



Agenda Date: 2/12/25

Agenda Item: VA

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

WATER

IN THE MATTER OF THE PETITION OF AQUA NEW JERSEY, INC. FOR AUTHORITY TO ISSUE EVIDENCE OF INDEBTEDNESS PURSUANT TO THE NEW JERSEY INFRASTRUCTURE BANK FINANCING PROGRAM) ORDER
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)
) DOCKET NO. WF24100832

Parties of Record:

Brian O. Lipman, Esq., Director, New Jersey Division of Rate Counsel
Colleen Foley, Esq., Saul Ewing LLP, on behalf of Aqua New Jersey, Inc.

BY THE BOARD:

On October 25, 2024, Aqua New Jersey, Inc. ("Company" or "Aqua"), 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").

BACKGROUND

Aqua is a public utility corporation subject to the jurisdiction of the Board and engaged in the treating and distributing of water for retail service to approximately 55,909 customers.

As indicated in the Petition, the Water Bank, a partnership between the New Jersey Infrastructure Bank ("IBank") and the New Jersey Department of Environmental Protection ("NJ DEP"), provides access to low-cost financing for the implementation of projects relating to the improvement of New Jersey's water quality. According to the Petition, the Company has been engaged with the Water Bank in order to obtain access to such financing.

By the Petition, Aqua is requesting the Board grant it authority to:

1. Borrow up to \$42.7 million from the Water Bank/IBank ("IBank Loans") and the State of New Jersey, acting by and through NJ DEP, for the purpose of completing the four (4) projects described in the Petition;
2. Make, execute, and deliver to US BANK, N.A., as Trustee, one (1) or more Supplemental Indentures to an original indenture dated as of October 1, 1957;
3. Issue and deliver to the IBank and the State of New Jersey up to \$42.7 million principal amount of first mortgage bonds as security for the Bank Loans; and
4. Take such actions as are necessary to effectuate the transactions described in the Petition.

Aqua indicated that the IBank will fund the IBank Loans by selling bonds, with a fixed rate of interest, through one or more underwriters selected by competitive bid under circumstances where competitive conditions will be maintained throughout ("IBank bonds"). As security for the IBank Loans, the Company proposed to issue and deliver first mortgage bonds to the IBank and NJ DEP in an amount up to \$42.7 million. Aqua's first mortgage bonds will bear interest at rates that will ultimately be determined by the interest rates applicable to the IBank bonds. Aqua has stated that no franchise or right will be capitalized directly or indirectly by the issuance of its first mortgage bonds.

According to the Petition, the proceeds of the IBank Loans will be used by the Company to finance the four (4) projects identified in the Petition, including: the replacement of lead service lines in its Phillipsburg and Blackwood service territories; installation of per- and polyfluoroalkyl substances ("PFAS") treatment facilities in Aqua's Hamilton and Summit Lake service territories; and to pay any issuance expenses and related costs. Aqua indicated that the IBank Loans are eligible for principal forgiveness, subject to the availability of funds. More specifically, the two lead service line replacement projects are both eligible for eighty percent (80%) forgiveness, which equates to \$10,720,000 for the Phillipsburg project and \$4,960,000 for the Blackwood project. Furthermore, Aqua stated that the two (2) PFAS treatment projects are each eligible for 100% forgiveness up to \$2,000,000 under the IBank Loans, totaling up to \$4,000,000 of additional principal forgiveness.

Aqua stated that the structure of the IBank Loans will be such that between seventy-five percent (75%) and ninety percent (90%) of the remaining principal will be financed at a zero percent interest rate, and the remaining amount of the loans will be financed at market rate, to be determined at the time IBank accesses the capital market. The resulting rate of interest for the IBank Loans will effectively be significantly below market rate, since the IBank Loans will reflect a blend of the zero percent and market rates of interest.

The Company requested that the relief set forth above be granted by the Board without the requirement for further Board Order as to the final pricing terms and loan forgiveness amounts, as those terms and amounts will not be known until a future date given the way the loan program is administered. Aqua anticipates seeking additional loans from the IBank in the future and will seek the requisite Board approval at that time.

By correspondence dated January 9, 2025, the New Jersey Division of Rate Counsel indicated that it had reviewed the Petition and supporting documents and does not object to a grant of approval.

DISCUSSION AND FINDINGS

After review of this matter, the Board **FINDS** that the proposed transactions are in accordance with law and in the public interest, and the Board therefore approves the purpose thereof. Accordingly, after investigation and consideration of the record and information submitted in this proceeding, and consistent with N.J.S.A. 48:3-9, the Board **HEREBY ORDERS** that Aqua be and is **HEREBY AUTHORIZED** to:

1. Borrow up to \$42.7 million from the IBank and the State of New Jersey, acting by and through NJ DEP, and to make, execute and deliver to the IBank and the State of New Jersey, any and all documents required therewith in connection with participation in the short term and permanent financing programs
2. Make, execute and deliver to US BANK, N.A., as Trustee, one or more Supplemental Indentures to an original indenture dated as of October 1, 1957;
3. Issue and deliver to the IBank and the State of New Jersey up to \$42.7 million principal amount of First Mortgage Bonds as security for the IBank loans; and
4. Take such actions as are necessary to effectuate the transactions described in the Petition.

The Board **FURTHER FINDS** that the above is subject to the following provisions:

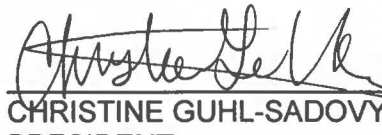
1. This Order shall not be construed as directly or indirectly fixing, for any purpose whatsoever, any value of the tangible or intangible assets now owned or hereafter to be owned by the Company.
2. This Order shall not be construed as a certification that the securities offered for sale will be represented by tangible or intangible assets of commensurate value or investment cost.
3. 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 the Company.
4. The authority granted in this Order shall become null and void and of no effect with respect to any portion thereof which is not exercised by December 31, 2029.
5. The Company shall notify the Board when the IBank Loans are obtained and shall furnish the Board, as promptly as practicable following issuance of the IBank Loans, documentation of the terms and amounts of such financing.
6. Beginning June 15, 2025, and no later than January 15 of each year following the issuance of this Order, the Company shall submit to the Board Secretary, and provide a copy to the Chief Economist, a letter report detailing each debt issuance, term loan, and use of revolving credit opened or concluded in the prior 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 February 19, 2025.

DATED: February 12, 2025

BOARD OF PUBLIC UTILITIES
BY:

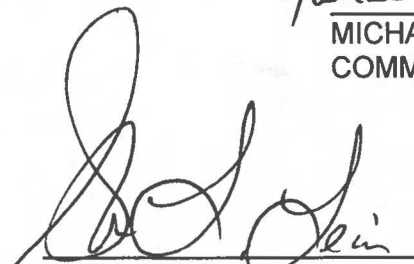

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DR. ZENON CHRISTODOULOU
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MICHAEL BANGE
COMMISSIONER

ATTEST:


SHERRI L. LEWIS
BOARD 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 ORDER TO
ISSUE EVIDENCE OF INDEBTEDNESS PURSUANT TO THE NEW JERSEY INFRASTRUCTURE
BANK FINANCING PROGRAM

DOCKET NO. WF24100832

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