



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

IN THE MATTER OF THE PETITION OF)
AQUA NEW JERSEY, INC. FOR AUTHORITY) ORDER
TO ENTER INTO LONG-TERM DEBT IN AN)
AMOUNT UP TO \$12,000,000) DOCKET NO. WF13100959

Parties of Record:

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

BY THE BOARD:

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") on October 22, 2013, 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 \$12,000,000;
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 \$12,000,000. Petitioner states that the proceeds of the downstreamed debt will be used to refinance existing debt and convert existing short term debt to long term debt. The Company proposes to execute a note with its parent for all or a portion of the \$12 million unsecured debt with a 15 year term at a 4.4% coupon rate.

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 (SEC) 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 such transactions. Petitioner estimates that the costs of the proposed transaction will be lower than that of either a public offering or a direct private placement.

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 Division of Rate Counsel has reviewed this matter and by letter dated December 3, 2013, stated that it does not object to approval of the Company's application. Rate Counsel has proposed certain language be included in the Order of Approval. That language has been incorporated herein.

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 downstreamed debt appears to be the most appropriate for Petitioner at this time and should provide maximum flexibility at the lowest cost.

The Board, after investigation, having considered the record and exhibits submitted in this proceeding, is satisfied that the proposed transactions to be undertaken by Petitioner, as indicated above, are in accordance with law, and are in the public interest. The Board therefore **AUTHORIZES** Petitioner to make, execute and deliver to Aqua America, Inc. a note for long-term debt in a principal amount not to exceed \$12,000,000 and to take such other actions that are necessary to effectuate the transaction.

This Order is issued subject to the following provisions:

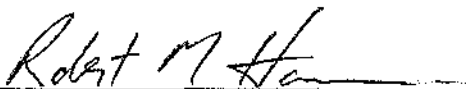
1. The Board's approval is expressly limited to the execution of a note upon the following terms: a principal amount not to exceed \$12,000,000 unsecured, a coupon rate of 4.40%, and a term of 15 years. If such terms are not obtainable, Petitioner shall forthwith submit to the Board the proposed terms 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; 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.
3. This Order shall not affect nor in any way limit the exercise of the authority of this Board or of this State, in any further petition or in any proceedings with respect to rates, franchises, service, financing (including method of sale of securities), accounting, capitalization, depreciation, or in any other matter affecting the Petitioner.

4. The Company shall submit to the Board a schedule indicating complete details of the issuance costs/total fees for this transaction no later than thirty (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 June 30, 2014.

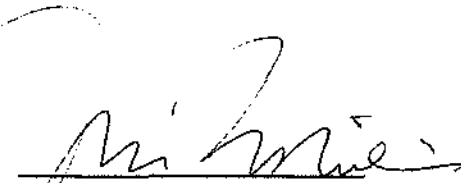
This Order will be effective December 27, 2013.

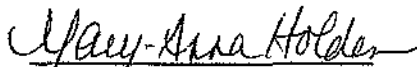
DATED: 12/18/13

BOARD OF PUBLIC UTILITIES
BY:

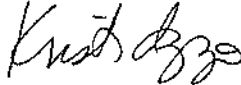

ROBERT M. HANNA
PRESIDENT


JEANNE M. FOX
COMMISSIONER

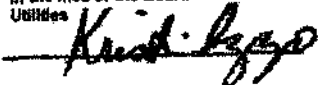

JOSEPH L. FIORDALISO
COMMISSIONER


MARY-ANNA HOLDEN
COMMISSIONER


DIANNE SOLOMON
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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TO ENTER INTO LONG-TERM DEBT IN AN AMOUNT UP TO \$12,000,000**

DOCKET NO. WF13100959

SERVICE LIST

Kristi Izzo, Secretary
Board of Public Utilities
44 South Clinton Avenue, 9th Floor
Post Office Box 350
Trenton NJ 07101-0350

Mark Beyer
Chief Economist
Board of Public Utilities
44 South Clinton Avenue, 9th Floor
Post Office Box 350
Trenton NJ 07101-0350

Robert Wojciak
Board of Public Utilities
44 South Clinton Avenue, 9th Floor
Post Office Box 350
Trenton NJ 07101-0350

Maria Moran, Director
Division of Water
Board of Public Utilities
44 South Clinton Avenue, 9th Floor
Post Office Box 350
Trenton NJ 07101-0350

Mike Kammer
Division of Water
Board of Public Utilities
44 South Clinton Avenue, 9th Floor
Post Office Box 350
Trenton NJ 07101-0350

Geoffrey Gersten, DAG
Dept. of Law & Public Safety
Division of Law, Public Utility Section
124 Halsey Street
Post Office Box 45029
Newark, NJ 07101-45029

Susan T. Rauth, Controller
Aqua New Jersey, Inc.
10 Black Forest Road
Hamilton, NJ 08691

Colleen A. Foley, Esq.
Saul Ewing LLP
One Riverfront Plaza
Newark, NJ 07102

Mary McFall Hopper, Esq.
Regulatory Counsel
Aqua America, Inc., 15th Floor
762 West Lancaster Ave.
Bryn Mawr, Pa 19010

Stefanie A. Brand, Esq., Director
Division of Rate Counsel
140 East Front Street, 4th Floor
Post Office Box 003
Trenton, New Jersey 08625-0003

Debra Robinson, Esq.
Division of Rate Counsel
140 East Front Street, 4th Floor
Post Office Box 003
Trenton, New Jersey 08625-0003