



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

STATE OF NEW JERSEY
Board of Public Utilities
44 South Clinton Avenue, 1st Floor
Post Office Box 350
Trenton, New Jersey 08625-0350
www.nj.gov/bpu/

WATER

IN THE MATTER OF THE APPLICATION OF)	ORDER AUTHORIZING
PINELANDS WATER COMPANY FOR AUTHORITY TO)	ISSUANCE OF DEBT
MAKE, EXECUTE AND DELIVER A PROMISSORY)	SECURITIES
NOTE, TERM LOAN AGREEMENT AND SUCH OTHER)	
INSTRUMENTS AS MAY BE REQUIRED BY COBANK,)	
ACB, IN CONNECTION WITH SAID LOAN, PURSUANT)	
TO N.J.S.A. 48:3-7, N.J.S.A. 48:3-9 AND N.J.A.C. 14:1-)	DOCKET NO. WF22110695
5.9)	

Parties of Record:

Brian O. Lipman, Esq., Director, New Jersey Division of Rate Counsel
Jay L. Kooper, Esq., General Counsel and Secretary, Pinelands Water Company

BY THE BOARD:

On November 18, 2022, Pinelands Water Company (“Pinelands Water” or “Petitioner” or “Company”), a public utility in the State of New Jersey, filed a petition with the New Jersey Board of Public Utilities (“Board”), pursuant to N.J.S.A. 48:3-7, N.J.S.A. 48:3-9 and N.J.A.C. 14:1-5.9, requesting authority to borrow up to an aggregate principal amount of \$4.9 million from CoBank, ACB (“CoBank”) on the terms and conditions set forth in CoBank’s term sheet dated October 27, 2022 and to make, execute and deliver to CoBank such instruments as are required to evidence and secure the loan, in accordance with its terms (“Petition”).

According to the Petition, the Company continuously plans for ongoing upgrades, replacements, and improvements to its water system to ensure the continued provision of safe and reliable water service to its customers. These plans include preparation of a perpetual five-year capital infrastructure expenditure program that is based on the Company’s engineering assessments, system studies, and government regulatory requirements. The Company’s current five-year capital program estimates that Pinelands Water will spend up to approximately \$5.4 million through the year 2026 to upgrade and replace aging infrastructure, remain compliant with water quality regulations, and enhance service to its customers. The funding of Pineland Water’s projected infrastructure investment will require a combination of funds generated from operations, debt financing, and/or equity investments from Pinelands Water’s parent company, Middlesex Water Company (“Middlesex”), in order to maintain a properly balanced capital structure.

The Company proposed, as part of this overall plan, to borrow up to \$4.9 million from CoBank on the terms and conditions set forth in CoBank's term sheet dated October 27, 2022 and to make, execute and deliver to CoBank such instruments as are required to evidence and secure the loan, in accordance with its terms. Petitioner's parent company, Middlesex, through a subsidiary, has maintained a borrowing relationship with CoBank for many years and the Petitioner believes that, in light of its size, financial condition and prevailing economic conditions, the terms of the proposed loan are fair and reasonable. To evidence and secure the Petitioner's obligation to repay the loan, the Petitioner proposes to issue and deliver to CoBank, in accordance with N.J.S.A. 48:3-7 and 48:3-9 and N.J.A.C. 14:1-5.9, such instruments as are required to evidence and secure the loan, in accordance with its terms.

The New Jersey Division of Rate Counsel ("Rate Counsel") reviewed this matter and by letter dated March 2, 2023, indicated that it does not object to Board approval of the Petition. Rate Counsel also recommended that any Board approval be subject to the following conditions:

1. The Board's approval is expressly limited to the loan described in the Petition. In the event the loan transaction with CoBank is not consummated, for any reason, the Company may not obtain financing from any other lender until approval by the Board has been obtained.
2. No franchise rights will be capitalized directly or indirectly by the issuance of the bonds.
3. Approval by the Board shall not be construed as directly or indirectly fixing, for any purpose, any value of the tangible or intangible assets now owned or hereafter to be used by Pinelands Water; nor as certifying that the securities authorized to be issued and sold will be represented by tangible or intangible assets of commensurate value or investment cost.
4. The Board's approval shall not indicate authorization to include in rate base the specific assets that will be constructed or acquired as a result of the Petition. The determination of any assets to be included in rate base and the rate making impact thereof shall be addressed in a future base rate proceeding.
5. Approval by the Board shall not affect or in any way limit the exercise of the authority of the Board or of the State of New Jersey in any future petition or in any proceeding with respect to rates, franchises, services, financing, accounting, capitalization, depreciation, or in any other rate matters affecting Pinelands Water.
6. Pinelands Water shall submit a schedule indicating complete details of the issuance costs no later than 60 days following the closing date for this transaction.
7. Pinelands Water shall furnish the Board with copies of the executed indentures.
8. The authority granted by the Board shall become null and void and of no effect if not exercised by December 31, 2026.

DISCUSSION AND FINDINGS

The Board, after investigation, having considered the record and exhibits submitted in this proceeding, and the comments of Rate Counsel and Board Staff, pursuant to N.J.S.A. 48:3-9 and N.J.A.C. 14:1-5.9A, **HEREBY FINDS** that the proposed transactions and actions proposed to be taken by Petitioner as indicated above are in accordance with law and in the public interest, and approving of the purposes thereof, **HEREBY ORDERS** that Petitioner be and is **HEREBY AUTHORIZED** to borrow up to \$4.9 million from CoBank on the terms and conditions set forth in CoBank's term sheet dated October 27, 2022 and to make, execute and deliver to CoBank such instruments as are required to evidence and secure the loan, in accordance with its terms.

This Order is issued subject to the following provisions:

1. The Board's approval is expressly limited to the loan described in the Petition. In the event the loan transaction with CoBank is not consummated, for any reason, the Company may not obtain financing from any other lender until approval has been obtained from the Board.
2. No franchise rights will be capitalized directly or indirectly by the issuance of the bonds or other instruments utilized by the Company pursuant to this Order.
3. Approval by the Board shall not be construed as directly or indirectly fixing, for any purpose, any value of the tangible or intangible assets now owned or hereafter to be used by Pinelands Water; nor as certifying that the securities authorized to be issued and sold will be represented by tangible or intangible assets of commensurate value or investment cost.
4. The Board's approval shall not indicate authorization to include in rate base the specific assets that will be constructed or acquired as a result of the Petition. The determination of any assets to be included in rate base and the rate making impact thereof shall be addressed in a future base rate proceeding.
5. Approval by the Board shall not affect or in any way limit the exercise of the authority of the Board or of the State of New Jersey in any future petition or in any proceeding with respect to rates, franchises, services, financing, accounting, capitalization, depreciation, or in any other rate matters affecting Pinelands Water.
6. Beginning January 15, 2024, no later than January 15 of each year following the issuance of this Order, Petitioner shall submit to the Board Secretary and provide a copy to the Chief Economist a letter report detailing each debt issuance, term loan, use of revolving credit, opened or concluded in the prior year. The report must include the name of the issuing entity, issue date, amount of debt issued, the term in years, final maturity date, coupon rate, price to public, underwriters discount, net proceeds after expenses, gross proceeds before expenses, breakdown of estimated issuance costs (including, but not limited to, information such as the underwriting fees, underwriting expenses, legal fees and expenses, recordation taxes and fees, trustee fees, etc.) and any other material provision with respect to the terms and conditions of the new issuance.
7. Pinelands Water shall furnish the Board with copies of the executed indentures.

8. The authority granted by the Board in this Order shall become null and void and of no effect with respect to any portion which is not exercised on or before December 31, 2026.

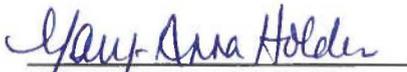
This Order shall become effective on April 19, 2023.

DATED: April 12, 2023

BOARD OF PUBLIC UTILITIES
BY:



JOSEPH L. FIORDALISO
PRESIDENT



MARY ANNA HOLDEN
COMMISSIONER

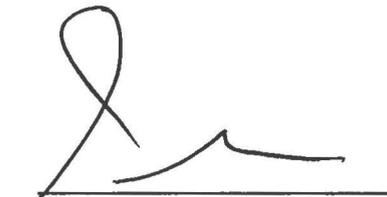


DIANNE SOLOMON
COMMISSIONER



DR. ZENON CHRISTODOULOU
COMMISSIONER

ATTEST:



SHERRI L. GOLDEN
SECRETARY

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

IN THE MATTER OF THE APPLICATION OF PINELANDS WATER COMPANY FOR AUTHORITY TO MAKE,
EXECUTE AND DELIVER A PROMISSORY NOTE, TERM LOAN AGREEMENT AND SUCH OTHER
INSTRUMENTS AS MAY BE REQUIRED BY COBANK, ACB, IN CONNECTION WITH SAID LOAN, PURSUANT TO
N.J.S.A. 48:3-7, N.J.S.A. 48:39 AND N.J.A.C. 14:1-5.9

DOCKET NO. WF22110695

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