



STATE OF NEW JERSEY
Board of Public Utilities
44 South Clinton Avenue, 9th Floor
Post Office Box 350
Trenton, New Jersey 08625-0350
www.nj.gov/bpu/

WATER/WASTEWATER

IN THE MATTER OF THE PETITION OF AQUA NEW)
JERSEY, INC. FOR AUTHORITY TO ENTER INTO) ORDER
LONG-TERM DEBT IN AN AMOUNT UP TO)
\$10,000,000) DOCKET NO. WF12080791

Parties of Record:

Colleen A. Foley, Esq., Saul Ewing, for the petitioner
Stefanie A. Brand, Esq., Director, New Jersey Division of Rate Counsel

BY THE BOARD:

Aqua New Jersey, Inc. (Company), a public utility of the State of New Jersey, filed a petition on August 29, 2012, pursuant to N.J.S.A. 48:3-9 and N.J.A.C. 14:1-5.9, requesting authority to:

1. Make, execute and deliver to Aqua America, Inc., a note ("Note") for long-term debt in a principal amount up to \$10,000,000 at a rate of 4% for 15 years;
2. To take such actions as are necessary to effectuate the transaction described in the Petition.

Petitioner states that its parent, Aqua America, Inc., has issued debt and intends to downstream a portion of the proceeds of that debt issuance to Petitioner. In exchange for a portion of the proceeds of the debt issuance, Petitioner seeks authority to execute a Note to Aqua America, Inc. for long-term debt in a principal amount up to \$10,000,000.

Petitioner notes that it has previously issued bonds for sale through private placement due to the relatively small size of the Company's debt issuance, as well as the fact that Petitioner's stock is not publicly traded. Petitioner does not file Securities and Exchange Commission reports, is not followed by securities analysts, and is not widely known in the securities markets. In this request, Petitioner states that it will 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 asserts there are significant advantages to this approach. Aqua America, Inc. is well-known in the financial markets and is followed by numerous securities analysts. Furthermore, Petitioner states that the transaction costs

associated with this downstreamed debt should be lower than either a public offering or a private placement by the Company due to the higher underwriting fees, legal fees, and other costs associated with these transactions.

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.

The proceeds derived from the proposed transaction will be used to refinance existing debt and to convert existing short-term debt into long-term debt. Petitioner has used the existing short-term debt as interim financing for its construction work in progress.

Based on its review of the proposed financing, the Board concludes that the proposed issuance of the Note will be in the best interest of Petitioner's customers. The proposed method of using down streamed debt appears to be the most appropriate for Petitioner at this time and should provide maximum flexibility at the lowest cost.

In a letter dated November 14, 2012 the Division of Rate Counsel does not object to the Board's approval of the Company's petition and proposed certain language that is contained in this order.

The Board, after investigation into this matter, being satisfied with the action sought to be taken by Petitioner, **FINDS** that the proposed transaction is to be made in accordance with law, and is in the public interest. The Board approves the transaction, **HEREBY ORDERS** that Petitioner be, and is **HEREBY AUTHORIZED** to make, execute and deliver to Aqua America, Inc. a note for long-term debt in a principal amount not to exceed \$10,000,000.

This Order is issued subject to the following provisions:

The Board's approval is expressly limited to the execution of a note upon the following terms: a principal amount not to exceed \$10,000,000 senior unsecured, a coupon rate of 4.0%, and a term of 15 years. If such terms are not obtainable, Petitioner shall submit to the Board the proposed terms of sale and verify that the terms of the offer which Petitioner proposes to accept are reasonable.

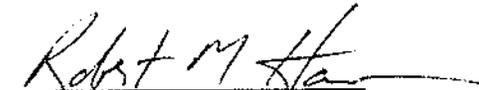
1. This Order shall not be construed as directly or indirectly fixing, for any purpose whatsoever, any value of the tangible or intangible assets now owned or hereafter to be owned by Petitioner.
2. This Order shall not be construed as a certification that the securities offered for sale will be represented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

4. The Company shall submit a schedule indicating complete details of the issuance costs/total fees for this transaction no later than (30) days following the closing date for this transaction.
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 April 30, 2013.

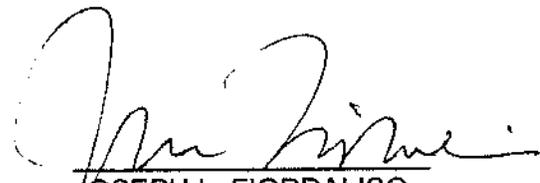
This Order shall be effective on December 29, 2012.

DATED: 12/19/12

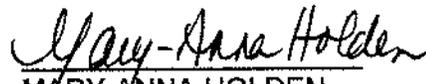
BOARD OF PUBLIC UTILITIES
BY:

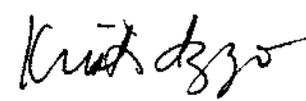

ROBERT M. HANNA
PRESIDENT


JEANNE M. FOX
COMMISSIONER

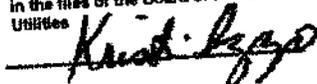

JOSEPH L. FIORDALISO
COMMISSIONER


NICHOLAS ASSELTA
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



SERVICE LIST

Docket No. WF12080791

In The Matter Of The Petition Of Aqua New Jersey, Inc. For Authority Enter Into Long-Term Debt In An Amount Up To \$10,000,000

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