



Agenda Date: 12/20/23  
Agenda Item: VB

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

WATER

IN THE MATTER OF THE PETITION OF AQUA NEW )  
JERSEY, INC. FOR AUTHORITY TO ENTER INTO )  
LONG-TERM DEBT IN AN AMOUNT UP TO \$56,000,000 )  
 )  
 ) ORDER OF APPROVAL  
 ) AUTHORIZING ENTERING  
 ) INTO LONG-TERM DEBT  
 )  
 ) DOCKET NO. WF23090710

Parties of Record:

**Brian O. Lipman, Esq., Director**, New Jersey Division of Rate Counsel  
**Courtney L. Schultz, Esq.**, Saul Ewing LLP, on behalf of Aqua New Jersey, Inc.

BY THE BOARD:

**BACKGROUND AND PROCEDURAL HISTORY**

On September 26, 2023, Aqua New Jersey, Inc. (“Company” or “Petitioner”), a public utility of the State of New Jersey, filed a petition with the New Jersey Board of Public Utilities (“Board”), pursuant to N.J.S.A. 48:3-9 and N.J.A.C. 14:1-5.9, requesting authority to enter into long term debt (“Petition”).

Specifically, the Company sought approval to:

1. Make, execute and deliver to Essential Utilities, Inc. (“Essential”) a note to provide new long-term debt in the principal amount of up to \$56,000,000 (“Note”); and
2. To take such actions as are necessary to effectuate the transactions described in the Petition.

Petitioner stated that its parent, Essential, has redeemed debt, issued new debt and intends to downstream a portion of the proceeds of that debt issuance to the Company. In exchange for a portion of the proceeds of the debt issuance, Petitioner sought authority to execute the Note to Essential for long-term debt in a principal amount of up to \$56,000,000. Petitioner further stated that the proceeds of the downstreamed debt would be used to rebalance the Company’s capital structure.

In the past, Petitioner has issued bonds for sale through private placements. However, due to the relatively small size of the Company’s debt issuance, Petitioner stated that it is less

economically favorable to issue debt under the Company's name. The Company's debt is less marketable because it does not file Securities and Exchange Commission reports, is not followed by securities analysts, and is not widely known in the securities markets.

In the Petition, the Company asserted that it would not be issuing debt directly but rather is seeking Board approval to participate in a debt issuance that was done at the parent company level and is being downstreamed to the Company. Petitioner argued that there are significant advantages to this approach. Essential is well-known in the financial markets and is followed by numerous securities analysts. Furthermore, Petitioner stated that the transaction costs associated with this downstreamed debt should be lower than a private placement by the Company due to the higher underwriting fees, legal fees, and other costs associated with such transactions. Petitioner estimated that the costs of completing these transactions at the parent level (through private and public offerings) are anticipated to be less than those previously incurred in the Company's private placements of debt.

### **Rate Counsel Comments**

The New Jersey Division of Rate Counsel ("Rate Counsel") reviewed this matter and by letter dated December 1, 2023 indicated that it did not object to Board approval of the Petition. Rate Counsel recommended that Board approval should be subject to certain conditions, including: 1) restricting the use of funds to utility operations and investments only, not to fund affiliated entities, 2) requiring the Company to issue its planned debt financing at the lowest reasonable cost, and 3) requiring the Company to utilize a prudent and cost-effective capital structure and mix of capital to finance its utility rate base at the lowest reasonable cost.

### **DISCUSSION AND FINDINGS**

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 **FINDS** that the proposed issuance of the Note will be in the best interest of Petitioner's customers. The proposed method of using downstreamed debt appears to be the most appropriate for Petitioner at this time and should provide maximum flexibility at the lowest cost.

Accordingly, the Board, after investigation, having considered the record and exhibits submitted in this proceeding, being satisfied with the action proposed to be taken by Petitioner as indicated above, pursuant to N.J.S.A. 48:3-9, **HEREBY FINDS** that the proposed transactions are in accordance with law and are in the public interest, and approving the purposes thereof, **HEREBY ORDERS** that Petitioner be and is **HEREBY AUTHORIZED** to make, execute and deliver to Essential a note for long-term debt in a principal amount of up to \$56,000,000.

This Order is issued subject to the following provisions:

1. The Board’s approval is expressly limited to the execution of notes upon the following terms:

<b>Proposed Terms for New Debt</b>				
<u>Structure</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Issue Date</u>	<u>Amount</u>
Sr. Unsecured Note	2.4%	5/1/2031	Before 12/31/2023	\$17,777,778
Sr. Unsecured Note	5.3%	5/1/2052	Before 12/31/2023	22,222,222
<b>Subtotal 2023</b>				<b>\$40,000,000</b>
Sr. Unsecured Note	2.4%	5/1/2031	Before 12/31/2024	\$7,111,111
Sr. Unsecured Note	5.3%	5/1/2052	Before 12/31/2024	8,888,889
<b>Total</b>				<b>\$56,000,000</b>

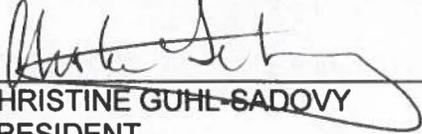
If such terms are not obtainable, Petitioner shall forthwith submit to the Board the proposed terms of sale and verify that the terms of the offer which Petitioner proposes to accept are reasonable.

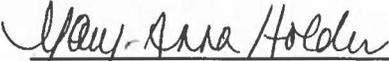
2. This Order shall not be construed as directly or indirectly fixing, for any purpose whatsoever, any value of the tangible or intangible assets now owned or hereafter to be owned by Petitioner.
3. This Order shall not be construed as a certification that the securities offered for sale will be represented 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 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, 2024
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.

This Order shall become effective on December 27, 2023.

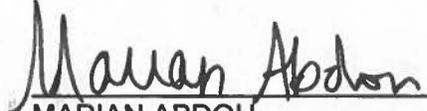
DATED: December 20, 2023

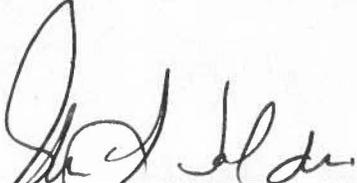
BOARD OF PUBLIC UTILITIES  
BY:

  
CHRISTINE GUHL-SADOVY  
PRESIDENT

  
MARY-ANNA HOLDEN  
COMMISSIONER

  
DR. ZENON CHRISTODOULOU  
COMMISSIONER

  
MARIAN ABDOU  
COMMISSIONER

ATTEST:   
SHERRIL 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 PETITION OF AQUA NEW JERSEY, INC. FOR AUTHORITY TO  
ENTER INTO LONG-TERM DEBT IN AN AMOUNT UP TO \$56,000,000  
DOCKET NO. WF23090710

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