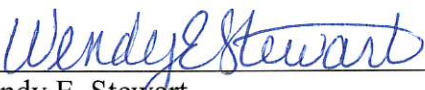
Wendy E. Stewart, of full age, being duly sworn according to law upon her oath deposes and says:

1. I am Treasurer and President-Elect of The Atlantic City Sewerage Company, and in that capacity I am authorized to make this Verification on behalf of the Petitioner in this matter.


2. I have reviewed the within Petition and exhibits thereto, and the same are true and correct to the best of my knowledge, information and belief.

3. I certify that the Company intends, in good faith, to use the proceeds of the securities proposed to be issued for the purposes set forth in the Petition.

4. I certify that the foregoing statements made by me are true. I am aware that if any of the foregoing statements made by me are willfully false, I am subject to punishment.

  
Wendy E. Stewart  
Treasurer & President-Elect  
The Atlantic City Sewerage Company

Sworn and Subscribed  
before me this 14<sup>th</sup> day  
of August, 2020.

  
*Barbara S. Bruckler*  
*Notary Public of New Jersey*  
*My Commission Expires October 2, 2021*

**EXHIBIT A****THE ATLANTIC CITY SEWERAGE COMPANY  
SCHEDULE OF INTEREST CHARGED TO INCOME - 2019**

		<u>Amount</u>
2002 Series B First Mortgage Bonds	Variable	\$ 18,075
2008 Series First Mortgage Bonds	4.99%	125,215
2010 Series First Mortgage Bonds	3.65%	196,685
2014 Series First Mortgage Bonds	2.71%	133,560
2018 Series First Mortgage Bonds	3.37%	265,965
Borrowing on Line of Credit		0
Interest on PSTAC, if applicable		2,819
Other		<u>0</u>
Subtotal of Interest Charges		742,319
Less AFUDC		(78,280)
Net interest Charged to Income		<u><u>\$664,039</u></u>

**EXHIBIT B**

**The Atlantic City Sewerage Company**  
**Audited Financials for the period December 31, 2019 and 2018**  
**ATTACHED**

**THE ATLANTIC CITY  
SEWERAGE COMPANY**

(A wholly-owned subsidiary of  
SR Utility Holding Corp.)

**Financial Statements**

**December 31, 2019 and 2018**

**Kreischer  
Miller**

PEOPLE IDEAS SOLUTIONS

THE ATLANTIC CITY SEWERAGE COMPANY  
(A wholly-owned subsidiary of SR Utility Holding Corp.)  
December 31, 2019 and 2018

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INDEPENDENT AUDITORS' REPORT

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## Independent Auditors' Report

The Board of Directors  
The Atlantic City Sewerage Company  
Atlantic City, New Jersey

We have audited the accompanying financial statements of The Atlantic City Sewerage Company (a wholly-owned subsidiary of SR Utility Holding Corp.), which comprise the balance sheets as of December 31, 2019 and 2018, and the related statements of income, comprehensive income, stockholder's equity, and cash flows for the years then ended, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

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

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant account estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Atlantic City Sewerage Company (a wholly-owned subsidiary of SR Utility Holding Corp.) as of December 31, 2019 and 2018, 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.

*Other Matter*

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Kreischer Miller*

Horsham, Pennsylvania  
March 2, 2020

**THE ATLANTIC CITY SEWERAGE COMPANY**  
(A wholly-owned subsidiary of SR Utility Holding Corp.)

**Balance Sheets**  
**December 31, 2019 and 2018**

	2019	2018
<b>ASSETS</b>		
Utility plant:		
Sewerage plant in service	\$ 88,302,307	\$ 86,465,663
Less accumulated depreciation	23,167,399	22,512,680
	65,134,908	63,952,983
Construction work-in-progress	631,586	449,592
Total utility plant	65,766,494	64,402,575
Current assets:		
Cash and cash equivalents	1,134,074	1,458,497
Accounts receivable, less allowance for doubtful accounts of \$429,676 in 2019 and \$467,514 in 2018	1,124,139	1,214,942
Cash restricted for payments to developers	21,537	21,516
Income taxes receivable	98,414	-
Prepaid expenses	421,166	436,531
Deposits	4,722	4,722
Total current assets	2,804,052	3,136,208
Restricted cash and cash equivalents	3,311,926	4,778,547
Regulatory assets	119,940	378,297
	<u>\$ 72,002,412</u>	<u>\$ 72,695,627</u>
<b>CAPITALIZATION AND LIABILITIES</b>		
Capitalization:		
Stockholder's equity:		
Common stock, no par value; authorized 80,000 shares; issued and outstanding 69,500 shares - at stated amount	\$ 695,000	\$ 695,000
Additional paid-in capital	251,315	251,315
Retained earnings	21,524,907	20,586,643
Accumulated other comprehensive loss	(3,764,108)	(2,088,351)
Total stockholder's equity	18,707,114	19,444,607
Long-term debt, less current portion, net of unamortized deferred debt issuance costs	19,504,939	20,913,111
Total capitalization	<u>38,212,053</u>	<u>40,357,718</u>
Current liabilities and deferred credits:		
Accounts payable	59,553	215,986
Accrued expenses and other liabilities	25,194	113,546
Income taxes payable	-	128,025
Due to developers	109,090	109,069
Current portion of long-term debt	1,448,933	1,409,817
Deferred revenues	5,354,341	5,539,800
Total current liabilities and deferred credits	6,997,111	7,516,243
Contributions in aid of construction, net	13,739,464	14,019,893
Accrued pension costs	5,926,824	4,213,175
Regulatory liabilities	4,063,510	4,077,667
Deferred federal income taxes	2,301,259	2,243,451
Fair value of interest rate swaps	762,191	267,480
	<u>\$ 72,002,412</u>	<u>\$ 72,695,627</u>

See accompanying notes to financial statements.

**THE ATLANTIC CITY SEWERAGE COMPANY**  
**(A wholly-owned subsidiary of SR Utility Holding Corp.)**

**Statements of Income**  
**Years Ended December 31, 2019 and 2018**

	2019	2018
Operating revenues	\$ 21,210,621	\$ 21,469,968
Operating expenses and taxes:		
Operations	3,629,372	3,687,039
Treatment and disposal service fee - Atlantic County Utilities Authority	8,356,489	8,805,096
Maintenance	1,890,231	1,819,574
Depreciation and amortization, net	1,178,759	976,758
Taxes, other than federal income taxes	2,433,478	2,402,484
Federal income tax provision	555,842	584,234
	<u>18,044,171</u>	<u>18,275,185</u>
Operating income	<u>3,166,450</u>	<u>3,194,783</u>
Other income (expense):		
Other income, net	116,790	35,969
Net periodic benefit cost	(310,399)	(320,921)
Interest expense	(664,039)	(718,329)
	<u>(857,648)</u>	<u>(1,003,281)</u>
Net income	<u>\$ 2,308,802</u>	<u>\$ 2,191,502</u>

See accompanying notes to financial statements.

**THE ATLANTIC CITY SEWERAGE COMPANY**  
**(A wholly-owned subsidiary of SR Utility Holding Corp.)**

**Statements of Comprehensive Income**  
**Years Ended December 31, 2019 and 2018**

	2019	2018
Net income	\$ 2,308,802	\$ 2,191,502
Other comprehensive income (loss):		
Net pension income (loss), net of deferred income tax (expense)		
benefit of \$341,564 and \$(129,166) in 2019 and 2018, respectively	(1,284,935)	485,911
Change in fair value of interest rate swaps, net of deferred		
income tax benefit of \$103,889 and \$9,719 in 2019 and		
2018, respectively	(390,822)	(36,563)
	(1,675,757)	449,348
Comprehensive income	\$ 633,045	\$ 2,640,850

See accompanying notes to financial statements.

**THE ATLANTIC CITY SEWERAGE COMPANY**  
**(A wholly-owned subsidiary of SR Utility Holding Corp.)**

**Statements of Stockholder's Equity**  
**Years Ended December 31, 2019 and 2018**

	Common Stock	Additional Paid-In Capital	Retained Earnings
Balance at January 1, 2018	\$ 695,000	\$ 251,315	\$ 19,484,899
Net income	-	-	2,191,502
Other comprehensive income (loss)	-	-	-
Distributions to stockholder	-	-	(1,089,758)
Balance at December 31, 2018	695,000	251,315	20,586,643
Net income	-	-	2,308,802
Other comprehensive loss	-	-	-
Distributions to stockholder	-	-	(1,370,538)
Balance at December 31, 2019	\$ 695,000	\$ 251,315	\$ 21,524,907

See accompanying notes to financial statements.

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Accumulated Other Comprehensive Loss			
Minimum Pension Liability Adjustment	Change in Fair Value of Interest Rate Swaps	Total Accumulated Other Comprehensive Loss	Total
\$ (2,362,952)	\$ (174,747)	\$ (2,537,699)	\$ 17,893,515
-	-	-	2,191,502
485,911	(36,563)	449,348	449,348
-	-	-	(1,089,758)
(1,877,041)	(211,310)	(2,088,351)	19,444,607
-	-	-	2,308,802
(1,284,935)	(390,822)	(1,675,757)	(1,675,757)
-	-	-	(1,370,538)
\$ (3,161,976)	\$ (602,132)	\$ (3,764,108)	\$ 18,707,114

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**THE ATLANTIC CITY SEWERAGE COMPANY**  
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**Statements of Cash Flows**  
**Years Ended December 31, 2019 and 2018**

	2019	2018
Cash flows from operating activities:		
Net income	\$ 2,308,802	\$ 2,191,502
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	1,418,428	1,218,436
Amortization of deferred debt issuance costs	40,760	38,752
Amortization of contributions in aid of construction	(280,429)	(280,430)
Allowance for doubtful accounts	(37,838)	(84,479)
Bad debt expense	60,000	-
Deferred income taxes	503,261	161,128
Regulatory assets	258,357	1,057,219
Regulatory liabilities	(14,157)	(20,106)
(Increase) decrease in:		
Accounts receivable	68,641	499,459
Income taxes receivable	(98,414)	-
Prepaid expenses	15,365	(82,084)
Increase (decrease) in:		
Accounts payable	(156,433)	150,971
Accrued expenses and other liabilities	(88,331)	(118,770)
Income taxes payable	(128,025)	(192,928)
Deferred revenues	(185,459)	130,332
Accrued pension costs	87,150	94,694
Total adjustments	1,462,876	2,572,194
Net cash provided by operating activities	3,771,678	4,763,696
Cash flows used in investing activity:		
Additions to utility plant	(2,782,347)	(1,942,683)
Cash flows from financing activities:		
Repayment of long-term debt	(1,409,816)	(4,665,880)
Proceeds from long-term debt	-	8,000,000
Increase in deferred debt issuance costs	-	(153,300)
Distributions to stockholder	(1,370,538)	(1,089,758)
Net cash provided by (used in) financing activities	(2,780,354)	2,091,062
Net increase (decrease) in cash and cash equivalents and restricted cash and cash equivalents	(1,791,023)	4,912,075
Cash and cash equivalents and restricted cash and cash equivalents:		
Beginning of year	6,258,560	1,346,485
End of year	\$ 4,467,537	\$ 6,258,560
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Interest	\$ 835,598	\$ 823,640
Income taxes	\$ 485,000	\$ 537,000

See accompanying notes to financial statements.



**THE ATLANTIC CITY SEWERAGE COMPANY**  
**(A wholly-owned subsidiary of SR Utility Holding Corp.)**

**Notes to Financial Statements**  
**December 31, 2019 and 2018**

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**(1) Description of Business**

The Atlantic City Sewerage Company (the Company) is a wholly-owned subsidiary of SR Utility Holding Corporation (the Parent). The Company provides sewerage services to customers located in Atlantic City, New Jersey.

**(2) Summary of Significant Accounting Policies**

***Rate-Making***

The Company maintains its accounting records in accordance with the uniform system of accounts and rate-making decisions of the Board of Public Utilities of the State of New Jersey (the BPU), which is in accordance with accounting principles generally accepted in the United States of America.

***Sewerage Plant in Service***

Sewerage plant in service, which includes assets acquired through contributions in aid of construction, is carried at cost and is depreciated over the estimated useful lives of the related assets as determined by the BPU. Contributions in aid of construction are amortized over the lives of the contributed assets as a reduction of depreciation expense, thereby eliminating any charge to operations for depreciation on contributed assets.

Expenditures for maintenance and repairs are charged to operating expenses as incurred, while the cost of replacements and betterments is capitalized. When sewerage plant in service is retired, the cost of the property, together with the net cost of removal, is charged to accumulated depreciation. Except in extraordinary circumstances, any difference between the original cost and the amount of accumulated depreciation is not recognized.

The Company capitalizes interest costs incurred on funds used to construct utility plant. The capitalized interest is recorded as part of the asset to which it relates and is amortized over the asset's estimated useful life. Interest capitalized during 2019 and 2018 amounted to \$78,280 and \$75,562, respectively.

***Cash and Cash Equivalents***

The Company considers cash and all highly liquid investments with original maturities of three months or less to be cash equivalents. Cash and cash equivalents are maintained in various institutions and, at times, may exceed federally insured limits. The Company has never experienced any losses related to these balances.

**THE ATLANTIC CITY SEWERAGE COMPANY**  
**(A wholly-owned subsidiary of SR Utility Holding Corp.)**

Notes to Financial Statements  
December 31, 2019 and 2018

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**(2) Summary of Significant Accounting Policies, Continued**

*Accounts Receivable*

Accounts receivable arise in the normal course of business and are recorded based on amounts billed to customers. The Company reviews a customer's credit history before extending credit and generally does not require collateral from its customers. The Company establishes an allowance for doubtful accounts based upon the credit risk of specific customers, historical trends and other information. Accounts are charged to the allowance as they are deemed uncollectible based on a periodic review of the accounts.

*Deferred Debt Issuance Costs*

Deferred debt issuance costs are amortized over the term of the related bond issue. Unamortized deferred debt issuance costs have been recorded net against the related bond issue.

*Regulatory Assets and Liabilities*

Pursuant to an order of the BPU, the Company defers the difference between the service fee charged by The Atlantic County Utilities Authority and the amount the Company provisionally charged to customers for such costs and includes such amounts in regulatory assets and liabilities in the accompanying balance sheets. These amounts are recouped from or repaid to customers through adjustments to sewer billing rates in the subsequent year. Deferred rate case expenses are amortized over the estimated time period benefited.

Also reflected in regulatory assets and liabilities are tax benefits resulting from the re-measurement of deferred tax assets and liabilities pursuant to the Tax Cuts and Jobs Act of 2017, which were recorded in 2017. Such amounts were required to be deferred in the accompanying balance sheets and are subject to being returned to customers as prescribed by the BPU.

*Revenue Recognition*

The Company recognizes revenue from contracts with customers to depict the transfer of goods or services to customers at an amount that reflects the consideration to which the Company expects to be entitled to receive in exchange for those goods or services. 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 ATLANTIC CITY SEWERAGE COMPANY**  
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Notes to Financial Statements  
December 31, 2019 and 2018

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(2) Summary of Significant Accounting Policies, Continued

*Revenue Recognition, Continued*

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, if applicable; and (v) recognizes revenue when, or as, the Company satisfies each performance obligation.

Revenue from the Company's business is regulated by the BPU and generated primarily from wastewater services provided to customers. These contracts contain a single performance obligation, the service of removing wastewater from the customer premises. 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. The amounts that the Company has a right to invoice are initially determined by each customer's estimated usage, based on prior year usage and representing the most likely amount. Estimates are trueed-up to actual in the subsequent year when that usage is available from the city's water purveyor. Subsequent changes in the estimate do not result in a significant revenue reversal. 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.

Customer payments for contracts are generally due as follows: 50% due within 30 days of billing and the remaining 50% due within six (6) months. No 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.

*Deferred Revenues*

Revenues from advance billings are recognized as income pro rata over the succeeding 12 months.

*Interest Rate Swap Agreements*

The Company follows FASB ASC 815, *Derivatives and Hedging*, which provides accounting and reporting standards for derivative instruments embedded in other contracts and for hedging activities. The standard requires that an entity recognize all derivatives as either assets or liabilities in the balance sheets and measure those instruments at fair value.

**THE ATLANTIC CITY SEWERAGE COMPANY**  
**(A wholly-owned subsidiary of SR Utility Holding Corp.)**

**Notes to Financial Statements**  
**December 31, 2019 and 2018**

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**(2) Summary of Significant Accounting Policies, Continued**

***Interest Rate Swap Agreements, Continued***

As part of its interest rate risk management activities, the Company entered into interest rate swap agreements to modify interest rate characteristics on several of its bond issues (see Note 8). The Company holds no other derivatives or similar instruments. The derivative contracts were designated as cash flow hedges at inception and, as a result, the Company records the fair value of the interest rate swaps in its balance sheet and the annual change in fair value as a component of comprehensive income.

***Income Taxes***

Pursuant to a tax-sharing agreement with the Parent, the earnings of the Company are included in the consolidated federal income tax return of the Parent. However, the Company computes its federal income tax provision on a separate return basis and remits the resulting tax liability to (or receives such benefit from) the Parent.

The Company follows the asset and liability method of accounting for income taxes. This method requires the recognition of deferred tax liabilities and assets for the expected future tax consequences attributable to differences between financial statement carrying amounts of existing assets and liabilities and their tax carrying values, including basis differences in sewerage plant in service, minimum pension liability adjustments and the fair value of interest rate swap agreements.

Management has determined that it is more likely than not that the deferred tax assets will be realized.

The Company files Federal Form 1120. With few exceptions, the Company is no longer subject to U.S. federal or state and local income tax examinations by tax authorities for years before 2016. It is difficult to predict the final timing and resolution of any particular uncertain tax position. Based on the Company's assessment of many factors, including past experience and complex judgments about future events, the Company does not currently anticipate significant changes in its uncertain tax positions over the next 12 months.

***Comprehensive Income***

The Company follows established accounting standards for reporting and presentation of comprehensive income and its components. Comprehensive income comprises net income and other comprehensive income or loss and its components. Other comprehensive income (loss) consists of the net pension gain or loss, net of deferred taxes, and the change in fair value of the interest rate swap agreements, net of deferred taxes.

**THE ATLANTIC CITY SEWERAGE COMPANY**  
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Notes to Financial Statements  
December 31, 2019 and 2018

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(2) Summary of Significant Accounting Policies, Continued

*Use of Estimates*

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

*Adopted Accounting Pronouncements*

*Revenue Recognition*

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606), which updated the accounting guidance on revenue recognition. The standard is intended to provide a more robust framework for addressing revenue issues, improve comparability of revenue recognition practices, and improve disclosure requirements. During 2019, the Company adopted ASC 606 using the modified retrospective method. As a result, the Company applied ASC 606 only to contracts that were not completed as of December 31, 2018. There was no adjustment to retained earnings at January 1, 2019.

*Compensation - Retirement Benefits*

In March 2017, the FASB issued ASU 2017-07, *Compensation - Retirement Benefits*, which requires an employer who offers defined benefit and postretirement benefit plans to report the service cost component of the net periodic benefit cost in the same line item or items as other compensation cost arising from services rendered by employees during the period. The other components of net periodic benefit costs are required to be presented on a retrospective basis in the statement of operations separately from the service cost component and outside a subtotal of income from operations. ASU 2017-07 is effective for periods beginning after December 15, 2018. The Company adopted this pronouncement in the accompanying financial statements, and has retrospectively applied the pronouncement in the 2018 statement of income. As a result, the Company's 2018 operating income before other income (expense) was increased by \$320,921. However, there was no impact on net income for the year ended December 31, 2018.

**THE ATLANTIC CITY SEWERAGE COMPANY**  
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Notes to Financial Statements  
December 31, 2019 and 2018

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(2) Summary of Significant Accounting Policies, Continued

*Adopted Accounting Pronouncements, Continued*

*Restricted Cash*

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. This ASU requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents and amounts generally described as restricted cash or restricted cash equivalents. ASU 2016-18 is effective for fiscal years beginning after December 15, 2018. The new guidance must be applied on a retrospective basis. The Company has adopted ASU 2016-18 in the accompanying financial statements, and has retrospectively applied the pronouncement in the 2018 statement of cash flows.

The following table provides a reconciliation of cash and cash equivalents and restricted cash and cash equivalents reported within the balance sheets that sum to the total of the same such amounts shown in the statements of cash flows:

	2019	2018
Cash and cash equivalents	\$1,134,074	\$1,458,497
Cash restricted for payments to developers	21,537	21,516
Restricted cash and cash equivalents	3,311,926	4,778,547
	<u>\$4,467,537</u>	<u>\$6,258,560</u>

*Recent Accounting Pronouncement*

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. ASU 2016-02 improves transparency and comparability among companies by requiring recognition of lease assets and lease liabilities on the balance sheet, except for leases with lease terms of 12 months or less. Lease assets represent the right to use the underlying asset for the lease term, and lease liabilities represent the liability to make lease payments. Companies are also required to disclose key information about leasing arrangements. ASU 2016-02 is effective for annual periods beginning after December 15, 2020, with early application permitted. The Company is currently evaluating this guidance to determine the potential impact on its financial statements.

*Reclassifications*

Certain amounts in the accompanying 2018 financial statements have been reclassified to conform to the current year presentation.

**THE ATLANTIC CITY SEWERAGE COMPANY**  
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Notes to Financial Statements  
December 31, 2019 and 2018

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**(2) Summary of Significant Accounting Policies, Continued**

*Subsequent Events*

The Company has performed an evaluation of subsequent events through March 2, 2020, which is the date the financial statements were available to be issued.

**(3) Fair Value Measurements**

FASB Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

- Level 1: Quoted market prices in active markets for identical assets or liabilities.
- Level 2: Observable market based inputs that are corroborated by market data.
- Level 3: Unobservable inputs that are not corroborated by market data.

Observable inputs are inputs that other market participants may use in pricing an asset or liability. These may include quoted market prices for similar assets and liabilities, interest rates, prepayment speeds, credit risk, and others.

In determining the approximate levels, the Company performs a detailed analysis of the assets and liabilities that are subject to FASB ASC 820. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as level 3.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2019 and 2018.

*Restricted cash equivalents:* Represents money market funds valued at the closing price reported on the active market on which the individual securities are traded.

*Interest rate swaps:* Pay-fixed, receive-variable interest rate swaps are valued based on LIBOR swap rate. The LIBOR swap rate is observable at commonly quoted intervals for the full term of the swaps and, is therefore, considered a level 2 input.

**THE ATLANTIC CITY SEWERAGE COMPANY**  
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**Notes to Financial Statements**  
**December 31, 2019 and 2018**

**(3) Fair Value Measurements, Continued**

The following table sets forth by level, within the fair value hierarchy, the Company's assets and liabilities at fair value as of December 31, 2019 and 2018:

	Fair Value as of December 31, 2019			
	Total	Level 1	Level 2	Level 3
Restricted cash equivalents	\$3,211,926	\$3,211,926	\$ -	\$ -
Interest rate swaps	\$ (762,191)	\$ -	\$ (762,191)	\$ -

	Fair Value as of December 31, 2018			
	Total	Level 1	Level 2	Level 3
Restricted cash equivalents	\$4,678,547	\$4,678,547	\$ -	\$ -
Interest rate swaps	\$ (267,480)	\$ -	\$ (267,480)	\$ -

**(4) Restricted Cash and Cash Equivalents**

The Company has \$100,000 at December 31, 2019 and 2018 of restricted cash pursuant to a minimum balance requirement under the 2002 Bond Agreement.

The Company has \$3,211,926 and \$4,678,547 at December 31, 2019 and 2018, respectively, of restricted cash equivalents for capital expenditures and debt service under the 2018 Bond Agreement.

**(5) Lease Commitment, Related Party**

The Company leases office space from the majority stockholder of the Parent under a five year lease agreement which expires March 31, 2023. The monthly lease payment is adjusted annually each April. As of December 31, 2019, the monthly rental payment amounted to \$10,000. Rent expense under this lease was \$119,628 and \$118,049 in 2019 and 2018, respectively.

The future aggregate minimum lease payments under this lease as of December 31, 2019 are as follows:

Year Ending December 31,	Amount
2020	\$120,000
2021	\$120,000
2022	\$120,000
2023	\$ 30,000



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**Notes to Financial Statements**  
**December 31, 2019 and 2018**

**(6) Retirement Plans**

The Company maintains a noncontributory defined benefit retirement plan covering all eligible employees. Contributions to the plan are based on actuarially determined amounts to the extent permitted by the Internal Revenue Code.

The following table sets forth the funded status of the defined benefit retirement plan at December 31, 2019 and 2018 and other plan activity for the years then ended:

	2019	2018
Obligation and funded status at end of years:		
Fair value of plan assets	\$ 7,270,920	\$ 6,583,050
Projected benefit obligation	13,087,071	10,667,209
Funded status	<u>\$ (5,816,151)</u>	<u>\$ (4,084,159)</u>
Amounts recognized on the balance sheets consist of:		
Accrued pension cost	<u>\$ (5,816,151)</u>	<u>\$ (4,084,159)</u>
Amounts recognized in accumulated other comprehensive loss consists of:		
Unrecognized net loss	<u>\$ 3,878,982</u>	<u>\$ 2,241,309</u>
Accumulated benefit obligation	<u>\$ 11,118,479</u>	<u>\$ 9,036,757</u>
Net periodic benefit cost	<u>\$ 627,583</u>	<u>\$ 650,363</u>
Other changes in plan assets and benefit obligations recognized in other comprehensive income (loss):		
Net (gain) loss	1,723,284	(472,765)
Amortization of net loss	<u>(85,611)</u>	<u>(130,427)</u>
Total recognized in other comprehensive income (loss)	<u>1,637,673</u>	<u>(603,192)</u>
Total recognized in net periodic benefit cost and other comprehensive income (loss)	<u>\$ 2,265,256</u>	<u>\$ 47,171</u>

**THE ATLANTIC CITY SEWERAGE COMPANY**  
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**Notes to Financial Statements**  
**December 31, 2019 and 2018**

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**(6) Retirement Plans, Continued**

The estimated net loss that will be amortized from accumulated other comprehensive loss into net periodic benefit cost in 2020 is approximately \$186,658.

The weighted-average assumptions used in accounting for this plan are as follows:

	2019	2018
Benefit obligations:		
Discount rate	3.50 %	4.50 %
Rate of compensation increase	3.00 %	3.00 %
Net periodic pension cost:		
Discount rate	4.50 %	4.00 %
Rate of compensation increase	3.00 %	3.00 %
Expected long-term rate of return on assets	4.00 %	4.00 %

The expected long-term rate of return on plan assets is based upon historical returns of specified benchmark investment categories that are weighted by the plan asset allocation. Such returns are reviewed each year to ascertain the reasonableness of these assumptions.

Plan assets are entirely invested in a guaranteed interest account in the general account of an insurance company at December 31, 2019 and 2018. Plan assets are valued by the insurance company using a market value formula approach and are considered to be a level 2 investment in accordance with fair value measurements hierarchy. Plan assets are valued at fair value by the insurance company by discounting the related cash flows based on current yields of similar instruments with comparable durations considering the credit-worthiness of the issuer.

The objective of the portfolio is to provide a total return commensurate with the portfolio's risk while complying with all applicable trust, fiduciary and due diligence requirements that experienced investment professionals would be expected to follow, and to comply with all applicable federal, state and local laws, rules and regulations.

The Company contributes the minimum required contribution annually as determined by the plan's actuary. As of December 31, 2019, there is no minimum required contribution in 2020.

Company contributions to the plan during 2019 and 2018 amounted to \$533,264 and \$550,000, respectively.

Benefits paid by the plan during 2019 and 2018 amounted to \$282,172 and \$235,643, respectively.

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Notes to Financial Statements  
December 31, 2019 and 2018

**(6) Retirement Plans, Continued**

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid by the plan:

December 31,	Amount
2020	\$ 362,376
2021	\$ 406,052
2022	\$ 434,917
2023	\$ 442,178
2024	\$ 463,467
Years 2025-2029	\$2,762,753

The Company also sponsors a Supplemental Executive Retirement Plan for officers with a hire date before April 1, 2008. The following table sets forth the funded status of the Supplemental Executive Retirement Plan at December 31, 2019 and 2018 and other plan activity for the years then ended:

	2019	2018
Obligation and funded status at end of years:		
Fair value of plan assets	\$ -	\$ -
Projected benefit obligation	110,673	129,016
Funded status	<u>\$(110,673)</u>	<u>\$(129,016)</u>
Amounts recognized on the balance sheets consist of:		
Accrued pension cost	<u>\$(110,673)</u>	<u>\$(129,016)</u>
Amounts recognized in accumulated other comprehensive loss consists of:		
Unrecognized net loss	<u>\$ 123,519</u>	<u>\$ 134,693</u>
Accumulated benefit obligation	<u>\$ 110,672</u>	<u>\$ 129,015</u>
Net periodic benefit cost	\$ 16,405	\$ 17,906
Other changes in plan assets and benefit obligations recognized in other comprehensive income (loss):		
Amortization of net loss	<u>(11,174)</u>	<u>(11,885)</u>
Total recognized in net periodic benefit cost and other comprehensive income (loss)	<u>\$ 5,231</u>	<u>\$ 6,021</u>

**THE ATLANTIC CITY SEWERAGE COMPANY**  
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**Notes to Financial Statements**  
**December 31, 2019 and 2018**

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**(6) Retirement Plans, Continued**

The estimated net loss that will be amortized from accumulated other comprehensive loss into net periodic benefit cost in 2020 is \$11,000.

The weighted-average assumptions used in accounting for this plan are as follows:

	2019	2018
Average discount rate	4.50 %	4.50 %
Rate of assumed compensation increase	4.00 %	4.00 %

Benefits paid by the plan during 2019 and 2018 amounted to \$23,574 for each year.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid by the plan:

December 31,	Amount
2020	\$21,300
2021	\$20,900
2022	\$20,200
2023	\$18,180
2024	\$18,180
Years 2025-2029	\$90,900

**(7) Federal Income Taxes**

The components of the provision for federal income taxes were as follows:

	2019	2018
Current	\$296,818	\$379,069
Deferred	259,024	205,165
	<u>\$555,842</u>	<u>\$584,234</u>

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**Notes to Financial Statements**  
**December 31, 2019 and 2018**

**(8) Long-Term Debt**

Long-term debt consists of the following at December 31:

	2019	2018
2002 Bond issue	\$ 400,000	\$ 605,000
2008 Bond issue	3,471,606	3,765,986
2010 Bond issue	5,145,470	5,514,936
2014 Bond issue	4,811,059	5,065,862
2018 Bond issue	7,643,623	7,929,790
	<u>21,471,758</u>	<u>22,881,574</u>
Less current maturities	1,448,933	1,409,817
Long-term debt	<u>20,022,825</u>	<u>21,471,757</u>
Unamortized deferred debt issuance costs	<u>(517,886)</u>	<u>(558,646)</u>
	<u>\$ 19,504,939</u>	<u>\$ 20,913,111</u>

In 1998, the New Jersey Economic Development Authority (NJEDA) issued \$6,000,000 in economic development revenue bonds to finance construction of Company projects. The bonds bore interest at 5.45%, with a final maturity in April 2028. The bonds were paid in full during 2018 with a portion of the proceeds of the 2018 NJEDA bond issuance.

In 2002, the NJEDA issued \$5,695,000 in economic development revenue bonds. Series A bonds of \$3,655,000 were issued to finance the refunding of a 1991 bond issue. During 2011, Series A bonds were paid in full. Series B bonds of \$2,040,000 were issued to finance construction of Company projects. The bonds were payable, interest only (calculated monthly based on a variable LIBOR rate), through December 2012, with principal and interest payments due thereafter, through December 2021. Interest at December 31, 2019 is 2.46%. The bonds are net of deferred debt issuance costs in the amount of \$8,734 and \$12,227 at December 31, 2019 and 2018, respectively.

In 2008, the NJEDA issued \$6,000,000 in economic development revenue bonds to finance construction of Company projects. Principal and interest payments on the bonds are due monthly through December 2028, with interest based on a variable LIBOR rate. The bonds are net of deferred debt issuance costs in the amount of \$90,753 and \$100,836 at December 31, 2019 and 2018, respectively. An interest rate swap agreement executed on November 12, 2008 effectively fixed the annual bond interest rate at 4.99% through January 2019. During January 2019, the Company executed a new interest rate swap agreement which effectively fixes the annual bond interest rate at 3.92% through December 2028. At December 31, 2019 and 2018, the fair value of the swap is \$147,795 and \$4,613, respectively, and is recorded as a long-term liability on the balance sheets.

**THE ATLANTIC CITY SEWERAGE COMPANY**  
**(A wholly-owned subsidiary of SR Utility Holding Corp.)**

**Notes to Financial Statements**  
**December 31, 2019 and 2018**

**(8) Long-Term Debt, Continued**

In 2010, the NJEDA issued \$8,000,000 in economic development revenue bonds to finance construction of Company projects. Principal and interest payments on the bonds are due monthly through December 2030, with interest based on a variable LIBOR rate. The bonds are net of deferred debt issuance costs in the amount of \$81,244 and \$88,629 at December 31, 2019 and 2018, respectively. An interest rate swap agreement executed on November 2, 2010 effectively fixes the annual bond interest rate at 3.65% through December 2020. At December 31, 2019 and 2018, the fair value of the swap is \$61,186 and \$54,637, respectively, and is recorded as a long-term liability on the balance sheets.

In 2014, the NJEDA issued \$6,000,000 in economic development revenue bonds to finance construction of Company projects. Principal and interest payments on the bonds are due monthly through December 2034. The interest rate is 2.71% as of December 31, 2019, and is subject to an adjustment in December 2024. The bonds are net of deferred debt issuance costs in the amount of \$128,826 and \$137,941 at December 31, 2019 and 2018, respectively.

In 2018, the NJEDA issued \$8,000,000 in economic development revenue bonds to finance construction of Company projects and to retire the 1998 NJEDA bonds. Principal and interest payments on the bonds are due monthly through September 2038, with interest based on a variable LIBOR rate. The bonds are net of deferred debt issuance costs in the amount of \$208,329 and \$219,013 at December 31, 2019 and 2018, respectively. An interest rate swap agreement executed on September 1, 2018 effectively fixes the annual bond interest rate at 3.37% through September 2028. At December 31, 2019 and 2018, the fair value of the swap is \$553,210 and \$208,230, and is recorded as a long-term liability on the balance sheets.

All of these bonds are secured by the utility plant of the Company. In addition, the loan agreements require the Company to maintain certain financial ratios, maintain minimum balances in interest bearing deposit accounts and restrict the payment of dividends.

Scheduled maturities of long-term debt are as follows as of December 31, 2019:

Year Ended December 31,	2002 Bonds	2008 Bonds	2010 Bonds	2014 Bonds	2018 Bonds	Total
2020	\$ 200,000	\$ 309,015	\$ 382,742	\$ 261,796	\$ 295,380	\$ 1,448,933
2021	\$ 200,000	\$ 325,011	\$ 397,143	\$ 268,978	\$ 306,375	\$ 1,497,507
2022	\$ -	\$ 341,846	\$ 412,097	\$ 276,359	\$ 317,022	\$ 1,347,324
2023	\$ -	\$ 359,537	\$ 427,599	\$ 283,942	\$ 328,038	\$ 1,399,116
2024	\$ -	\$ 377,619	\$ 443,028	\$ 291,733	\$ 338,828	\$ 1,451,208
Thereafter	\$ -	\$1,758,578	\$3,082,861	\$3,428,251	\$6,057,980	\$14,327,670

**THE ATLANTIC CITY SEWERAGE COMPANY**  
(A wholly-owned subsidiary of SR Utility Holding Corp.)

**Notes to Financial Statements**  
**December 31, 2019 and 2018**

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**(9) Line of Credit**

The Company has an unsecured line of credit which provides for borrowings up to \$2,000,000 with interest at prime (4.75% at December 31, 2019). The Company is required to maintain certain financial covenants as part of its line of credit agreement. There are no amounts outstanding under the line of credit as of December 31, 2019 and 2018. The line of credit agreement expires in September 2020.

## SUPPLEMENTARY INFORMATION



**THE ATLANTIC CITY SEWERAGE COMPANY**  
**(A wholly-owned subsidiary of SR Utility Holding Corp.)**

**Supplementary Information**

**Expenses - Operations, Maintenance and Taxes, Other Than Federal Income Taxes**  
**Years Ended December 31, 2019 and 2018**

	2019	2018
Operations:		
Operating supervision and engineering	\$ 59,153	\$ 100,054
Operating labor	15,611	31,102
	<u>74,764</u>	<u>131,156</u>
Pumping expenses:		
Power and fuel	184,644	190,936
Miscellaneous expenses and labor	153,292	135,305
	<u>337,936</u>	<u>326,241</u>
Commercial expenses:		
Flat-rate inspections	22,491	22,050
Billing, collecting and accounting	187,901	143,191
	<u>210,392</u>	<u>165,241</u>
Administrative and general expenses:		
Administrative, general and data processing expenses	860,490	927,217
Regulatory commission expenses	102,128	103,521
Office supplies and expenses	226,539	225,286
Professional services	135,904	188,102
Injuries and damage insurance	410,288	376,026
Employee pension and benefits	1,040,168	1,074,114
Rent	119,628	118,049
Property insurance	51,135	52,086
Bad debt expense	60,000	-
	<u>3,006,280</u>	<u>3,064,401</u>
Total operations	<u>\$ 3,629,372</u>	<u>\$ 3,687,039</u>
Maintenance:		
Collecting systems	\$ 1,362,233	\$ 1,347,472
Pumping systems	400,045	345,448
Transportation and general equipment	127,953	126,634
Total maintenance	<u>\$ 1,890,231</u>	<u>\$ 1,819,574</u>
Taxes, other than federal income taxes:		
Payroll taxes	\$ 189,588	\$ 201,022
New Jersey franchise	635,979	623,953
New Jersey gross receipts	1,009,716	990,522
New Jersey excise, etc.	185,288	220,563
City of Atlantic City - real estate tax expense	412,907	366,424
Total taxes	<u>\$ 2,433,478</u>	<u>\$ 2,402,484</u>

EXHIBIT C

**THE ATLANTIC CITY SEWERAGE COMPANY**  
**SCHEDULE OF ESTIMATED ISSUANCE COSTS**

<u>ITEM</u>	<u>2021 ISSUANCE</u> <u>(Based on \$7 Million)</u>
Borrower Counsel	\$50,000
Bond Counsel	\$22,500
Bank Counsel	\$30,000
NJEDA Fees (Application & Closing)	\$36,000
Bank Commitment Fee	\$2,500
Title	\$11,000
Mortgage Trustee	\$5,000
Mortgage Trustee Counsel	\$5,000
	<hr/>
TOTAL	<u><u>\$162,000</u></u>

**THE ATLANTIC CITY SEWERAGE COMPANY**  
**PROFORMA CAPITALIZATION STATEMENT**  
**AS OF DECEMBER 31, 2021**

	<u>Actual @ Dec. 31, 2019</u>		<u>2020 Proforma Activity</u>	<u>2021 Proforma Activity</u>	<u>Proforma Issuance Adjustments</u>	<u>Dec. 31, 2021 Proforma Capitalization</u>	
Long-Term Debt	\$ 21,471,758	48.86%	\$ (1,448,933) (b)	\$ (1,497,507) (b)	\$ 6,838,000 (c)	\$ 25,363,318	51.07%
Common Stock	695,000					\$ 695,000	
Add'l Paid in Capital	251,315					\$ 251,315	
Retained Earnings	21,524,907		\$ 1,030,587 (d)	\$ 796,356 (e)	0 (f)	\$ 23,351,850	
Total Equity	<u>\$ 22,471,222</u>	51.14%				<u>\$ 24,298,165</u>	48.93%
Total Capitalization (a)	<u><u>\$ 43,942,980</u></u>	100.00%				<u><u>\$ 49,661,483</u></u>	100.00%

(a) Excludes amounts in Accumulated Other Comprehensive Loss from the calculation.

(b) From 2019 Annual Report, Schedule of Maturities in Note 8, Long-Term Debt.

(c) Additional Long-Term Debt	\$ 7,000,000
Principle Payments in 2021	(162,000)
Refinanced Debt,	-
Net Additional New Debt	<u><u>\$ 6,838,000</u></u>

(d) ACSC Forecast for 2020, Net Income less Dividends. Note: The June 2020 dividend was suspended to conserve cash during Covid-19 pandemic.

(e) ACSC Budget for 2021, Net Income less Dividends, from its approved 5-year Plan dated December 2019.

(f) Incremental interest expense, net of tax, already incorporated into the 2021 Budget.

THE ATLANTIC CITY SEWERAGE COMPANY  
GENERAL TIMETABLE FOR THE SALE OF  
LONG-TERM DEBT IN 2021

- August/September 2020      File NJ BPU Debt Financing Petition
- October 2020                File NJ EDA Financing Application
- November 2020            Receive NJ BPU Approval of Debt Petition
- December 2020            Receive NJ EDA Approval of Financing Application
- January 2021                Submit Request for Proposals ("RFPs") for Financing to 3 or more Financial Institutions
- March 2021                 Receive RFPs. Evaluate and Award Financing to Successful Bidder. Provide Required Information to NJBPU.
- May 2021                    Close on Refinancing & New Money Financing.

**ANNUAL REPORT**

**OF**

The Atlantic City Sewerage Company

**(NAME OF RESPONDENT)**

1200 Atlantic Avenue, Suite 300, Atlantic City, NJ 08401

**(ADDRESS OF RESPONDENT)**

**TO THE**

**STATE OF NEW JERSEY  
BOARD OF PUBLIC UTILITIES  
44 SOUTH CLINTON AVENUE, 9th FLOOR  
P.O. BOX 350  
TRENTON, NEW JERSEY 08625-0350**

**FOR THE YEAR ENDED DECEMBER 31, 2019**

**Name, title, and address of Officer or other person to whom any communication should be  
Addressed concerning this report.**

Thomas Kavanaugh, President & General Manager

1200 Atlantic Avenue, Suite 300, Atlantic City, NJ 08401

**DO NOT ROLL OR FOLD**

1. Report information requested in schedule below:

- (a) List security holders having more than 10% voting powers in Respondent. Also list voting powers of each Director.  
(b) Arrange names of security holders in order of voting power commencing with highest.  
(c) Indicate Officers and Directors by asterisk.

		NUMBER OF VOTES AS OF			
NAME OF SECURITY HOLDER	ADDRESS OF SECURITY HOLDER	COMMON STOCK	PREFERRED STOCK	OTHER SECURITIES	TOTAL
(a)	(b)	(c)	(d)	(e)	(f)
SR Utility Holding Corp.	1200 Atlantic Avenue	69,500			69,500
	Suite 300				
	Atlantic City NJ 08404				
		69,500			69,500

2. Latest record date prior to year-end and purpose.

December 4, 2019; Declaration of Dividend

3. Total number of security holders, and total number of votes entitled to be cast, for each series and class of security vested with voting rights as of the date for which foregoing list of security holders is furnished.

1 – 69,500 Common Stock

4. If voting rights are attached to any securities other than stock, name in a supplemental statement (a) each such security to which voting rights are attached, (b) relationship between holdings and corresponding voting rights, (c) whether voting rights are actual or contingent, and (d) if contingent describe contingency.

None

5. If any class or issue of securities has any special privileges in the election of Directors, Trustees, or Managers, or in the determination of corporate action by any method, describe fully in a supplemental statement each such class or Issue and state briefly and clearly the character and extent of such privilege.

None

6. For latest annual stockholders' meeting prior to year end for election of Directors, state :

- (a) date: April 25, 2019
- (b) place: 1200 Atlantic Avenue, Suite 300, Atlantic City, NJ 08404
- (c) total number of votes cast: 69,500
- (d) total number of votes cast by proxy: 0

## COMPARATIVE BALANCE SHEET

## ASSETS AND OTHER DEBITS

NUMBERS AND TITLES OF ACCOUNTS (a)	SCHED. PAGE NO. (b)	BALANCE END OF YEAR (c)	BALANCE BEGINNING OF YEAR (d)	INCREASE OR (DECREASE) (e)
<u>UTILITY PLANT</u>				
101-05 Utility Plant	13	88,302,307	86,025,124	2,277,183
107 Construction Work In Progress	15	631,587	449,592	181,995
108 Utility Plant Acquisition Adjustments	-			
109 Utility Plant Adjustments	-			
111 Depreciation and Amortization Reserve for	-			
Utility Plant (Cr.)	16	(23,167,399)	(22,072,142)	(1,095,257)
Net Utility Plant	-	65,766,495	64,402,574	1,363,921
<u>OTHER PROPERTY AND INVESTMENTS</u>				
121 Nonutility Property	-			
122 Dep. Reserve for Nonutility Property-Cr.	-			
123 Investments in Associated Companies*	-			
124 Other Investments*	-	122,392	122,350	42
125 Sinking Funds	-			
128 Miscellaneous Special Funds*	-			
Total	-	122,392	122,350	42
<u>CURRENT AND ACCRUED ASSETS</u>				
131 Cash	-	1,133,219	1,457,663	(324,444)
134 Special Deposits	-	3,216,648	4,683,269	(1,466,621)
141 Notes Receivable	-			
142 Accounts Receivable/Customer A/R & Other	-	1,124,139	1,214,943	(90,804)
144 Reserve for Uncollectible Accounts-Cr.	-			
146 Receivables from Associated Companies	-			
156 Materials and Supplies	-	128,962	133,584	(4,622)
160 Prepayments	18	390,619	302,947	87,672
174 Other Current and Accrued Assets	18	0	0	
Total	-	5,993,587	7,792,406	(1,798,819)
<u>DEFERRED DEBITS</u>				
181 Unamortized Debt Discount and Expense	19	517,886	558,646	(40,760)
182 Extraordinary Property Losses	20			
183 Preliminary Survey and Investigation Charges	-			
184 Retirement Work In Progress	-			
186 Other Deferred Debits	20	119,940	1,488,990	(1,369,050)
Total	-	637,826	2,047,636	(1,409,810)
Total Assets and Other Debits	-	72,520,300	74,364,966	(1,844,666)

\* Give details in Footnotes



**COMPARATIVE BALANCE SHEET  
LIABILITIES AND OTHER CREDITS**

NUMBERS AND TITLES OF ACCOUNTS (a)	SCHEDULE PAGE NO. (b)	BALANCE END OF YEAR (c)	BALANCE BEGINNING OF YEAR (d)	INCREASE OR (DECREASE) (e)
<b><u>CAPITAL STOCK AND SURPLUS</u></b>				
201 Common Stock	21	695,000	695,000	0
204 Preferred Stock	21			
206 Stock Liability for Conversion	21			
207 Premiums and Assessments on Capital Stock-P.I.C.	22	251,315	251,315	
208 Capital Stock Subscribed	21			
210 Installments Received on Capital Stock	21			
212 Capital Stock Expense-Dr.	21			
214 Reacquired Capital Stock-Dr.	21			
215 Nonoperating Surplus (Capital Surplus)	22	(52,336)	(52,336)	0
216 Retained Earnings (Earned Surplus)	11	17,813,135	18,550,631	(737,496)
Total	-	18,707,114	19,444,610	(737,496)
<b><u>LONG-TERM DEBT</u></b>				
221 Bonds	23	20,022,825	21,471,757	(1,448,932)
222 Receivers' Certificates	23			
223 Advances from Associated Companies	23			
224 Miscellaneous Long-Term Debt	23			
225 Reacquired Long-Term-Dr.	23			
Total	-	20,022,825	21,471,757	(1,448,932)
<b><u>CURRENT AND ACCRUED LIABILITIES</u></b>				
231 Notes Payable (Due within (l) year)	24			
232 Accounts Payable	-	59,553	215,985	(156,432)
234 Payables to Associated Companies	24			
235 Customers' Deposits	-	0	23,214	(23,214)
236 Taxes Accrued	25	16,678	147,641	(130,963)
237 Interest Accrued	-			
238 Dividends Declared and Unpaid	-			
239 Matured Long-Term Debt	-	1,448,933	1,409,817	39,116
242 Other Current and Accrued Liabilities	26	12,035,734	10,075,030	1,960,704
Total	-	13,560,898	11,871,687	1,689,211
<b><u>DEFERRED CREDITS</u></b>				
251 Unamortized Premium on Debt	19			
252 Customers' Advances for Construction	-	125,229	125,208	21
253 Other Deferred Credits	26	6,364,770	7,431,811	(1,067,041)
Total	-	6,489,999	7,557,019	(1,067,020)
<b><u>OTHER CREDITS</u></b>				
261 Operating and Other Reserves	27			
271 Contributions in Aid of Construction	-	13,739,464	14,019,893	(280,429)
Total	-	13,739,464	14,019,893	(280,429)
Total Liabilities and Other Credits	-	72,520,300	74,364,966	(1,844,666)



1. Report below the changes in Surplus during the year, giving description of Miscellaneous Debits and Credits.

[illegible]

## INCOME STATEMENT

1. Report below a statement of income for the year according to prescribed amounts.  
 2. If the increases and decreases are not derived from previously reported figures explain in footnotes.

NUMBER AND TITLE OF ACCOUNTS (a)	FROM PAGE NO. (b)	CURRENT YEAR (c)	TOTAL PRECEDING YEAR (d)	INCREASE OR (Decrease) (e)
<b>I. UTILITY OPERATING INCOME</b>				
400 Operating Revenues	28	21,210,621	21,469,967	(259,346)
<b>OPERATING REVENUE DEDUCTIONS</b>				
401 Operation Expense	29	12,296,260	12,813,053	(516,793)
402 Maintenance Expense	30	1,890,232	1,819,573	70,659
403 Depreciation Expense	17	1,137,999	938,006	199,993
404 Amortization Expense	-	40,760	38,752	2,008
408 Taxes Other Than Income Taxes	25	2,433,478	2,402,484	30,994
409 Income Taxes	25	555,842	584,234	(28,392)
Total Operating Revenue Expenses	-	18,354,571	18,596,102	(241,531)
Net Sewerage Operating Revenues	-	2,856,050	2,873,865	(17,815)
Income from Utility Plant				
412 Leased to Others	-			
<b>SEWERAGE OPERATING INCOME</b>				
Net Income of Other Utility Departments		2,856,050	2,873,865	(17,815)
<b>II. OTHER INCOME</b>				
417 Income from Nonutility Operations	32			
418 Rental Income from Nonoperating Property	32			
419 Interest and Dividend Income	32	94,941	37,969	56,972
421 Miscellaneous Nonoperating Income	32	23,214	0	23,214
Total Other Income		118,155	37,969	80,186
Gross Income	-	2,974,205	2,911,834	62,371
<b>III. MISCELLANEOUS INCOME DEDUCTIONS</b>				
425 Amortization Deductions	33			
426 Other Income Deductions	33	1,365	2,000	(635)
428 Interest on Long-Term Debt	23	739,500	718,329	21,171
431 Interest on Debt to Associated Companies	33			
432 Other Interest Charges	24	2,819	0	2,819
433 Interest Charged to Construction-Credit AFUDC	-	(78,280)	0	(78,280)
Total Income Deductions	-	665,404	720,329	(54,925)
NET INCOME (To page 11)	-	2,308,801	2,191,505	117,296

## UTILITY PLANT

ACCT. NO. (a)	ACCOUNT (b)	BALANCE BEGINNING OF YEAR (c)	ADDITIONS (d)	RETIREMENTS (e)	ADJUSTMENTS (f)	BALANCE END OF YEAR (g)
101	Utility Plant in Service	86,025,124	2,600,354	(323,171)	0	88,302,307
102	Utility Plant Purchased or Sold					
103	Utility Plant in Process of Reclassification					
104	Utility Plant Leased to Others					
105	Property Held for Future Use					
	Utility Plant Other than Sewerage (Net)					
	Total Utility Plant	86,025,124	2,600,354	(323,171)	0	88,302,307

## SEWERAGE PLANT IN SERVICE (Account 101)

1. Report by prescribed accounts the original cost of sewerage plant in service and the additions and retirements of such plant during the year.

ACCT. NO. (a)	ACCOUNT (b)	BALANCE BEGINNING OF YEAR (c)	ADDITIONS (d)	RETIREMENTS (e)	ADJUSTMENTS* (f)	BALANCE END OF YEAR (g)
	<u>INTANGIBLE PLANT</u>					
301	Organization	3,794				3,794
302	Franchises and Consents					
303	Other Intangible Utility Plant	10,708				10,708
	Total	14,502	0	0	0	14,502
	<u>LAND AND LAND RIGHTS</u>					
310	Collecting System Land	11,125				11,125
311	Pumping System Land	218,179				218,179
312	Treatment and Disposal System Land	766,096	190,171			956,267
313	Miscellaneous Land	349,205				349,205
	Total	1,344,605	190,171	0	0	1,534,776
	<u>COLLECTING SYSTEM</u>					
320	Service Connections, Traps and Accessories	3,742,618	67,743			3,810,361
321	Collecting Mains and Accessories	46,900,676	848,357	(1,760)		47,747,273
322	Interceptor Mains and Accessories	601,070				601,070
323	Force Mains	13,361,948				13,361,948
324	Structures and Improvements					
325	Other Collecting System Equipment	418,584				418,584
	Total	65,024,896	916,100	(1,760)	0	65,939,236

\* Describe in a Footnote

ACCT. NO. (a)	ACCOUNT (b)	BALANCE BEGINNING OF YEAR (c)	ADDITIONS (d)	RETIREMENTS (e)	ADJUSTMENTS* (f)	BALANCE END OF YEAR (g)
	<u>PUMPING SYSTEM</u>					
330	Structure and Improvements	9,917,968	328,163	(20,939)	0	10,225,192
331	Electric Pumping Equipment	3,765,704	450,605	(190,268)	0	4,026,041
332	Other Power Pumping Equipment		63,400			63,400
333	Miscellaneous Pumping System Equipment	944,436	35,055	(19,498)	0	959,993
	Total	14,628,108	877,223	(230,705)	0	15,274,626
	<u>TREATMENT AND DISPOSAL SYSTEM</u>					
340	Structures and Improvements					
341	Grit Removing Equipment					
342	Sedimentation (or Clarification) Tanks and Accessories					
343	Sludge Concentration (or Coagulation) Chambers and					
344	Sludge and Effluent Removing Equipment					
345	Sludge Digestion Tanks and Accessories					
346	Sludge Drying and Filtering Equipment					
347	Secondary Treatment Filters and Accessories					
348	Auxiliary Effluent Treatment Equipment					
349	Other Sewage Removing Equipment					
350	Chemical Treatment Plant and Equipment					
351	Chemical Contact Tanks					
352	Outfall Pipes and Accessories					
353	Other Disposal Equipment					
	Total	0	0	0	0	0
	<u>GENERAL PLANT</u>					
390	Structures and Improvements	2,752,026			0	2,752,026
391	Office Furniture and Equipment	279,479	15,430		0	294,909
392	Transportation Equipment	1,312,329	449,858	(90,706)	0	1,671,481
393	Stores Equipment					
394	Tools and Shop Equipment	453,929	33,252		0	487,181
395	Laboratory Equipment					
397	Communication Equipment	10,018	21,795		0	31,813
398	Miscellaneous General Plant	205,232	96,525		0	301,757
	Total	5,013,013	616,860	(90,706)	0	5,539,167
	Total Sewerage Plant in Service	86,025,124	2,600,354	(323,171)	0	88,302,307

\* Describe in a Footnote.

## DETAILS OF UTILITY PLANT ADDITIONS AND RETIREMENTS

1. List the major addition and retirements by Utility Plant Account which have been added or retired during the year. Work Orders under \$10,000 may be combined as one total for each Utility Plant Account. Account numbers 391 to 398 may be reported as a total for each account, and grouped under appropriate control account. If additional space is required, type information on 8 1/2" x 11" sheets and attach hereto.

LINE NO.	ACCT. NO. (a)	WORK ORDER NO. (b)	DESCRIPTION (c)	ADDITIONS (d)	RETIREMENTS (e)
1			See attached supporting schedules		
2			15a Summary Additions & Retirements		
3			15b Improvements Detailed		
4			15c System Retirements Detailed		
5			15d Retirements Detailed		
6					
7					
8					
9					
10					
11					
12					
13					
14					
15					
16					
17					
18					
19					
20					
21					
22					
23					
24					
25					
			Total		

## CONSTRUCTION WORK IN PROGRESS

1. Report the particulars called for concerning plant or equipment in process of construction but not ready for service at year end.  
2. Report major projects by Work Order and Description. Minor projects may be grouped. If additional space is required, type information on 8 1/2 x 11" sheets and attach hereto.

LINE NO.	WORK ORDER NO. (a)	DESCRIPTION OF WORK ORDER (b)	ESTIMATED COST (c)	EXPENDITURES TO CLOSE OF YEAR (d)
1	A10707	Baltic Ave Maint Building Improvements	1,500,000	604,918
2	A10926	Raise Manholes Under Boardwalk	90,000	14,142
3	A10949	SJG Florida Ave Site Remediation	1,500	931
4	V10958	Hino Diesel 2020 w/ Furnished Crane	125,000	796
5	A10966	Televises and Reline Various Sewer Mains	625,000	5,304
6	A10979	MAPS Improvements - Phase II	300,000	203
7	P10994	New UST Leak Monitoring System for BAPS	15,000	5,293
8				
9				
10				
11				
12				
13				
14				
15		Total	2,656,500	631,587

## Capital Additions &amp; Retirements Summary

ACC'T#	DESCRIPTION	MAINS LINEAL FEET		AMOUNT ADDED	AMOUNT RETIRED
		+	-		
310	COLLECTING SYSTEM LAND			-	-
311	PUMPING SYSTEM LAND			-	-
312	TREAT. & DISP. SYSTEM LAND			190,171	-
313	MISC. LAND			-	-
320	SERVICE CONNECTIONS & BOXES TO NEW PROPERTIES (13)			16,663	-
	TO EXISTING PROPERTIES (20)			51,080	-
321	COLLECTING MAINS MANHOLES	752 5	(550) -	848,357	(1,760)
323	FORCE MAINS	-	-	-	-
325	OTHER COLLECTING SYSTEM EQUIP.			-	-
330	STRUCTURE AND IMPROVEMENTS			328,163	(20,939)
331	ELECTRIC PUMPING AND EQUIPMENT			450,605	(190,268)
332	OTHER POWER PUMPING EQUIPMENT			63,400	-
333	MISCELLANEOUS PUMPING SYSTEM			35,055	(19,498)
390	MISCELLANEOUS			-	-
391	FURNITURE/EQUIPMENT/COMPUTER			15,430	-
392	TRANSPORTATION EQUIPMENT			449,858	(90,706)
394	TOOLS AND SHOP EQUIPMENT			33,252	-
397	COMMUNICATION EQUIPMENT			21,795	-
398	MISC GENERAL PLANT			96,525	-
				<u>2,600,354</u>	<u>(323,171)</u>



## Detailed List of Improvements

ACCT.#	JOB #	NATURE OF WORK	LOCATION	AMOUNT
312	A10674	Huron Ave Property Remediation	Huron Ave Land Tract	190,171
320	VARIOUS	HOUSE SERVICE CONNECTIONS	CONNECTIONS	16,663
320	VARIOUS	HOUSE SERVICE CONNECTIONS	EXISTING CONNECTIONS	51,080
321	A10790	Televis and reline various Sewer mains 2017/2018	Various Streets	241,753
321	A10794	Sewer Extension New Jersey Ave for South Inlet	New Jersey Avenue	149,540
321	A10850	Emergency Repair - MLK BLVD - 19 lf of tcp w/ dip	MLK Blvd	7,206
321	A10881	Emergency Replacement tcp w/ dip in WABASH AVE east of MD	Wabash Ave	6,199
321	A10889	Emergency Repair Raleigh Avenue	Raleigh Avenue	3,966
321	A10896	Emergency Repair BISHOP RICHARD ALLEN AVE: Indiana & Robins	Bishop Richard Allen Ave	3,221
321	A10900	Emergency Repair New York Ave: No of Baltic	New York Avenue	5,055
321	A10905	Emergency Repair Arctic Ave: East of Chelsea	Arctic Avenue	6,722
321	A10909	Emergency Repair Filbert Ave between Trenton & Harrisburg	Filbert Avenue	8,640
321	A10910	Emergency Repair Pacific Ave between Congress & Mass. Restoratio	Pacific Avenue	7,186
321	A10916	Emergency Repair DELANCY PL	Delancy Place	15,297
321	A10917	Reset Manhole Castings on State Highway #40	Various Streets	24,548
321	A10921	Raising Manhole Casting for City Paving Project 2019	Various Streets	9,535
321	A10924	Rehab/Replace MH #1501: Bishop Allen & Robinson Aves	Bishop Richard Allen & Robinson A	16,515
321	A10927	Sewer Repair Pacific Ave: West of Connecticut Ave	Pacific Avenue	55,471
321	A10931	Sewer Repair Sewell Ave: at Kentucky Ave	Sewell Avenue	14,598
321	A10933	Sewer Repair S Raleigh Ave - WO 294/302	S. Raleigh Avenue	29,603
321	A10934	Sewer Repair S Bartram Ave - WO 330	S. Bartram Avenue	26,644
321	A10935	4700 Block Atlantic Ave WO 313	Atlantic Avenue	12,219
321	A10937	4400 Block Atlantic Ave WO 333	Atlantic Avenue	13,204
321	A10939	Main Repair Michigan @ Magellan	Michigan @ Magellan	19,566
321	A10941	Replace sewer N Carolina Ave (City Ave)	North Carolina Avenue	34,765
321	A10943	Replace Sewer 100 blk La Ciede place	100 Blk La Ciede Place	46,346
321	A10952	Replace sewer 100 blk N WINDSOR AVE	100 Blk N. Windsor Avenue	6,924
321	A10954	Replace sewer MADISON AVE	Madison Avenue	18,485
321	A10959	Winchester Ave sewer replacement: MH 1195 - MH 1194	Winchester Avenue	12,147
321	A10960	New York Ave sewer replace: Reading to Magellan	New York Avenue	9,210
321	A10967	Replace tcp with C-900 at Porter Ave intersection w/ Annapolis Ave	Porter Avenue & Annapolis Avenue	8,370
321	A10968	Install new manhole at end Winchester Ave @ Newton Ave	Winchester Avenue @ Newton Ave	4,797
321	A10969	Replace 10" sewer main and portion of service lateral: 142 S. Bellevue	S. Bellevue Avenue	8,857
321	A10970	Replace 10" TCP in Mt Vernon Ave @ S Kentucky Ave	Mt. Vernon Ave @ S. Kentucky Ave	10,674
321	A10983	Replace TCP Lateral & Main - 3807-09 Atlantic Ave @ Trenton	Atlantic Avenue @ Trenton	9,105
330	A10800	MAPS Inhouse Improvements (Cutter, Ventilation, Lighting)	Marina District Pump Station	191,694
330	A10965	VP Pump Station Roof	Venice Park Pump Station	5,888
330	P10887	TAPS Improvements - Vent, Ceiling, Roof, Steps & Landing	Texas Ave Pump Station	130,581
331	P10886	Replace Automatic Transfer Switches @ BAPS	Baltic Ave Pump Station	174,331
331	P10904	BAPS Transformer Replacement/Relocation	Baltic Ave Pump Station	262,649
331	P10912	Replace Pump VPPS Replace Pump VPPS Replace Pump VPPS	Venice Park Pump Station	13,625
332	A10800	MAPS Inhouse Improvements (Cutter, Ventilation, Lighting)	Marina District Pump Station	63,400
333	A10800	MAPS Inhouse Improvements (Cutter, Ventilation, Lighting)	Marina District Pump Station	23,403
333	P10928	New Myriad Triplex Control Panel GPS	Great Island Pump Station	11,652
391C	T10922	Purchase Misc Computer/Equipment for Company 2019	Baltic Ave Maint Bldg	5,085
391C	T10922	Purchase Misc Computer/Equipment for Company 2019	Main Office	10,345
392	V10874	2020 Hino 338 Diesel Rolloff Dump Truck- Truck #62	Baltic Ave Maint Bldg	144,364
392	V10914	Envirosight CCTV Rover X Truck System	Baltic Ave Maint Bldg	140,644
392	V10918	Cyclone Blower Replacement Vac Truck #51	Baltic Ave Maint Bldg	5,323
392	V10956	Hino Diesel 2020 w/ Dyna vac ject (stoppage truck) Truck #64	Baltic Ave Maint Bldg	117,183
392	V10990	Purchase 2019 Ford F-150 Pickup Truck (T.Finegan)	Baltic Ave Maint Bldg	42,344
394	V10923	Purchase Misc Tools & Equipment 2019	Baltic Ave Maint Bldg	33,252
397	T10922	Purchase Misc Computer/Equipment for Company 2019	Baltic Ave Maint Bldg	21,795
398	T10925	GIS/Asset Mgmt System Implementation	Main Office	96,525

2,600,354

CURRENT JOB #	LOCATION	SIZE & KIND	FOOT LNGTH	YEAR BUILT	ORIGINAL COST PER FOOT	TOTAL RET. AMT.	ACCT. NO.
A10794	New Jersey Ave: Pacific-Atlantic	15" TCP	321'	1920	4.02	1,290.42	321
A10909	Filbert Ave: Trenton-Harrisburg	8" TCP	12'	--	0.00	-	
A10790	Filbert Ave: East of Harrisburg	8" TCP	6'	--	0.00	-	
A10927	Pacific Ave: Massachussetts tp Connecticut	12" TCP	25'	--	0.00	-	
A10931	Sewell at Kentucky	10" TCP	6'	1929	2.71	16.26	321
A10933	Raleigh Ave: South of Ventnor	10" TCP	15'	1920	3.33	49.95	321
A10934	So Bartram Ave: Beach block	10" TCP	16'	1920	2.88	46.08	321
A10935	Atlantic Ave: Montgomery-Newton	8" TCP	5'	1920	1.92	9.60	321
A10937	Atlantic Ave: Columbia-Bartram	8" TCP	7'	1920	1.92	13.44	321
A10939	Michigan Ave: Magellan to Blaine	8" TCP	31'	1957	7.10	220.10	321
A10941	City Ave: No Carolina-Pennsylvania	8" TCP	39'	1920	0.81	31.59	321
A10943	LaCleda Pl: North of Winchester	8" TCP	6'	1920	1.64	9.84	321
A10952	No Windsor Ave: North of Winchester	8" TCP	12'	--	0.00	-	
A10959	Winchester Ave	6" TCP	12'	1920	3.65	43.80	321
A10960	New York Ave: Reading to Magellan	8" TCP	8'	1930	1.64	13.12	321
A10967	Porter Ave: at Annapolis	12" TCP	8'	--	0.00	-	
A10969	142 outh Bellevue Ave	10" TCP	10'	1920	1.59	15.90	321
A10954	Madison Ave: New Hampshire-Vermont	12" TCP	11'			-	321

TOTAL PAGE 1

550'\$ 1.760



## RETIREMENT SCHEDULE

DESCRIPTION	NOTES	YEAR ACQ	YEAR RETIRED	ORIGINAL COST	ACCOUNT
Influent Macerator	MAPS	2007	2019	15,898	333
Wetwell Air Supply Fan	MAPS	2007	2019	1,014	330
Wetwell Air Supply Fan	MAPS	2012	2019	3,025	330
Wetwell Lighting Replacement	MAPS	2000	2019	12,000	330
Exhaust Fan	TAPS	1997	2019	4,100	330
Electric Switchboard	BAPS	2007	2019	190,268	331
Triplex Pump Controler	GIPS	2012	2019	3,600	333
Jet Vac Blower Replacement #51	BAMB	2007	2019	3,963	392
2002 Pick up Truck #45	BAMB.	2002	2019	32,647	392
2005 Pick up Truck #48	BAMB	2005	2019	24,904	392
2006 Pick up Truck #49	BAMB	2005	2019	29,191	392

## TOTAL Misc RETIREMENTS:

\$ 321,410

SYSTEM RETIREMENTS 321

\$ 1,760

SYSTEM RETIREMENTS 323

\$ -

TOTAL 2019 RETIREMENTS: \$ 323,171

## TOTAL ACCOUNT RECAP

## AMOUNT

ACCT:321 - SEWERS	1,760
ACCT:330 - PUMPING STRUCTURE	20,939
ACCT:331 - ELECTRIC PUMPING & EQUIP	190,268
ACCT:333 -PUMPING EQUIPMENT	19,498
ACCT:392 - TRANSPORTATION EQUIPMENT	90,706

## TOTALS:

323,171

1. Report the particulars called for concerning each issue and series of Common or Preferred Stock at end of year.
2. Amount shown in column (d) with respect to non-par stock without stated value should be the cash value per share of the consideration received.
3. Show Capital Stock expense (Acct. 212) on footnote.

[illegible]

## LONG-TERM DEBT

1. List each class and series of long-term debt individually.
2. Include details of debt retired during year.

[illegible]

The Atlantic City Sewerage Company  
Proposed Form of Order

STATE OF NEW JERSEY  
BOARD OF PUBLIC UTILITIES

IN THE MATTER OF THE PETITION OF THE :  
ATLANTIC CITY SEWERAGE COMPANY FOR : PETITION  
APPROVAL OF A FINANCING PROGRAM :  
INVOLVING THE ISSUANCE OF LONG-TERM :  
DEBT THROUGH JUNE 30, 2024 : DOCKET NO. WF2008 \_\_\_\_\_  
:  
:

(SERVICE LIST ATTACHED)

BY THE BOARD:

The Atlantic City Sewerage Company (the "Company"), a public utility of the State of New Jersey, filed a petition dated August 16, 2020, pursuant to N.J.S.A. 48:3-7 and 48:3-9, and N.J.A.C. 14:1-5.9, requesting authority to:

1. Issue and sell Long-Term Debt in one or more offerings from time to time, and not later than June 30, 2024, in an aggregate principal amount not to exceed \$10,000,000, consisting of one or more series of First Mortgage Bonds, or other evidences of indebtedness;
2. To execute and deliver one or more supplemental mortgage indentures and such other documents as may be necessary or appropriate to effectuate the issuance of Long-Term Debt; and
3. To take such actions as Petitioner determines may be necessary or appropriate to effectuate the transactions described in the Petition.

Petitioner states that it contemplates issuance of new Long-Term Debt through tax exempt issuances in conjunction with issuances by the New Jersey Economic Development Authority ("EDA") or taxable issuances through bank loans. Petitioner states that it may issue Long-Term Debt in the form of secured or unsecured bonds. If secured, Petitioner will execute one or more supplemental indentures to the original mortgage indenture dated December 31, 1991, as amended and supplemented (the "Mortgage Indenture"), thereby granting a mortgage lien on substantially all of its property. Petitioner further states that it will also issue replacement Long-Term Debt in circumstances where it is economically advantageous to do so.

Petitioner states that the proceeds from Petitioner's issuance of new Long-Term Debt will be used for the construction, rehabilitation, upgrade and expansion of various sections and components of its sanitary sewer system, as may be required to meet the needs and demands of its service territory – Atlantic City, while maintaining the environmental integrity of the region.

Petitioner proposes to issue the Long-Term Debt for sale through a private placement using a competitive bidding process to ensure the lowest cost and most economically advantageous terms. Specifically, Petitioner states that it will solicit bids from a minimum of three (3) prospective purchasers for the purchase of the Long-Term Debt through a Request for Proposals ("RFP") process. The interest rate and other terms of any Long-Term Debt issuance will be determined by analysis of any and all proposals received in response to the RFPs.

The policy of the Board has been to encourage competitive bidding for the sale of a utility's securities unless it can be shown that through another method of sale, such as a negotiated public offering or private placement, there would be significant cost savings. These savings should be to the benefit of the ratepayers and the method of sale should be advantageous to the utility.

Based on its review of the proposed financing, the Board concludes that the proposed issuance of the Long-Term Debt under the terms of the financing plan set forth in the Petition will be in the best interest of Petitioner's customers. The proposed method of using either secured or unsecured bond issuances should provide maximum flexibility at the lowest cost, based upon the factors present at the time of the issuances.

The Board, after investigation into this matter, being satisfied with the action sought to be taken by Petitioner, FINDS that the proposed transactions are to be made in accordance with law, are in the public interest, and approving the purposes hereof, HEREBY ORDERS that Petitioner be, and is HEREBY AUTHORIZED to issue Long-Term Debt in a principal amount of up to \$10,000,000.

This Order is subject to the following provisions:

1. The Board's approval is expressly limited to the issuance of Long-Term Debt upon the following conditions:
  - (a) Whether secured or unsecured, taxable or tax exempt, all bond issuances shall be by private placement and the Company shall solicit bids from a minimum of three (3) prospective purchasers for the purchase of the Long-Term Debt through a Request for Proposals ("RFP") process.
  - (b) Prior to incurring indebtedness through the execution of one or more supplemental mortgage indentures, or other document for indebtedness, the Company shall solicit bids from a minimum of three (3) prospective

purchasers for the purchase of the Long-Term Debt through a RFP process.

- (c) Upon selection of the successful bidder for the bond issuance, the execution of one or more supplemental mortgage indentures, or other document for indebtedness, the Company shall provide to the Board (i) a copy of the winning bid, (ii) the terms upon which the debt will be issued, and (iii) a summary of the terms of the other bids received.
- 2. 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.
- 3. This Order shall not be construed as a certification that the securities offered for sale will be represented by tangible or intangible assets of commensurate value or investment cost.
- 4. This Order shall not affect or 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, services, financing (including the method of sale of securities), accounting, capitalization, depreciation or in any other matters affecting Petitioner.
- 5. 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 June 30, 2024.

DATED:  
(SEAL)

BOARD OF PUBLIC UTILITIES  
BY: