



**STATE OF NEW JERSEY**  
**Board of Public Utilities**  
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**Trenton, New Jersey 08625-0350**  
**[www.nj.gov/bpu/](http://www.nj.gov/bpu/)**

WATER

PETITION FOR APPROVAL OF AN INDIRECT	)	DECISION AND ORDER
CHANGE OF CONTROL OF THE NEW JERSEY	)	APPROVING STIPULATION
PUBLIC UTILITY SUBSIDIARIES OF SUEZ WATER	)	OF SETTLEMENT
RESOURCES INC. AND OTHER RELATED	)	
APPROVALS	)	DOCKET NO. WM18090982

**Parties of Record:**

**Colleen A. Foley, Esq. and Stephen B. Genzer, Esq.,** Saul Ewing Arnstein & Lehr LLP, on behalf of SUEZ Water Inc., SUEZ Water Resources Inc., and SUEZ Water New Jersey Inc., Joint Petitioners

**Paul M. Crimmins, Esq. and Frederick J. Lark, Esq.,** Mayer Brown LLP, on behalf of Stichting Depository PGGM Infrastructure Funds, Petitioner

**Stefanie A. Brand, Esq.,** Director, New Jersey Division of Rate Counsel

**BY THE BOARD:**

On September 11, 2018, SUEZ Water, Inc. ("SUEZ Water"), SUEZ Water Resources, Inc. ("SWR"), SUEZ Water New Jersey, Inc. ("SWNJ"), and Stichting Depository PGGM Infrastructure Funds ("PGGM") (collectively, "Joint Petitioners") filed a verified joint petition with the New Jersey Board of Public Utilities ("Board") pursuant to N.J.S.A. 48:2-51.1 and N.J.A.C. 14:1-5.14 and related statutes and regulations, seeking approval of an indirect change of control of SWR's remaining New Jersey public utility subsidiary, SWNJ.<sup>1</sup> Specifically, SUEZ Water proposed to form a new, direct subsidiary, NewCo, and to contribute all of its interest in SWR to

<sup>1</sup> At the time the verified joint petition was originally filed, a separate request was pending before the Board to consolidate SUEZ Water Toms River Inc., SUEZ Water Arlington Hills Inc., SUEZ Water West Milford Inc., SUEZ Water Princeton Meadows Inc., and SUEZ Water Matchaponix Inc. with SWNJ, with SWNJ the surviving entity. The proposed merger of the New Jersey public utilities was approved by the Board on November 19, 2018 in I/M/O the Merger of SUEZ Water New Jersey Inc., SUEZ Water Toms River Inc., SUEZ Water Arlington Hills Inc., SUEZ Water West Milford Inc., SUEZ Water Princeton Meadows Inc., and SUEZ Water Matchaponix Inc., BPU Docket No. WM18030266 (November 19, 2018) ("Consolidation Order"), which subsequently consolidated the public utilities with SWNJ during the pendency of the instant proceeding. The only remaining New Jersey public utility is SWNJ.

NewCo. As a result, SWR and its New Jersey subsidiary, SWNJ, will become subsidiaries of NewCo. NewCo will then issue and sell to PGGM shares representing a 20% minority interest in NewCo.

### **THE PROPOSED MERGER**

SUEZ Water maintains its corporate headquarters in Paramus, New Jersey, and is the direct corporate parent of SWR. In turn, SWR is the parent company of SWNJ, as well as the following regulated public utilities: SUEZ Water Westchester, Inc., SUEZ Water Delaware, Inc., SUEZ Water Pennsylvania, Inc., SUEZ Water Idaho Inc., SUEZ Water Rhode Island Inc., SUEZ Water Bethel Inc., SUEZ Water Owego-Nichols Inc., and SUEZ Water South County, Inc. SWR is also the indirect parent company of SWNY.

As described above and in detail in the joint petition, upon receipt of required regulatory approvals and its formation, NewCo will be inserted into the ownership structure of the regulated companies owned by SWR, including SWNJ, by placing NewCo between SWR and SUEZ Water. Specifically, NewCo will become the direct corporate parent of SWR following SUEZ Water's contribution of 100% of its ownership interest in SWR to NewCo. As a result, NewCo will directly own 100% of SWR. In addition, SWR will then be converted from a Delaware "C" corporation to a Delaware limited liability company ("LLC"), and will be a "disregarded entity" for United States federal income tax purposes meaning this change should avoid any adverse federal income tax consequences.

Upon completion of these steps, NewCo will issue and sell to PGGM shares representing 20% of NewCo's share capital pursuant to an Investment Agreement. As a result, NewCo will be owned 80% by SUEZ Water and 20% by PGGM. Taken together, this internal reorganization and investment by PGGM comprise the "proposed Transaction" for which the Joint Petitioners seek Board approval.

The Joint Petitioners assert the proposed Transaction is in the public interest and satisfies both the "no harm" standard contained in N.J.S.A. 48:2-51.1, and the "positive benefits" standard under N.J.A.C. 14:1-5.14(c).

### **STIPULATION OF SETTLEMENT**

Following discovery and settlement discussions, on February 7, 2019, the Joint Petitioners, the Staff of the Board and the Division of Rate Counsel (collectively, the "Parties") entered into a Stipulation of Settlement ("Stipulation")<sup>2</sup> that resolved all issues in this proceeding.

The Stipulation provides that the record supports the findings and conclusions that the proposed Transaction will not adversely impact competition, rates, employees or the provision of safe, adequate and proper utility service at just and reasonable rates, and that positive benefits will accrue to customers and the State of New Jersey. The Parties have agreed on the following terms:

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<sup>2</sup> Although described in this Order at some length, should there be any conflict between this summary and the Stipulation, the terms of the Stipulation control, subject to the findings and conclusions in this Order.

### **IMPACT ON COMPETITION**

The proposed Transaction will not adversely impact competition because it is occurring at a corporate level that is remote from the day-to-day operations of SWNJ.

### **IMPACT ON RATES**

The proposed Transaction will not have an adverse impact on the rates charged by SWNJ as rates will not change or increase as a result of the proposed Transaction. SWNJ will continue to provide service to customers pursuant to its current Board-approved tariffs and rate structures, until such tariffs and rate structures are revised in accordance with New Jersey law.

### **IMPACT ON EMPLOYEES**

The proposed Transaction will not have an adverse impact on the employees of SWNJ. There will be no change in the day-to-day operations or management of SWNJ, or workforce reductions as a result of the proposed Transaction. The proposed Transaction will not affect existing collective bargaining agreements.

### **IMPACT ON SERVICE**

The proposed Transaction will not have an adverse impact on the continued provision by SWNJ of safe, adequate and proper utility service at just and reasonable rates. SWNJ will continue to adhere to all tariff provisions and continue to fulfill its customer and regulatory obligations following completion of the Transaction. Moreover, the Board's powers and jurisdiction with respect to SWNJ will remain unchanged. SWNJ will remain subject to all applicable laws, regulations, rules, decisions, and orders governing the regulation of New Jersey public utilities.

### **SPECIFIC BENEFITS TO CUSTOMERS OF SWNJ**

The proposed Transaction will result in positive benefits to customers and the State of New Jersey. The Stipulation contains the following specifically identified positive benefits:

1. For a period of five years from the effective date of this Order, the Joint Petitioners commit to maintaining a capital structure at SWR which contains no more than 54% equity measured as of December 31, of each year. Should the equity portion of the SWR capital structure as of December 31 of any year within the five year period exceed 54%, then the Joint Petitioners agree to file a report with the Board and Rate Counsel describing how the percentage of equity in the capital structure will be decreased to a level at, or below, 54%. Further, should there be a change in capital markets such that maintaining this commitment would cause harm to the financial condition of SWNJ, then the Parties will meet and determine if this commitment should be modified.
2. The Joint Petitioners agree to maintain the location of the call center in Hackensack, New Jersey until at least March 31, 2024. This provision exceeds the term of the commitment previously made in BPU Docket No. WM18030266. The Joint Petitioners also state that there is presently no plan to move the call center.

3. The Joint Petitioners commit to maintaining the SUEZ Cares program, or an equivalent program, and to make a one-time contribution of \$100,000 to the program for the benefit of SWNJ customers within 60 days of the effective date of this Order.
4. The Joint Petitioners commit to improving the customer experience by implementing an improved online payment process, integrating a Voice-User Interface (VUI) for customer convenience and accessibility, upgrading its Interactive Voice Recognition ("IVR") software, and providing real-time outage and alert information on its website. These improvements will be implemented by December 31, 2019.

### **DISCUSSION AND FINDINGS**

N.J.S.A. 48:2-51.1 requires Board approval of the proposed indirect change of control. Consistent with N.J.S.A. 48:2-51.1, N.J.A.C. 14:1-5.14(c) provides that the Board:

"shall not approve a merger, consolidation, acquisition and/or change in control unless it is satisfied that positive benefits will flow to customers and the State of New Jersey and, at a minimum, that there are no adverse impacts on [competition, rates, the employees of the affected public utility, and on the provision of safe and adequate utility service at just and reasonable rates.]"

In this matter, SWNJ will continue to be a wholly owned subsidiary of SWR. As indicated by the Joint Petitioners, the Transaction will also result in several positive benefits to customers and the State of New Jersey, including on-going utility system investments, maintaining the call center in Hackensack, improvements in customer service and \$100,000 to assist customers who are struggling to pay their SWNJ water bill.

Accordingly, the Board, having reviewed the verified joint petition and the entire record, **HEREBY FINDS** that the proposed Transaction and the Stipulation among the Parties are reasonable, in the public interest and in accordance with the law. Accordingly, the Board **HEREBY APPROVES** the Stipulation attached hereto, as its own, incorporating by reference the terms and conditions of the Stipulation, as if fully set forth at length herein.

The Board **HEREBY APPROVES** the proposed Transaction, including the indirect change of control of SWNJ, as more fully described in the Verified Joint Petition. Having considered the magnitude of the proposed Transaction, the Board **HEREBY FINDS** that the proposed merger is in the public interest subject to the following conditions:


1. This Order is based upon the specific and particular facts of the Transaction and shall not have precedential value in future transactions that may come before the Board and shall not be relied on as such;
2. This Order shall not affect or in any way limit the exercise of the authority of the Board, or the State, in any future petition, or in any proceeding with respect to rates, franchises, service, financing, accounting, capitalization, depreciation or in any matters affecting SWNJ;

3. This Order shall not be construed as directly or indirectly fixing for any purposes whatsoever any value of any tangible or intangible assets or liability now owned or hereafter to be owned by SWNJ; and
4. Within 30 days of the date of the closing of the proposed Transaction, the Joint Petitioners shall file with the Board proof of the closing, net transaction costs, and final journal entries along with a detailed calculation of all expenses related to the proposed Transaction.

This Order shall be effective on February 27, 2019.

DATE: 2/27/19

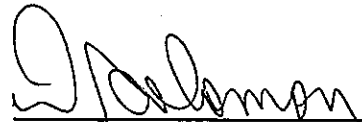
BOARD OF PUBLIC UTILITIES  
BY:



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PRESIDENT



MARY-ANNA HOLDEN  
COMMISSIONER



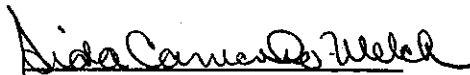
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ROBERT M. GORDON  
COMMISSIONER

ATTEST:   
AIDA CAMACHO-WELCH  
SECRETARY

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

**Petition for Approval of an Indirect Change of Control of the New Jersey Public Utility  
Subsidiaries of SUEZ Water Resources Inc. and Other Related Approvals**

**BPU Docket No. WM18090982**

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## PROCEDURAL HISTORY

1. SUEZ Water is a Delaware corporation, headquartered in Paramus, New Jersey. SUEZ Water is a direct, wholly-owned subsidiary of SUEZ North America Inc., an entity that provides water and wastewater recycling services to approximately 7.5 million people in the United States and Canada.<sup>1</sup> SUEZ Water is the parent company of SWR. SWR is the parent company of SWNJ. SWNJ is the surviving New Jersey public utility following the consolidation of SWNJ, SUEZ Water Toms River Inc., SUEZ Water Arlington Hills Inc., SUEZ Water West Milford Inc., SUEZ Water Princeton Meadows Inc., and SUEZ Water Matchaponix Inc.<sup>2</sup>

2. By Verified Joint Petition dated September 10, 2018, filed pursuant to N.J.S.A. 48:2-51.1 and other related provisions, the Joint Petitioners sought approval by the Board of Public Utilities (the "Board") of an indirect change of control of SWNJ. Specifically, SUEZ Water proposed to effectuate the indirect change of control by forming a new, direct subsidiary, NewCo, and contributing all of SUEZ Water's interest in SWR, and its subsidiaries, to NewCo. As a result, SWR will become a wholly-owned, direct subsidiary of NewCo, and SWNJ a wholly-owned, indirect subsidiary of NewCo. SWR will then be converted from a Delaware "C" corporation to a Delaware limited liability company. Upon completion of these steps, NewCo will issue and sell to PGGM shares representing a 20% minority interest in NewCo (taken together, these steps comprise the "Transaction").

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<sup>1</sup> SUEZ North America is a direct, wholly-owned subsidiary of SUEZ Groupe S.A.S. SUEZ Groupe S.A.S. is a subsidiary of SUEZ S.A., a global enterprise operating on five continents, with nearly 90,000 employees.

<sup>2</sup> A petition to merge the SUEZ New Jersey public utilities, with SWNJ as the surviving entity, was filed on March 15, 2018 in BPU Docket No. WM18030266. At the time of the filing of the Joint Petition initiating this proceeding, the Board had not yet acted on the request to merge the SUEZ New Jersey public utilities. The Board, however, subsequently approved that request in an Order dated November 19, 2018, and the SUEZ New Jersey public utilities were subsequently merged with, and into, SWNJ.

### SETTLEMENT PROVISIONS

3. Detailed settlement discussions have been held, and the agreements reached during those discussions have resulted in the provisions included in this Stipulation of Settlement ("Stipulation"). For the reasons set forth in the following paragraphs, the Parties agree that the record herein supports the findings and conclusions that the proposed Transaction will not adversely impact competition, rates, employees or the provision of safe, adequate and proper utility service at just and reasonable rates, and that positive benefits will accrue to customers and the State of New Jersey. The Parties therefore agree the Board should find:

a. The proposed Transaction will not adversely impact competition because it is occurring at a corporate level that is remote from the day-to-day operations of SWNJ.

b. The proposed Transaction will not have an adverse impact on the rates charged by SWNJ as rates will not change or increase as a result of the proposed Transaction. Instead, SWNJ will continue to provide service to customers pursuant to its current Board-approved tariffs and rate structures, until such tariffs and rate structures are revised in accordance with New Jersey law.

c. The proposed Transaction will not have an adverse impact on the employees of SWNJ. There will be no changes in the day-to-day operations or management of SWNJ, or workforce reductions as a result of the proposed Transaction. In addition, the proposed Transaction will not affect existing collective bargaining agreements.

d. The proposed Transaction will not have an adverse impact on the continued provision by SWNJ of safe, adequate and proper utility service at just and reasonable rates. SWNJ will continue to adhere to all tariff provisions and continue to fulfill its customer and regulatory obligations following completion of the Transaction. Moreover, the Board's

powers and jurisdiction with respect to SWNJ will remain unchanged. SWNJ will remain subject to all applicable laws, regulations, rules, decisions, and orders governing the regulation of New Jersey public utilities.

e. The proposed Transaction will result in positive benefits to customers and the State of New Jersey. The Parties to this Stipulation have agreed to a series of specific conditions described in detail in Paragraphs Four through Seven which, together with the benefits previously described in the Joint Petition, demonstrate that there will be positive benefits to customers and the State of New Jersey.

4. For a period of five years from the effective date of the Board Order approving this Stipulation, the Joint Petitioners commit to maintaining a capital structure at SWR which contains no more than 54% equity measured as of December 31, of each year. Should the equity portion of the SWR capital structure as of December 31 of any year within the five year period exceed 54%, then the Joint Petitioners agree to file a report with the Board and Rate Counsel describing how the percentage of equity in the capital structure will be decreased to a level at, or below, 54%. Further, should there be a change in capital markets such that maintaining this commitment would cause harm to the financial condition of SWNJ, then the Parties agree to meet and determine if this commitment should be modified.

5. The Joint Petitioners agree to maintain the location of the call center in Hackensack, New Jersey until at least March 31, 2024. This provision exceeds the term of the commitment previously made in BPU Docket No. WM18030266. The Joint Petitioners state that there is presently no plan to move the call center.

6. The Joint Petitioners commit to maintaining the SUEZ Cares program, or an equivalent program, and to make a one-time contribution of \$100,000 to the program for the

benefit of SWNJ customers within 60 days of the effective date of the Board Order approving this Stipulation.

7. The Joint Petitioners are committed to improving the customer experience by implementing an improved online payment process, integrating a Voice-User Interface (“VUI”) for customer convenience and accessibility, upgrading its Interactive Voice Recognition (“IVR”) software, and providing real-time outage and alert information on its website. These improvements will be implemented by December 31, 2019.

8. The Parties agree that any and all transaction costs arising from this Transaction will be paid for by shareholders and not collected from ratepayers.

9. This Stipulation is the product of extensive negotiations by the Parties, and it is an express condition of the settlement embodied by this Stipulation that it be presented to the Board in its entirety without modification or condition. It is also the intent of the Parties to this Stipulation that this settlement, once accepted and approved by the Board, shall govern all issues specified and agreed to herein. The Parties to this Stipulation specifically agree that if adopted in its entirety by the Board, no appeal shall be taken by them from the Order adopting same as to those issues upon which the Parties have stipulated herein. The Parties agree that the within Stipulation reflects mutual balancing of various issues and positions, and is intended to be accepted and approved in its entirety. Each term is vital to this Stipulation as a whole, since the Parties hereto expressly and jointly state that they would not have signed this Stipulation had any terms been modified in any way. In the event any particular aspect of this Stipulation is not accepted and approved by the Board, then any Party hereto materially affected thereby shall not be bound to proceed under this Stipulation. The Parties further agree that the purpose of this Stipulation is to reach a fair and reasonable conclusion to this proceeding, with any compromises

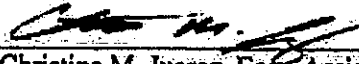
being made in the spirit of reaching an agreement. None of the Parties shall be prohibited from or prejudiced in arguing a different policy or position before the Board in any other proceeding, as such agreements pertain only to this matter and to no other matter.





STEFANIE A. BRAND, ESQ.  
DIRECTOR, DIVISION OF RATE COUNSEL

2/7/19  
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Date

By:   
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Susan McClure, Esq., Assistant Deputy Rate Counsel