



**STATE OF NEW JERSEY**  
**Board of Public Utilities**  
44 South Clinton Avenue, 9<sup>th</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 ATLANTIC )  
CITY SEWERAGE COMPANY FOR APPROVAL OF A )  
FINANCING PROGRAM INVOLVING THE ISSUANCE )  
OF LONG TERM DEBT THROUGH DECEMBER 31, )  
2017 )

ORDER

DOCKET NO. WF14020168

**Parties of Record:**

**Stefanie A. Brand, Esq., Director**, New Jersey Division of Rate Counsel  
**Stacy A. Mitchell, Esq., Cozen O'Connor** for the Petitioner

**BY THE BOARD:**

On February 20, 2014, the Atlantic City Sewerage Company (hereinafter referred to as the "Petitioner" or "Company"), a public utility corporation of the State of New Jersey, with its principal office at Suite 300, 1200 Atlantic Avenue, Atlantic City, New Jersey 08404, filed its Petition in this matter with the New Jersey Board of Public Utilities ("Board") seeking authority pursuant to N.J.S.A. 48:3-7 and 48:3-9 and N.J.A.C. §14:1-5.9 to:

- (a) Issue and sell up to \$10,000,000 aggregate principal amount of long-term debt consisting of one or more series of Long-Term Debt (as defined below) by no later than December 31, 2017;
- (b) Execute and deliver one or more supplemental mortgage indentures, loan agreements, notes, and other necessary documents; and
- (c) Take such actions as Petitioner determines may be necessary or desirable in connection with any of the foregoing.

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 7,626 customers. Petitioner purchases its sewerage treatment from the Atlantic County Utilities Authority.

Petitioner seeks Board authorization to (a) issue and sell long-term debt in one or more offerings from time to time, in an aggregate principal amount not to exceed \$10,000,000 consisting of one or more series of First Mortgage Bonds ("Long-Term Debt") and to (b) execute and deliver one or more supplemental mortgages, loan agreements, notes and other necessary

documents. According to the Company, the net proceeds of this transaction or series of transactions will be used for the construction rehabilitation upgrade and expansion of various sections and components of the sanitary sewer system required to meet the needs and demands of Atlantic City, while maintaining the environmental integrity of the region.

Petition contemplates issuance of the Long-Term Debt through either tax-exempt issuance in conjunction with low interest loans through the New Jersey Economic Development Authority ("EDA") or taxable issuance through bank loans.

The Long-Term Debt will be issued pursuant to an indenture of mortgage dated as of December 31, 1991 ("Original Indenture"), by and between the Company and National Community Bank of New Jersey ("Mortgage Trustee", now The Bank of New York Mellon), 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 of substantially all of the property of Petitioner except for certain excluded property.

In furtherance of granting a first mortgage lien on substantially all of its property, Petitioner will 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 Petitioners' property, except for certain excluded additions.

Petitioner proposes to issue the Long-Term Debt via a public offering or private placement. In each debt issue proposed to be issued in conjunction with the EDA, the Petitioner will solicit and receive bids from a minimum of three (3) prospective purchasers for the purchase of the Long-Term Debt. For each series of bonds proposed to be issued under this Petition in conjunction with the EDA, a request for proposal will be issued to prospective purchasers. The interest rate for taxable debt will be determined by the overall lowest cost of funds to the Petition and all other terms will be consistent with the terms of Petitioners outstanding debt. The interest rate applicable to tax exempt debt and all other terms of any loans for the EDA financings will be determined through an offering of EDA bonds that would include the amounts requested by Petitioner in applications approved by the EDA.

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 securities as opportunities arise without obtaining further approval of the Board and enabling Petitioner to be in the best position to attain the lowest cost of funds available for Long-Term Debt.

In connection with one or more offerings of Long-Term Debt, Petitioner may choose to hire a financial advisor, as it deems necessary or appropriate. The financial advisor, if retained by the Petitioner, will be expected to provide assistance in determining the terms and circumstances of a particular transaction and to advise Petitioner with respect to market conditions and prospective underwriters for the proposed financing.

Petitioner is requesting authorization to issue and sell the Long-Term Debt without further approval by the Board of the specific terms and conditions thereof under the procedures described herein which constitute competitive conditions. Petitioner proposes to proceed with each such issuance and sale so long as:

- (a) The accepted bid proposal terms and conditions will match those typically associated with an EDA issuance (as applicable);
- (b) The accepted bid or proposal(s) produce(s) the lowest effective cost of money to the Petitioner; and
- (c) The price to be paid to the Petitioner under the proposal accepted is expected to be between 98% and 102% of the principal amount of the Long-Term Debt offered for sale.

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. No later than 24 hours prior to receipt of the proposal(s) received through the offering process, Petitioner will provide the Board with information as to the date and time scheduled for receipt of the bid proposals or other offering. At that time, Petitioner will also provide the Board with information relating to Petitioner's then current assessment of the financial markets, including:

- (a) Recent sales of comparable securities issues, if any;
- (b) Yields on outstanding comparable utility securities issues; and,
- (c) Other relevant information needed to assess the reasonableness of the effective cost of funds.

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 the respective terms of each of the other proposals received including the interest rates, the prices to be paid, and the effective cost of funds to Petitioner under each proposal.

By letter dated April 10, 2014, the Division of the Rate Counsel notified the Board that it has reviewed the Petition and supporting Documents and does not object to its approval.

The Board after investigation, having considered the Petition and exhibits submitted in this proceeding, as well as any supplemental information provided by the Petitioner **FINDS** that the above-proposed issue or issuances of Long-Term Debt is to be made in accordance with the law, and the Board hereby approving the purposes thereof, **HEREBY ORDERS** that the Petitioner be and is **HEREBY AUTHORIZED** through December 31, 2017 to:

1. pursuant to N.J.S.A. 48:3-7 and N.J.S.A. 48:3-9, issue and sell up to \$10,000,000 aggregate principal amount of their Long-Term Debt;
2. 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 in connection therewith;
3. hire a financial advisor in connection with one or more of the offerings of Long-Term Debt as it deems necessary or appropriate;

4. take such other action as Petitioner deems necessary or desirable in connection with such issuances, including without limitation, make, execute and deliver one or more supplemental mortgage indentures, loan agreements, notes, security agreements and such other documents and instruments as may be necessary or desirable in connection with the issuance of any series of Long-Term Debt;


This Order is issued subject to the following provisions:

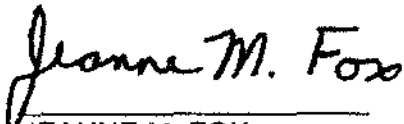
1. Petitioner may issue Long-Term Debt as set forth above in compliance with this Order. No further Order of this Board shall be necessary for the Petitioner to complete the financing or financings of the Long-Term Debt proposed by the Petitioner if the conditions of this Order are met.
2. Petitioner shall, as promptly as is practicable following the end of each month during which the Long-Term Debt is sold, file with the Board a statement which shall set forth the Long-Term Debt transactions concluded during such month including the names of the agents and details of the transactions with the agents. Such statement shall also set forth (a) the principal amount, maturity date, redemption provisions, commissions and the interest rate spread over comparable United State Treasury securities for any Long-Term debt sold, and (b) the principal amount of the Long-Term Debt remaining authorized for issuance and sale in this Docket.
3. Petitioner shall issue the Long-Term Debt solely as provided for in this Order.
4. Petitioner shall furnish this Board with copies of all final and complete documents as executed and filed with other regulatory agencies, if any.
5. Petitioner shall semi-annually file with this Board, a statement setting forth: (a) the amount of Long-Term Debt issued pursuant to this Order; and (b) details with respect to the disbursement of proceeds from such issuances.
6. This Order shall not be construed as a certification that the securities authorized to be offered for sale will be represented by tangible or intangible assets of commensurate value or investment costs.
7. This Order shall not effect nor in any way limit the exercise or authority of this Board, or this State, in any future petition or in any proceeding with respect to rates, franchises, services, financing, capitalization, depreciation, or any other matters affecting the Petitioner.
8. 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.

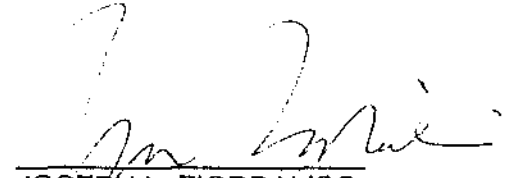
This Order shall be effective on May 2, 2014.

DATED: 4/24/14

BOARD OF PUBLIC UTILITIES  
BY:

  
DIANNE SOLOMON  
PRESIDENT

  
JEANNE M. FOX  
COMMISSIONER

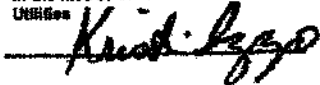
  
JOSEPH L. FIORDALISO  
COMMISSIONER

  
MARY-ANNA HOLDEN  
COMMISSIONER

ATTEST:

  
KRISTI IZZO  
SECRETARY

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



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APPROVAL OF A FINANCING PROGRAM INVOLVING THE ISSUANCE OF LONG TERM  
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