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Folsom-based company announces Vegas energy deal

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Marina Energy LLC, a subsidiary of South Jersey Industries, and DCO Energy LLC have entered into a 25-year contract to develop and operate a district energy system and central energy center for Boyd Gaming Corp.'s Echelon Place resort in Las Vegas.

The contract represents a significant step for the Folsom-based company, which hopes to leverage that experience, along with its position managing a similar project for Borgata Hotel Casino and Spa, to win future contracts with casinos planned for Atlantic City.

The Echelon development will be two and a half times the size of the Borgata -- a joint venture between Boyd and MGM Mirage Inc. -- for which Marina Energy and DCO Energy have provided chilled and hot water through a thermal energy facility since it opened in 2003. The \$4 billion Las Vegas resort is slated to open in 2010, with about 5,000 hotel rooms and nearly 1.2 million square feet of retail, gaming and meeting/convention space; The new energy facility will cost \$228 million, with Nevada allocating \$100 million in tax-exempt financing. SJI and West Atlantic City-based DCO Energy will have an evenly shared equity interest.

"I think the most important thing that it means is that it really shows that what we do in this business is portable," said SJI Treasurer Stephen Clark. "If you can move out of Atlantic City and move it to Las Vegas, you can take it to a lot of other places, as well."

The contract comes at a time when the company is seeking opportunities for growth outside of southern New Jersey. And the company has also expressed increasing interest in projects like this one to grow the non-utility side of its business -- projects that can provide long-term, reliable streams of income.

"Our greatest prospects for long-term growth resides in our wholesale marketing business and in our onsite energy-production business, from 2010 and beyond," SJI CEO Edward Graham told investors Monday at the American Gas Association Financial Forum in Orlando, where he announced the contract.

Construction of the new energy facility will begin this summer, and it is expected to begin servicing Echelon in 2009. The thermal plant will generate 21,000 tons of chilled water and 210 million Btu -- the amount of heat needed to raise the temperature of one pound of water by one degree Fahrenheit -- per hour, as well as 16 megawatts of emergency electrical generation.

It is unclear precisely how much income the project will generate for the company. Marina Energy, which receives a good portion of its income from operating the Borgata facility, contributed \$3.4 million to SJI's profits last year, or 6 percent, SJI said.

At the forum Monday, Graham noted opportunities in casinos planned by MGM Mirage, Pinnacle Entertainment Inc. and Morgan Stanley, along with the Atlantic City Hilton Casino Resort's recently proposed \$1 billion expansion. He also suggested possibilities in Atlantic City's growing residential housing market.

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