

THE STATE OF NEW HAMPSHIRE

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October 4, 2010

Debra Howland
Executive Director
New Hampshire Public Utilities Commission
21 S. Fruit St., Suite 10
Concord, NH 03301



Re: DM 10-203, Application of South Jersey Energy Company to become a Competitive Natural Gas Supplier

Dear Ms. Howland:

On July 30, 2010, the Commission received the application of South Jersey Energy Company d/b/a Halifax American Operating Company to be registered as a Competitive Natural Gas Supplier in New Hampshire. On August 25, 2010, Staff sent to A. Bartholomew Fromuth, as representative for Halifax American Energy Company, a letter stating that Staff's review of the application had revealed numerous deficiencies. A copy of that correspondence is included with this letter.

On September 21, 2010, the Commission received an amended application for South Jersey Energy Company, Inc. (SJEC) intended to address various errors in the original application. Upon review of the amended application Staff had determined that the application remains deficient for the reasons described below, and recommends that the application be rejected, without prejudice.

In its review of the initial application, Staff requested that the application be revised to address all requirements of Puc 3000 with all correct references. That has not been done. For example, section (6) of the amended application references affiliate arrangements with electric distribution companies, rather than New Hampshire LDCs. Further, Puc 3003.01 (b)(2)u. requires a copy of contracts or representative contracts. No copies were provided.

Of greater concern is the requirement of Puc 3003.01 (b)(2)v. that the CNGS, in this case SJEC, provide documentation demonstrating that it "is an approved shipper on the upstream

pipelines and underground storage facilities on which the LDC will assign capacity, if any, to the CNGS". With the amended application, SJEC submitted unsigned copies of gas transportation agreements between the Tennessee Gas Pipeline Company and South Jersey Resources Group, LLC. South Jersey Resources Group, LLC is not the CNGS.

The amended application states that South Jersey Resources Group, LLC is a sister company of SJEC, that both companies are wholly-owned subsidiaries of South Jersey Industries, and that South Jersey Resources Group, LLC will be the sole supplier of SJEC in New Hampshire. While we note that Article 14.1 of the gas transportation agreements states that South Jersey Resources Group, LLC may assign its rights to an affiliate, there is no indication in the application that such assignment has occurred. Moreover, given the statement that South Jersey Resources Group, LLC will be supplying SJEC, it is not clear that such assignment will occur. As such, there is no documentation showing that the CNGS is an approved shipper.

Additionally, under Puc 3003.01 (b)(2)o. and p. the application is to include statements of whether the applicant, or any of its principals, including its controlling stockholders, has been the subject of various types of complaints or investigations. The amended application states "None" in response to these sections. Staff is aware that on September 27, 2010, the Federal Energy Regulatory Commission approved a stipulation and consent agreement relating to an investigation of South Jersey Gas Company and South Jersey Resources Group, LLC, both affiliates of SJEC and subsidiaries of South Jersey Industries. *See South Jersey Gas Company*, 132 FERC ¶61266 (Sept. 27, 2010). The consent agreement was executed with respect to various violations by the two companies relating to rules governing market transparency, market efficiency, and undue preferences and discrimination. These violations gave the two companies an unfair advantage over other suppliers and bidders on released capacity, and those suppliers' end-use customers. Staff believes that failure to disclose this investigation is a violation of the requirements of Puc 3003.01 (b)(2)o. and p. In addition, Staff now has reason to question the continuing viability of the gas supply agreements between South Jersey Resources Group, LLC and the Tennessee Gas Pipeline Company.

For the above reasons, Staff recommends that the application be rejected, without prejudice. Staff notes that SJEC has filed a \$500 application fee as required by Puc 3003.01(b)(2)t. and a bond payable to the Commission to fulfill the financial resources requirement of Puc 3003.01(b)(2) m. Should SJEC re-file within 30 days of the rejection, Staff would recommend that the fee and bond be applied to the new application. Finally, Staff notes that on September 24, 2010, the revisions to Puc 3000 were adopted by the Commission. Any application to be registered after that date, including a re-filed application from SJEC, would need to comply with the newly effective rules. Please contact me if you have any questions.

Sincerely,



Matthew J. Fossum
Staff Attorney

Enclosure

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August 25, 2010

A. Bartholomew Fromuth
Halifax American Energy Company
816 Elm St., Suite 364
Manchester, NH 03101

Re: DM 10-203, Application of South Jersey Energy Company d/b/a Halifax
American Operating Company to become a Competitive Natural Gas Supplier

Dear Mr. Fromuth:

We have received the application of South Jersey Energy Company d/b/a Halifax American Operating Company to be registered as a competitive natural gas supplier in New Hampshire. Commission Staff has conducted an initial review of the application and has found significant deficiencies in the application. A listing of Staff's concerns and questions is attached to this letter. In light of the issues presented by the application, Staff will not be taking any further action on the application until the issues outlined on the attached list are satisfactorily addressed by the applicant.

The applicant has 45 days from the date of this communication to supplement or amend the application as necessary or to provide the information necessary for Staff to complete its review. If the required information is not received within 45 days, Staff will recommend that the Commission reject the application, and a new application will be required before permission to act as a competitive natural gas supplier will be granted. Please contact Staff if you have any questions about this letter or the attached list of items requiring the applicant's attention.

Sincerely,

A handwritten signature in black ink, appearing to read "Matthew J. Fossum".

Matthew J. Fossum
Staff Attorney

Attachment

ATTACHMENT

DM 10-203

South Jersey Energy Company d/b/a Halifax American Operating Company
CNGS Registration Application Filed July 30, 2010

NH PUC Staff follow up questions, concerns and deficiencies related to the application:

1. The registration references requirements for Puc 2003.01 (CEPS) instead of Puc 3001.01 (CNGS). Please resubmit the application addressing all Puc 3001.01 requirements using correct references to each.
2. The legal name and responsibilities of the applicant are not clear:
 - a. South Jersey Energy Company d/b/a Halifax American Operating Company (SJEC) is listed as the applicant. Any approval of the application would, therefore, designate only SJEC as the entity of record as an approved CNGS doing business in New Hampshire. If this is not the applicant's intent, please correct the application.
 - b. Explain the distinction, if any, between South Jersey Energy Company and Halifax American Operating Company (HAOC). Explain the statement "Also will be doing business with Halifax American Energy Company, LLC (HAEC) through natural gas joint venture in New England states". Based on information in the application, HAEC appears to be the entity that will be conducting CNGS business in NH. Before doing so, HAEC must seek and obtain approval to act as a CNGS in New Hampshire.
 - c. Explain the legal responsibilities of SJEC, HAOC and HAEC regarding this registration.
3. Section 2 does not include a fax number for SJEC.
4. Section 4 of the application does not include the required information.
5. Section 5 states that a 2009 annual report has been attached. No report was attached.
6. Section 6 describes the relationship between SJEC and HAEC. Provide documentation supporting the affiliate arrangement between the two entities. Part c) references "electric" distribution company which is not applicable to CNGS rules.
7. The section 9 reference to the applicant's registered agent does not match the NH Secretary of State's records for HAEC and no registered agent is provided for SJEC.
8. Section 10 provides authorization to do business in NH for HAEC only and not for either SJEC or HAOC.
9. Puc 3003.01 (b)(2)m requires the applicant to demonstrate a minimum level of financial resources. No demonstration was provided.
10. Puc 3003.01 (b)(2)v requires the applicant to submit documentation demonstrating that it is an approved shipper on the upstream pipelines and underground storage facilities on which LDC will assign capacity. No documentation was provided.
11. Section II. of the application does not pertain to CNGS requirements.

PURSUANT TO N.H. ADMIN RULE 203.09 (d), FILE DISCOVERY

DIRECTLY WITH THE FOLLOWING STAFF

RATHER THAN WITH THE EXECUTIVE DIRECTOR

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CONCORD NH 03301-2429

BULK MATERIALS:

Upon request, Staff may waive receipt of some of its multiple copies of bulk materials filed as data responses. Staff cannot waive other parties' right to receive bulk materials.

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