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PUCO

11-5402-6A-CRS

October 5, 2015

Public Utilities Commission of Ohio Docketing Division 13<sup>th</sup> Floor 180 East Broad Street Columbus, OH 43215-3793

Renewal Applications for Competitive Retail Electric and Natural Gas Service

Docketing Division:

Please accept the attached Competitive Retail Natural Gas Supplier, PUCO Certificate 11-228G(1), and Competitive Retail Electric Service, PUCO Certificate 11-405E(1), renewal applications for South Jersey Energy Company. As required by the instructions, you will find an original and three copies of each application.

If you require any additional information from SJE, please contact me at (609) 568-9028 ext. 6964. Thank you.

Sincerely

Stacey M. Barnes Director, Legal Compliance

This is to certify that the images appearing are an accurate and complete reproduction of a case file document delivered in the regular course of business. Technician \_\_\_\_\_\_ Date Processed \_\_\_\_\_\_ OCT 0 6 2015

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		COMPENSION	RETAU-N	VATURAL	GAS	SUPPLI	ERS	
A-16 - Compapplications	and all relat	required information. I v). All attachments shou ed correspondence with olumbus, Ohio 43215-3	ald bear the lease the Public Ut	gal name of th	he Appl	icant. Applic	ants sho	uld file comple
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	etail Natura	l Gas Aggregator	_Retail Natu	iral Gas Brol	ker	[✓] Retail I	Natural (	Gas Marketer
A-2 App	licant infor	mation:						
Legal	Name	South Jersey Energy Com	pany					
Addre	ess	1 South Jersey Plaza, Fois	om, NJ 08037					
Telep	hone No.	(609) 568-9028		Web site A	Address	w <b>ww.southje</b>	rseyenerg	iy.com
A-3 App	licant infor	mation under which	applicant w	ill do busin	ess in (	Ohio:		REC 201
Name Addre	1	Same as Above					J	EIVED-
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A-4 List	all names u	inder which the appl	icant does b	usiness in N	orth A	merica:	$\bigcirc$	N A
South	Jersey Energy	Company						0.20
Open I	Flow Energy							
A-5 Cont	act person	for regulatory or em	ergency ma	tters:				
Name	Stacey N	A. Barnes		Title	Director	Legal Compl	iance	
	ess Address	1 South Jersey Plaza, Fols	som, NJ 08037					
Busin								
	hone No. <sup>(60)</sup>	9) 568-9028 Fax	No. (609) 704-	3016	Email A	ddress sbarn	es@sjindu	ustries.com

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### A-6 Contact person for Commission Staff use in investigating customer complaints:

Name	same as above		Title
Business ad	ldress		
Telephone ]	No.	Fax No.	Email Address
Applican	t's address and toll-	free number for custome	er service and complaints

One North White Horse Pike, PO Box 152, Hammonton, NJ 08037 Customer service address

A-7

Toll-Free Telephone No. (800) 266-6020 Fax No. (609) 704-3016 Email Address

Provide "Proof of an Ohio Office and Employee," in accordance with Section 4929.22 of the Ohio A-8 Revised Code, by listing name, Ohio office address, telephone number, and Web site address of the designated Ohio Employee

	Name	See Attached		Title
	Business	address	· ·	
	Telepho	ne No.	Fax No.	Email Address
A-9	Applic	ant's federal emp	loyer identification nu	mber 22-1985596
A-10	Applica	ant's form of own	ership: (Check one)	
	🗌 Sole	e Proprietorship		Partnership
	🗌 Lim	nited Liability Part	nership (LLP)	Limited Liability Company (LLC)
	Cor	poration		Other

A-11 (Check all that apply) Identify each natural gas company service area in which the applicant is currently providing service or intends to provide service, including identification of each customer class that the applicant is currently serving or intends to serve, for example: residential, small commercial, and/or large commercial/industrial (mercantile) customers. (A mercantile customer, as defined in Section 4929.01(L)(1) of the Ohio Revised Code, means a customer that consumes, other than for residential use, more than 500,000 cubic feet of natural gas per year at a single location within the state or consumes natural gas, other than for residential use, as part of an undertaking having more than three locations within or outside of this state. In accordance with Section 4929.01(L)(2) of the Ohio Revised Code, "Mercantile customer" excludes a not-for-profit customer that consumes, other than for residential use, more than 500,000 cubic feet of natural gas per year at a single location within this state or consumes natural gas, other than for residential use, as part of an undertaking having more than three locations within or outside this state that has filed the necessary declaration with the Public Utilities Commission.)

,

1		1		✓			
1	Dominion East Ohi	1	Residential	1	Small Commercial	1	Large Commercial / Industrial
1		1		✓			
1	Vectren Energy Delivery of Ohio	1	Residential	✓	Small Commercial		Large Commercial / Industrial

....

- A-12 If applicant or an affiliated interest previously participated in any of Ohio's Natural Gas Choice Programs, for each service area and customer class, provide approximate start date(s) and/or end date(s) that the applicant began delivering and/or ended services.
  - Columbia Gas of Obio

Small Commercial	Beginning Date of Service	End Date
Industrial	Beginning Date of Service	End Date

Dominion East Ohio

Small Commercial	Beginning Date of Service		End Date	
	an an an Seala			
Industrial	Beginning Date of Service		End Date	 

### \_\_\_\_\_Duke Energy Ohio

	Small Commercial	<b>Beginning Date of Service</b>	- `	End Date	
	na an a				
	Industrial	Beginning Date of Service	· ·	End Date	

### Vectren Energy Delivery of Ohio

	Small Commercial	Beginning Date of Service	End Date
ſ	Industrial	Beginning Date of Service	End Date

A-13 If not currently participating in any of Ohio's four Natural Gas Choice Programs, provide the approximate start date that the applicant proposes to begin delivering services:

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Dominion East Ohio	Intended Start Date
Vectren Energy Delivery of Ohio	Intended Start Date

PROVIDE THE FOLLOWING AS SEPARATE ATTACHMENTS AND LABEL AS INDICATED.

- A-14 <u>Exhibit A-14 "Principal Officers, Directors & Partners,</u>" provide the names, titles, addresses and telephone numbers of the applicant's principal officers, directors, partners, or other similar officials.
- A-15 <u>Exhibit A-15 "Corporate Structure</u>," provide a description of the applicant's corporate structure, including a graphical depiction of such structure, and a list of all affiliate and subsidiary companies that supply retail or wholesale natural gas or electricity to customers in North America.
- A-16 <u>Exhibit A-16 "Company History</u>," provide a concise description of the applicant's company history and principal business interests.
- A-17 <u>Exhibit A-17 "Articles of Incorporation and Bylaws</u>," if applicable, provide the articles of incorporation filed with the state or jurisdiction in which the applicant is incorporated and any amendments thereto.
- A-18 <u>Exhibit A-18 "Secretary of State</u>," provide evidence that the applicant is currently registered with the Ohio Secretary of the State.

# SECTION B - APPLICANT MANAGERIAL CAPABILITY AND EXPERIENCE

PROVIDE THE FOLLOWING AS SEPARATE ATTACHMENTS AND LABEL AS INDICATED

- **B-1** <u>Exhibit B-1 "Jurisdictions of Operation</u>," provide a current list of all jurisdictions in which the applicant or any affiliated interest of the applicant is, at the date of filing the application, certified, licensed, registered, or otherwise authorized to provide retail natural gas service, or retail/wholesale electric services.
- B-2 <u>Exhibit B-2 "Experience & Plans</u>," provide a current description of the applicant's experience and plan for contracting with customers, providing contracted services, providing billing statements, and responding to customer inquiries and complaints in accordance with Commission rules adopted pursuant to Section 4929.22 of the Revised Code and contained in Chapter 4901:1-29 of the Ohio Administrative Code.
- **B-3** <u>Exhibit B-3 "Summary of Experience</u>," provide a concise and current summary of the applicant's experience in providing the service(s) for which it is seeking to be certified to provide (e.g., number and types of customers served, utility service areas, volume of gas supplied, etc.).
- **B-4** <u>Exhibit B-4 "Disclosure of Liabilities and Investigations</u>," provide a description of all existing, pending or past rulings, judgments, contingent liabilities, revocations of authority, regulatory investigations, or any other matter that could adversely impact the applicant's financial or operational

status or ability to provide the services it is seeking to be certified to provide.

**B-5** <u>Exhibit B-5 "Disclosure of Consumer Protection Violations</u>," disclose whether the applicant, affiliate, predecessor of the applicant, or any principal officer of the applicant has been convicted or held liable for fraud or for violation of any consumer protection or antitrust laws within the past five years.

No No **Yes** 

If Yes, provide a separate attachment labeled as <u>Exhibit B-5 "Disclosure of Consumer Protection</u> <u>Violations</u>," detailing such violation(s) and providing all relevant documents.

**B-6** Exhibit B-6 "Disclosure of Certification Denial, Curtailment, Suspension, or Revocation," disclose whether the applicant or a predecessor of the applicant has had any certification, license, or application to provide retail natural gas or retail/wholesale electric service denied, curtailed, suspended, or revoked, or whether the applicant or predecessor has been terminated from any of Ohio's Natural Gas Choice programs, or been in default for failure to deliver natural gas.

### ✓ No □ Yes

If Yes, provide a separate attachment, labeled as <u>Exhibit B-6 "Disclosure of Certification Denial</u>, <u>Curtailment</u>, <u>Suspension</u>, or <u>Revocation</u>," detailing such action(s) and providing all relevant documents.

### SECTION C - APPLICANT FINANCIAL CAPABILITY AND EXPERIENCE

PROVIDE THE FOLLOWING AS SEPARATE ATTACHMENTS AND LABEL AS INDICATED

- C-1 <u>Exhibit C-1 "Annual Reports</u>," provide the two most recent Annual Reports to Shareholders. If applicant does not have annual reports, the applicant should provide similar information, labeled as Exhibit C-1, or indicate that Exhibit C-1 is not applicable and why.
- C-2 <u>Exhibit C-2 "SEC Filings</u>," provide the most recent 10-K/8-K Filings with the SEC. If applicant does not have such filings, it may submit those of its parent company. If the applicant does not have such filings, then the applicant may indicate in Exhibit C-2 whether the applicant is not required to file with the SEC and why.
- C-3 <u>Exhibit C-3 "Financial Statements</u>," provide copies of the applicant's two most recent years of audited financial statements (balance sheet, income statement, and cash flow statement). If audited financial statements are not available, provide officer-certified financial statements. If the applicant has not been in business long enough to satisfy this requirement, it shall file audited or officer-certified financial statements covering the life of the business.
- C-4 <u>Exhibit C-4 "Financial Arrangements</u>," provide copies of the applicant's current financial arrangements to conduct competitive retail natural gas service (CRNGS) as a business activity (e.g., guarantees, bank commitments, contractual arrangements, credit agreements, etc.)
- C-5 <u>Exhibit C-5 "Forecasted Financial Statements</u>," provide two years of forecasted financial statements (balance sheet, income statement, and cash flow statement) for the applicant's CRNGS operation, along with a list of assumptions, and the name, address, email address, and telephone number of the preparer.

- C-6 Exhibit C-6 "Credit Rating," provide a statement disclosing the applicant's current credit rating as reported by two of the following organizations: Duff & Phelps, Dun and Bradstreet Information Services, Fitch IBCA, Moody's Investors Service, Standard & Poors, or a similar organization. In instances where an applicant does not have its own credit ratings, it may substitute the credit ratings of a parent or affiliate organization, provided the applicant submits a statement signed by a principal officer of the applicant's parent or affiliate organization that guarantees the obligations of the applicant.
- C-7 Exhibit C-7 "Credit Report," provide a copy of the applicant's current credit report from Experion, Dun and Bradstreet, or a similar organization.
- C-8 Exhibit C-8 "Bankruptcy Information," provide a list and description of any reorganizations, protection from creditors, or any other form of bankruptcy filings made by the applicant, a parent or affiliate organization that guarantees the obligations of the applicant or any officer of the applicant in the current year or since applicant last filed for certification.
- **Exhibit C-9 "Merger Information,"** provide a statement describing any dissolution or merger or C-9 acquisition of the applicant within the five most recent years preceding the application, or at any time as a participant in the Ohio Natural Gas Choice programs.

# SECTION D - APPLICANT TECHNICAL CAPABILITY

PROVIDE THE FOLLOWING AS SEPARATE ATTACHMENTS AND LABEL AS INDICATED.

- D-1 Exhibit D-1 "Operations," provide a current written description of the operational nature of the applicant's business. Please include whether the applicant's operations will include the contracting of natural gas purchases for retail sales, the nomination and scheduling of retail natural gas for delivery, and the provision of retail ancillary services, as well as other services used to supply natural gas to the natural gas company city gate for retail customers.
- **D-2** Exhibit D-2 "Operations Expertise," given the operational nature of the applicant's business, provide evidence of the applicant's current experience and technical expertise in performing such operations.
- Exhibit D-3 "Key Technical Personnel," provide the names, titles, email addresses, telephone **D-3** numbers, and background of key personnel involved in the operational aspects of the applicant's current business.

**Applicant Signature and Title** 

Aand Kolibins for SVP

day of

Sworn and subscribed before methis

ignature of official administering oath

dsey Smith, legal c.ssistant

My commission expires on

5.20-2020

Month

Year

Neer LINDSEY N. SMITH, NOTARY PUBLIC OF NEW JERSEY My Commission Expires 5/20/2020

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180 East Broad Street • Columbus, OH 43215-3793 • (614) 466-3016 • www.PUCO.ohio.gov The Public Utilities Commission of Ohio is an Equal Opportunity Employer and Service Provider

Competitive Re	<b>ties Commission of Ohio</b> etail Natural Gas Service fidavit Form Version 1.07)
In the Matter of the Application of	)
South Jersey Energy Company	) Case No. 11 5402 -GA-CRS
for a Certificate or Renewal Certificate to Provide	
Competitive Retail Natural Gas Service in Ohio.	)
County of Atlantic State of New Jersey	
DAVID RODDING, JR.	[Affiant], being duly sworn/affirmed, hereby states that:

- (1) The information provided within the certification or certification renewal application and supporting information is complete, true, and accurate to the best knowledge of affiant.
- (2) The applicant will timely file an annual report of its intrastate gross receipts and sales of hundred cubic feet of natural gas pursuant to Sections 4905.10(A), 4911.18(A), and 4929.23(B), Ohio Revised Code.
- (3) The applicant will timely pay any assessment made pursuant to Section 4905.10 or Section 4911.18(A), Ohio Revised Code.
- (4) Applicant will comply with all applicable rules and orders adopted by the Public Utilities Commission of Ohio pursuant to Title 49, Ohio Revised Code.
- (5) Applicant will cooperate with the Public Utilities Commission of Ohio and its staff in the investigation of any consumer complaint regarding any service offered or provided by the applicant.
- (6) Applicant will comply with Section 4929.21, Ohio Revised Code, regarding consent to the jurisdiction of the Ohio courts and the service of process.
- (7) Applicant will inform the Public Utilities Commission of Ohio of any material change to the information supplied in the certification or certification renewal application within 30 days of such material change, including any change in contact person for regulatory or emergency purposes or contact person for Staff use in investigating customer complaints.
- (8) Affiant further sayeth naught.

	•
Affiant Signature & Title	Robbins Jr., SVP
Sworn and subscribed before me this	5th day of October Month 2015 Year
Signature of Official Administering Oath	Linder Smith, legal assistant Print Name and Title
LINDSEY: N. SMITH NOTARY PUBLIC OF NEW JERSEY My Commission Expires 5/20/2020	My commission expires on 5.20.2020 (CRNGS Supplier - Version 1.07) Page 7 of 7

180 East Broad Street • Columbus, OH 43215-3793 • (614) 466-3016 • www.PUCO.ohio.gov The Public Utilities Commission of Ohio is an Equal Opportunity Employer and Service Provider

### Attachment A

A-8 Exhibit "Proof of an Ohio Office and Employee" in accordance with Section 4929.22 of the Ohio Revised Code, by listing name Ohio office address, telephone number, and Web site address of the designated Ohio Employee"

South Jersey Energy has not yet established an Ohio office and employee. South Jersey Energy will establish an Ohio office and employee prior to entering into retail gas service contracts with, or providing retail gas service to, customers in the state of Ohio. Attached please find a verified Affidavit, labeled Addendum A-8, certifying that South Jersey Energy will establish an Ohio office and employee prior to entering into retail gas service to, customers in the state of Ohio. State of Ohio office and employee prior to entering into retail gas service contracts with, or providing retail gas service to, customers in the state of Ohio.

### Addendum A-8

### **VERIFIED AFFIDAVIT**

South Jersey Energy Company ("SJE") will establish an Ohio office and employee prior to entering into retail gas service contracts with, or providing retail gas service to, customers in the state of Ohio. Once SJE has established an Ohio office and employee it will file and docket an amendment to its Certification Application for Competitive Retail Natural Gas Suppliers that provides the information requested in Question A-8 of the Application.

VERIFICATION )
STATE OF NEW JERSEY )
COUNTY OF ATLANTIC )

**David Robbins, Jr.,** being first duly sworn, deposes and says that he is **Senior Vice President** of South Jersey Energy Company, that he has read the above statement and verifies that it is true correct and complete to the best of his knowledge, information and belief.

faul Kolbins for

David Robbins, Jr. Name

Senior Vice President \_\_\_\_\_\_ Title

Subscribed and sworn to before this 5 day of 0 to the 2015.

arv Public No

My commission expires: 5-20-2020

LINDSEY N. SMITH NOTARY PUBLIC OF NEW JERSEY My Commission Expires 5/20/2020

**Principal Officers, Directors and Partners** 

Gregory M. Nuzzo, SVP and Chief Operating Officer 1 South Jersey Plaza Folsom, NJ 08037 (609) 568-9028 1-

David Robbins, Jr., SVP and Chief Operating Officer 1 South Jersey Plaza Folsom, NJ 08037 (609) 568-9028

William Deter, Vice President 90 Beaver Drive, Suite 110-B P O Drawer J Dubois, PA 15801 (814) 371-3800

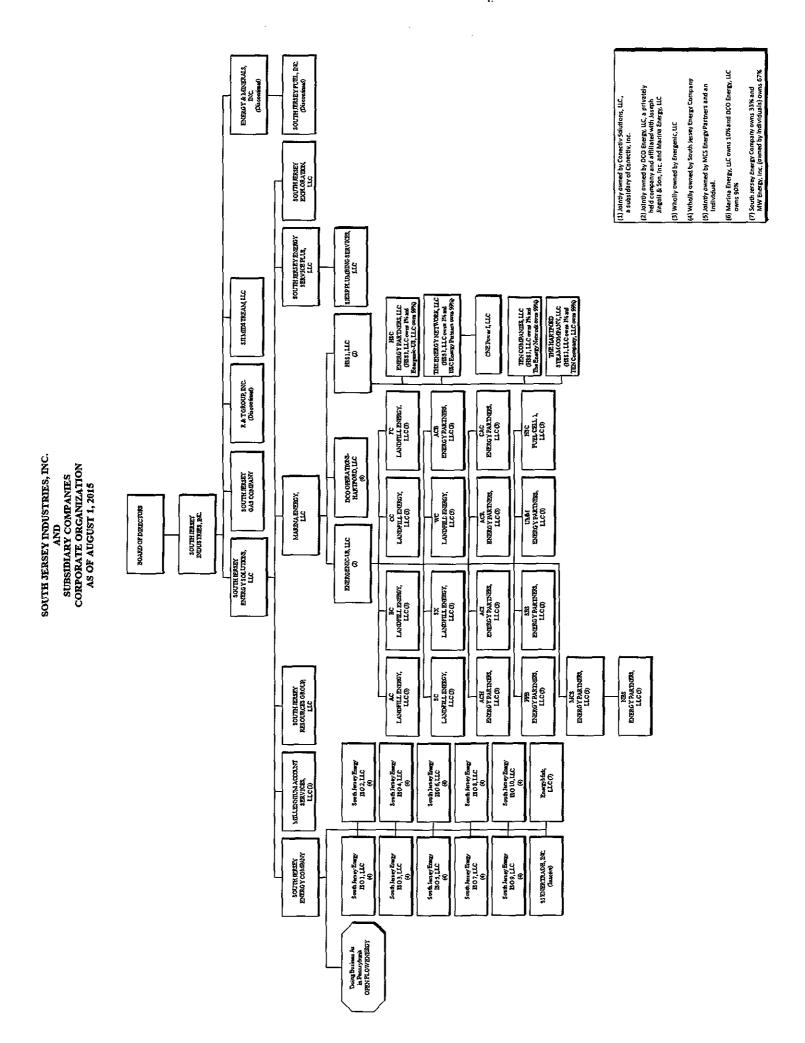
Paul M. Straub, Treasurer & Secretary 1 South Jersey Plaza Folsom, NJ 08037 (609) 568-9028

Donna Schempp, Assistant Vice President 1 South Jersey Plaza Folsom, NJ 08037 (609) 568-9028

Corporate Structure

Please see attached Organizational Chart for South Jersey Industries

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Company History

Established in 1973, we are one of the oldest energy marketers in the mid-Atlantic region. Our customer-focused philosophy has earned us both regional and national recognition for superior service and customer satisfaction.

### Among our complete line of expert services:

- Commodity management
- Lighting retrofits
- HVAC
- Cogeneration/Distributed Generation
- Management controls
- Asset management services

### What We Do

- Assist commercial and industrial facilities reduce their overall energy costs
- Acquire and market natural gas and electricity to retail end users
- Provide comprehensive energy management solutions

### How We Do It

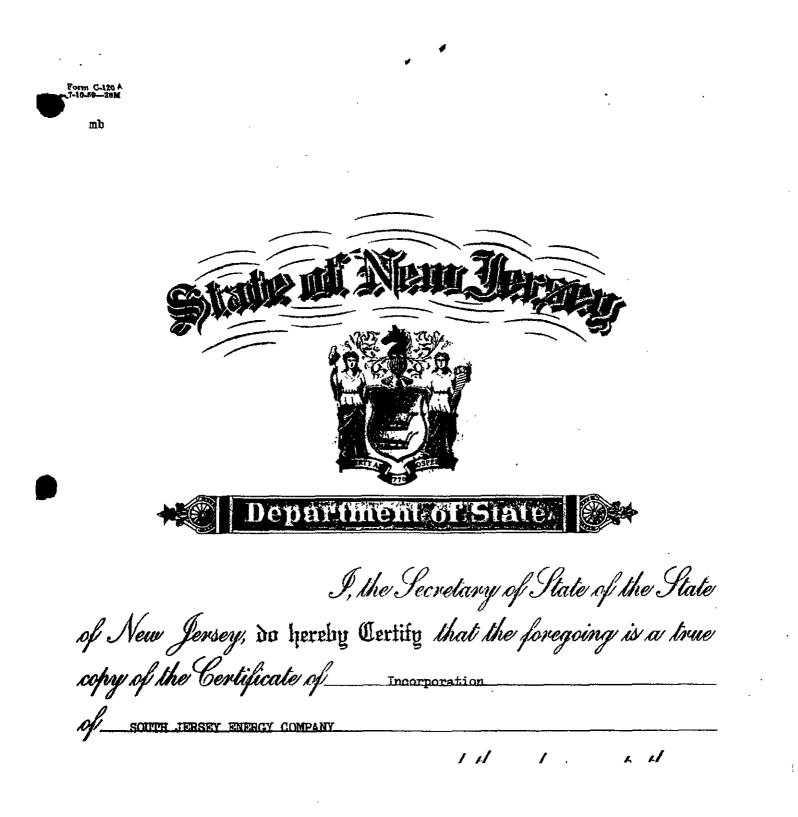
Customization is key. Our team tailors energy solutions to your specific needs. We work to maximize your long-term savings without sacrificing the quality or reliability you need to get things done.

Our market approach can immediately deliver your energy at the most-competitive rates while minimizing your risk from uncertain, volatile energy prices. Plus, we offer energy efficiency improvements with lighting retrofits, HVAC, cogeneration/distributed generation, management controls and asset management possibilities.

Articles of Incorporation and Bylaws

Please see attached Articles of Incorporation

1





### CERTIFICATE OF INCORPORATION

C₽

SOUTH JERSEY ENERGY COMPANY

# To: The Secretary of State State of New Jersey

THE UNDERSIGNED, for the purpose of forming a corporation pursuant to the provisions of Title 144 of the New Jersey Business Corporation Act does hereby execute the following Certificate of "necrporation:

FIRST: The name of the corporation is SOUTH JERSEY EMERGY COMPANY.

SECOND: The purpose or purposes for which the corporation is organized are:

To angage in any activity within the purposes for which corporations may be organized under applicable New Jersey law.

THIRD: The aggregate number of shares which the corporation shall have authority to issue is 2500 shares of Common Stock without par value.

FOURTH: The address of the corporation's initial registered office is Number One South Jersey Plaza, Folsom, New Jersey 08037, and the name of the corporation's initial registered agent at such igress is Edgar S. Keepers, Jr.

FIFTH: The number of Directors constituting the first Board of Directors shall be three (3); and the names and addresses of the persons who are to serve as such Directors are:

Villiam A. Genmel

# Address

Number One South Jersey Plaza Folsom, New Jersey 08037 William F. Ryan

Number One South Jersey Plaza Folsom, New Jersey 08037 Edgar S. Keepers, Jr.

Number One South Jersey Plaza Folsom, New Jersey C8037 SIXTH: The name and address of the incorporator is: Name

Robert C. Loury

# Address

619 Guerantee Trust Building Atlantic City, New Jersey 08401 IN WITNESS WHEREOF, the undersigned incorporator of the

above named corporation has herewate signed this Certificate of Incorporation this 3 1 day of January, 1973.

Secretary of State

See attached certificate issued by the Secretary of State

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DATE: 11/14/2011

DOCUMENT ID DESCRIPTION FOREIGN LICENSE/FOR-PROFIT (FLF) 201131400887

FILING 125.00

EXPED

.00

PENALTY .00 CERT

.00

COPY .00

Receipt

This is not a bill. Please do not remit payment.

SOUTH JERSEY ENERGY SOLUTIONS ONE NORTH WHITE HORSE PIKE **PO BOX 152** HAMMONTON, NJ 08037-0152

# STATE OF OHIO CERTIFICATE **Ohio Secretary of State, Jon Husted**

### 2061045

It is hereby certified that the Secretary of State of Ohio has custody of the business records for

### SOUTH JERSEY ENERGY COMPANY

and, that said business records show the filing and recording of:

Document(s)

### FOREIGN LICENSE/FOR-PROFIT

Document No(s): 201131400887

Authorization to transact business in Ohio is hereby given, until surrender, expiration or cancellation of this license.



United States of America State of Ohio Office of the Secretary of State Witness my hand and the seal of the Secretary of State at Columbus, Ohio this 10th day of November, A.D. 2011.

for thested

Ohio Secretary of State

### Jurisdiction of Operation

South Jersey Energy Company is a licensed gas electric supplier in the following states

4

New Jersey Pennsylvania Maryland New York New Hampshire Rhode Island Connecticut Massachusetts Maine

### **Experience & Plans**

SJE intends to market and sell natural gas to commercial and industrial customers in Ohio in accordance with Public Utility Commission of Ohio rules adopted pursuant to Section 4929.22 of the Ohio Revised Code. Upon signing a customer up for service, SJE and the customer wills execute a standard service agreement. SJE has standard enrollment policies and guidelines that it follows in other jurisdictions, and will follow these same guidelines in Ohio. SJE will utilize its interstate marketing affiliate, South Jersey Resources Group, to procure and deliver natural gas to the Ohio market. SJE has the capability of providing billing statements to its customers, however SJE may decide to utilize the LDC's billing services at some point in time. SJE will contact each utility in which it has customers to provide them with a contact person for any billing questions. SJE has a current toll free telephone number, which will be provided to Ohio customers that they may use if they have an inquiry or a complaint. Representatives will be able to respond to these inquiries. SJE is in the process of updating its website, <u>www.southjerseyenergy.com</u>, so that customers will be able to e-mail a question directly to SJE.

### Summary of Experience

SJE has been a licensed Natural Gas Supplier in the state of New Jersey for over 20 years (and licensed in the other states for periods of less than 20 years) and is in good standing with FERC and all of the public utility commissions in the states in which it operates. SJE meets the creditworthiness and operational standards of the LDC's it operates behind. In addition, SJE has the capability to provide a separate bill for its natural gas supply to customers consistent with the Ohio rules.

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Disclosure of Liabilities and Investigations

1

N/A

Exhibit C-1 Annual Report

SJE's parent company, South Jersey Industries, annual reports can be found on the website at the following URL:

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http://phx.corporate-ir.net/phoenix.zhtml?c=102959&p=irol-reportsannual

### SEC Filings

South Jersey Industries' most recent 10-K filing submitted with the SEC can be found on the SEC website at the following URL:

1

http://phx.corporate-ir.net/phoenix.zhtml?c=102959&p=irol-sec&secCat01.1 rs=41&secCat01.1 rc=10

**Financial Statements** 

South Jersey Industries' two most recent years of financial statements can be found on the SJI website at the following URL:

:

http://phx.corporate-ir.net/phoenix.zhtml?c=102959&p=irol-reportsannual

# **Financial Arrangements**

South Jersey Industries, parent of South Jersey Energy Company, will continue to provide the parental guarantee in order for SJE to conduct CRNGSS as a business activity.

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September 21, 2015

Public Utilities Commission of Ohio Docketing Division 13<sup>th</sup> Floor 180 East Broad Street Columbus, OH 43215-3793

> Docket 11-5402 Supplemental Exhibit C-4

Dear Sir or Madam:

South Jersey Industries (SJI) is the parent company of South Jersey Energy Company (SJE). SJE has applied for renewal of its license as a third party natural gas supplier in the state of Ohio. I have been advised that the Commission requires evidence that SJI will guarantee SJE's obligations.

This correspondence confirms that SJI hereby undertakes the financial obligation of applicant, South Jersey Energy Company, for conduction Competitive Retail Gas Service in the state of Ohio. SJI's obligation will be evidenced and governed by a parental guarantee with terms mutually agreeable to the parties.

Please feel free to contact me with any questions or concerns.

Very truly yours,

Stephen H. Clark Senior Vice President & Chief Financial Officer

1 South Jersey Plaza, Folsom, New Jersey 08037 • www.sjindustries.com

Tel. 609-561-9000 • Fax 609-561-8225 • TDD Only 1-800-547-9085

Forecasted Financial Statements

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# SOUTH JERSEY ENERGY - 2016 NATURAL GAS BUDGET

Ohio - Revenues	<b>2016</b> \$2,249,400
Ohio - Cost	\$1,968,600
o - Gross margins	\$280,600
Ohio - Volumes	701,394

# SOUTH JERSEY ENERGY - 2017 NATURAL GAS BUDGET

	2017
Ohio - Revenues	\$2,361,870
Ohio - Cost	\$2,067,030
Ohio - Gross Margins	\$294,840
Ohio - Valumes	736,464

Credit Rating

Please see the attached rating by Standard & Poor's of South Jersey Industries, parent company of South Jersey Energy Company.

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# STANDARD & POOR'S

# **Standard & Poor's Research**

# **Research Update:**

# South Jersey Industries Inc. Is Assigned 'BBB+' Corporate Credit Rating; Outlook Stable

Primary Credit Analyst: Michael V Grande, New York (1) 212-438-2242;michael\_grande@standardandpoors.com

Secondary Contact: William Ferara, New York (1) 212-438-1776;bill\_ferara@standardandpoors.com

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Overview

**Rating Action** 

Rationale

Outlook

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**Ratings** List

### www.standardandpoors.com

# Research Update: South Jersey Industries Inc. Is Assigned 'BBB+' Corporate Credit Rating; Outlook Stable

### Overview

- We are assigning our 'BBB+' corporate credit rating to energy services holding company South Jersey Industries Inc.
- Our ratings on the company reflect strong predictable cash flows of its regulated gas utility, South Jersey Gas, which we expect will account for about 60% of South Jersey Industries' operating income in 2011.
- The outlook is stable and reflects our expectations that the company's unregulated business will decline to about 40% of operating income and that financial metrics will remain relatively stable.

# **Rating Action**

On June 17, 2011, Standard & Poor's Ratings Services assigned its 'BBB+' corporate credit rating to energy services holding company South Jersey Industries Inc. (SJI). The outlook on the rating is stable. As of March 31, 2011, SJI had consolidated debt of about \$1.2 billion.

### Rationale

The ratings on natural gas utility SJI reflect its strong business risk profile and significant financial risk profile. SJI gets most of its cash flows from a regulated natural gas utility, South Jersey Gas Co. (SJG). In addition to SJG (which accounted for 54% of consolidated operating income in 2010), SJI owns several unregulated subsidiaries (20% of 2010 consolidated income) that provide retail energy marketing and energy-related project development, and wholesale energy-related businesses (26%).

We characterize SJG's business risk profile as strong, reflecting a high percentage (about 46% in 2010) of unregulated businesses at SJI, for which cash flows tend to be less stable than those for a regulated utility. (For more on business risk and financial risk, see "Business Risk/Financial Risk Matrix Expanded," published May 27, 2009, on RatingsDirect on the Global Credit Portal.) Offsetting this weakness are predictable cash flows from the regulated gas utility, regulatory treatment that is favorable for credit quality, an attractive service territory with above-average growth rates, low operating risk, and efficient operations. These strengths weigh more heavily on the rating than SJI's significant financial profile and SJI's higher-risk unregulated operations. With the effects of the 2010 rate case contributing fully in 2011, the gas utility segment's percentage of revenues and operating income will likely increase to 60%. We expect the mix of regulated and unregulated businesses to be in this range in the future. Standard & Poor's regards regulatory oversight by the New Jersey Board of Public Utilities (NJBPU) as supportive of credit quality because it balances the financial interests of the utility and its shareholders, while supporting conservation efforts. Supportive regulatory measures include:

- The Basic Gas Supply Service price structure, which allows SJG to recover all prudently incurred gas costs;
- The Conservation Incentive Program, which stabilizes gross margins while encouraging conservation and efficiency projects, as well as stabilizing earnings based on weather; and
- The Capital Investment Recovery Tracker, which allows SJG to make incremental capital expenditures of \$60.3 million through October 2012, to recover the costs as the investments are made, and to earn its allowed rate of return on the expenditures.

In September 2010, SJG completed its rate case, which included an allowed return on equity (ROE) of 10.3% and a resulting net income increase of \$10.9 million. (The company requested an ROE of 11.5% which would have translated into a net income increase of \$21 million.)

SJG's service territory benefits from its proximity to Philadelphia and the expansion of the gaming industry in Atlantic City. Residential conversions to gas from other fuels have also contributed to growth. As a result, historical customer growth has been well above the national average, which provides improved cash flow through a larger rate base. Over the next year, we expect that SJG will continue to increase its total customer count by about 1%, largely through conversions to natural gas from other fuel sources.

SJI's strengths are partly offset by its participation in various unregulated businesses. Standard & Poor's generally views unregulated businesses as riskier than regulated operations because of greater cash flow variability. As part of its wholesale unregulated segment, SJI provides wholesale energy services related to natural gas storage, pipeline transportation, and commodity activities. Performance in this segment can be affected by volatility in commodity prices, which results in earnings volatility. Due to current market conditions, we expect operating income that this segment contributes to shrink considerably in 2011 and then grow slowly over the next few years.

However, SJI's earnings should benefit from its unregulated investments related to its 30% interest in the deep mineral rights on 21,000 contiguous acres in the Marcellus Shale natural gas play. The acreage has between 275 billion cubic feet (bcf) and 725 bcf of estimated recoverable natural gas. SM Energy Co. (BB/Stable/--) has entered into a seven-year lease with optional extensions with SJI and its partners. Under the lease's terms, SJI received an initial payment of \$7.5 million and will receive royalty payments and carried working interest rights related to production levels. In addition to marketing gas produced on its own property, SJI has 10 long-term contracts to market natural gas from other producers. It has expanded its marketing activities associated with Marcellus Shale production from other producers to 300,000

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dekatherms per day as of March 31, 2011, from 125,000 dekatherms per day in mid-2009.

We expect the unregulated businesses will represent about 10% of SJI's total yearly capital spending. We expect most earnings for the unregulated retail segment to come from Marina Energy, an energy project development business. We view the gas-fired cogeneration, thermal landfill, and solar projects as having somewhat less risk than the energy marketing segment due to the long-term contracts for essential services provided. Income tax credits associated with a number of renewable projects also contributed to earnings. However, the low ratings assigned to the owners of these facilities somewhat mitigates the strength of the contractual terms.

Over the near term, we expect SJI and SJG to maintain financial ratios appropriate for the current ratings. However, incremental investments in large energy facilities could result in a weaker business profile, which would likely require a stronger sustained consolidated financial performance to maintain the same ratings. As of March 31, 2011, SJI's total debt, including capitalized operating leases and tax-effected pension and postretirement obligations, was \$678 million, resulting in adjusted debt to capital of 53%. For the 12 months ended March 31, 2011, SJI reported funds from operations (FFO) to total debt of 29%. SJG's stand-alone cash flow metrics are a bit weaker, with FFO to total debt of about 22%. SJG's total debt to capital ratio was 50%. We expect these financial ratios to be similar through year-end 2011.

### Liquidity

We view the liquidity of SJI and SJG as adequate under our corporate liquidity methodology (see Standard & Poor's Standardizes Liquidity Descriptors for Global Corporate Issuers, published July 2, 2010), which categorizes liquidity in five standard descriptors: exceptional, strong, adequate, less than adequate, and weak.

On a consolidated basis, SJI's projected sources of liquidity consist of modest cash balances and its operating cash flow, which we expect will be about \$200 million over the next 12 months. Currently, about \$216 million is available under the \$300 million revolver at SJI and the \$200 million revolver on SJG, both of which expire in 2015. Our assumptions for projected uses of cash include maintenance and significant discretionary capital expenditures of about \$130 million in 2011, about \$25 million for additional purchase of natural gas, \$25 million in debt maturities, and about \$45 million of dividends.

The company's debt agreements require a debt-to-capital ratio (as defined) of less than 65% at SJI and SJG. Currently, both companies are in compliance, with considerable headroom under the covenant. We expect continued compliance in 2011.

Research Update: South Jersey Industries Inc. Is Assigned 'BBB+' Corporate Credit Rating; Outlook Stable

## Outlook

The outlook on SJI is stable. Standard & Poor's expects SJI's financial measures to remain appropriate for the current ratings, supported by the high proportion SJG contributes to SJI's cash flow. We could raise the rating if SJI maintains its consolidated FFO to debt ratio above 25% and the percentage of unregulated cash flow goes below 25%. Conversely, we could lower the rating if the consolidated business risk profile deteriorates, which would most likely result from a significant expansion of SJI's unregulated portfolio, or a decline in financial performance such that the company sustains FFO to debt at 17% and debt to capital in the upper-50% area.

# Related Criteria And Research

- Criteria: Key Credit Factors: Business And Financial Risks In the Investor-Owned Utilities Industry, published Nov. 26, 2008
- Key Credit Factors For U.S. Natural Gas Distributors, published Feb. 28, 2006

### **Ratings List**

New Rating

South Jersey Industries Inc. Corporate credit rating BBB+/Stable/--

Complete ratings information is available to subscribers of RatingsDirect on the Global Credit Portal at www.globalcreditportal.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com. Use the Ratings search box located in the left column.

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Credit Report See response to Exhibit C-6 1

# Bankruptcy Information

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N/A

### Merger Information

In July 2012, South Jersey Energy Company acquired more than 1,000 commercial and industrial customers from CenterPoint Energy Services of Houston, Tx. The customers are primarily retail natural gas within utility service areas of UGI, Columbia Gas of PA, PECO Energy and Equitable, all of which are in Pennsylvania.

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### Exhibit D-1

Operations

### Among our complete line of expert services:

- Selling electricity and natural gas
- Commodity management
- Lighting retrofits
- HVAC
- Cogeneration/Distributed Generation
- Management controls
- Asset management services

### What We Do

- Acquire and market natural gas and electricity to retail end users
- Assist residential, commercial and industrial facilities reduce their overall energy costs
- Provide comprehensive energy management solutions

### How We Do It

Customization is key. Our team tailors energy solutions to your specific needs. We work to maximize your long-term savings without sacrificing the quality or reliability you need to get things done.

Our market approach can immediately deliver your energy at the most-competitive rates while minimizing your risk from uncertain, volatile energy prices. Plus, we offer energy efficiency improvements with lighting retrofits, HVAC, cogeneration/distributed generation, management controls and asset management possibilities.

Exhibit D-2

**Operations Expertise** 

South Jersey Energy has been in the retail natural gas and electric business since the 1980's. SJE has consistently competed with other retail suppliers and has a strong technical operations and sales team.

The key sales and business development experts have a comprehensive understanding of the marketplace and the modern technologies available in today's ever changing energy markets. Rick Gallagher, General Manager, Business development has a great knowledge base of retail sales, energy services and project development.

SJE has been a consistent supplier of natural gas and its customers have enjoyed uninterrupted supply. SJE delivered roughly 19 million Dekatherms in 2014.

Exhibit D-3

Key Technical Personnel

SJE has a team of qualified personnel who will be responsible for managing the retail business in Ohio.

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Rick Gallagher, General Manager Business Development <u>rgallagher@sjindustries.com</u> (856) 505-4612

Donna Schempp, Assistant Vice President <u>dschempp@sjindustries.com</u> (609) 568-9028

Jonathan Farnham, Manager Gas Procurement jfarnham@sjindustries.com (609) 481-3266