



SJI Corporate Sustainability Report
2012



Contents

Letter from the Chairman _____	1
Corporate Profile _____	2
Economic Impact _____	7
Environmental Impact _____	12
Managing Materials and Resources _____	20
Social Impact _____	21

Message from the Chairman



In 2009, South Jersey Industries' board of directors created a Corporate Responsibility Committee charged with overseeing our company's policies, procedures and practices, and to foster active corporate responsibility. With the help of that committee, 2009 marked the inaugural issuance of our company-wide Corporate Sustainability Report.

Since that time, we have provided an annual update on our business practices each year and our commitment to operating as a sustainable organization.

In 2011, SJI experienced strong performance and growth, despite a daunting economic environment. Our consistent performance supported a dividend increase of more than 10 percent in December, our 13th year in a row of increasing the dividend. In line with that, SJI shareholders have seen consistent growth in total shareholder return. Over the past 5 years, shareholders received a total annual return, including stock price appreciation and dividends, of 14.5 percent, significantly outpacing S&P 500 and S&P Utilities Index growth of 0.2 percent and 3.7 percent, respectively.

Supporting our performance, SJI and its subsidiaries continue to embark on a number of exciting opportunities, a majority of which were spurred by our focus on natural gas. From infrastructure improvement projects and compressed natural gas fueling initiatives within South Jersey Gas, to increased development in combined heat and power (CHP) facilities within our non-regulated businesses, natural gas now officially serves as the centerpiece energy resource not only for our organization, but also for our state and nation.

We continue to work in concert with the strategies laid out in New Jersey's Energy Master Plan and are continually excited by the prospects in front of us. We are unwavering in our commitment to develop and implement innovative projects that enhance the safety and efficiency of our infrastructure, focus on energy efficiency and support the need for continued investment in renewable energy technologies, including solar and landfill-gas-to-energy projects.

This report is intended to provide you with an update on what we've been working on in the past year – including projects taking place within our subsidiary companies, our progress toward achieving environmental, health and safety goals, our commitment to the development of our employees and our obligation to the sustainability of our organization and the communities we serve.

We thank all those who support our dedication to remaining a reliable and trusted corporate citizen. On behalf of our senior management team, we thank our board of directors for its guidance and commitment to our sustainability and our employees for their unmatched dedication to our company.

A handwritten signature in black ink that reads "Edward J. Graham". The signature is written in a cursive, flowing style.

Edward J. Graham
Chairman, President and CEO



Corporate Profile

SJI traces its roots back to 1910, when it started in the utility business as Atlantic City Gas Company serving customers in Atlantic City, N.J. Today, SJI is an energy services holding company. A member of the MSCI Global Climate Index, SJI offers solutions to climate change and helps customers control energy costs. The company operates a regulated, natural gas utility, South Jersey Gas, and several non-regulated companies under the corporate name of South Jersey Energy Solutions. SJES discusses its businesses under two primary market segments, retail and wholesale.

SJI is headquartered in Folsom, NJ and employs 681 people. The company's stock is traded on the New York Stock Exchange under the trading symbol SJI.

Vision	Mission	Values	Goals
To be the energy company of first choice for customers, shareholders and employees	Create value through customer-focused energy solutions	<ul style="list-style-type: none"> • Act with Integrity • Excel in Safety • Encourage Innovation • Deliver Results • Behave Respectfully • Exceed Customer Expectations • Support Our Community • Protect the Environment 	<ul style="list-style-type: none"> • Average annual economic earnings per share growth of at least 6-7% • Increase the annual dividend by at least 6-7% • Execute from a low-to-moderate risk platform

Organizational Structure

SJI is the holding company for South Jersey Gas, South Jersey Energy Solutions and SJI Services.

SJG, one of the fastest growing utilities in the nation, is a regulated company that strongly advocates the efficient use of energy while safely and reliably delivering natural gas to an ever-expanding customer base of over 354,000 residential, commercial and industrial customers in New Jersey. The utility's service territory encompasses over 2,500 square miles of southern New Jersey, including all of Atlantic, Cape May, Cumberland and Salem counties and portions of Camden, Burlington and Gloucester counties. Also, through its Off-System Sales function, SJG sells natural gas on a wholesale basis to customers in the interstate market.

SJES, the parent of SJI's non-regulated businesses, provides innovative, environmentally friendly energy solutions that help customers control energy costs and consumption through its subsidiaries South Jersey Energy, Marina Energy, South Jersey Resources Group and South Jersey Energy Service Plus.



- ◆ **SJE** acquires and markets natural gas and electricity for retail customers and offers energy-related services to help businesses reduce their energy use and costs.
- ◆ **Marina** develops and operates on-site energy projects including thermal facilities serving hot and chilled water for casinos, cogeneration facilities, solar installations and landfill gas-to-electricity facilities.
- ◆ **Energenic-US**, a limited liability company operated by Marina and DCO Energy, develops and operates these types of energy projects throughout the nation.
- ◆ **SJRG** provides wholesale commodity marketing and risk management services primarily in the mid-Atlantic region.
- ◆ **SJESP** installs, maintains and services residential and commercial heating, air conditioning and water heating systems, services appliances, provides plumbing services and performs energy audits.
- ◆ **SJI Services** provides support services to SJI and its other subsidiaries, such as information technology, human resources, corporate communications, materials purchasing and fleet management.

Corporate Governance

SJI is governed by a 10-member board of directors, 9 of whom are not SJI employees. Edward J. Graham, age 55, is both the chairman of the board of directors and chief executive officer of SJI. Graham has been employed by the company for 30 years and has held senior officer level positions in the company since 1998.

Walter M. Higgins III, age 68, is SJI's lead independent director. He has served on SJI's board for 4 years. Higgins is the former Chairman, President and CEO of Sierra Pacific Resources (now called NV Energy).

SJI also has two subsidiary boards, overseeing South Jersey Gas and South Jersey Energy Solutions, made up by members of SJI's board. Edward J. Graham serves as Chair of the SJG board and Joseph H. Petrowski, 58, is Chair of SJES. Petrowski, who has been on SJI's board since 2008, is CEO of Gulf Oil/Cumberland Farms Groups.

SJI's board of directors, which is elected by the shareholders, is the company's ultimate decision-making body except with respect to matters reserved for shareholder consideration. The board selects the senior management team, which is charged with conduct of the company's business. Having selected the senior management team, the board acts as an advisor and counselor to senior management and ultimately monitors its performance.

The board maintains five standing committees: the Audit Committee; the Compensation Committee; the Corporate Responsibility Committee; the Executive Committee; and the Governance Committee. Standing Committees that support the Board.

Audit Committee	<ul style="list-style-type: none"> • Serve as an independent and objective party to monitor the corporation’s financial reporting process and internal control system. • Review and appraise the audit efforts of the corporation’s independent accountants and internal auditing department. • Provide an open avenue of communication among the independent accountants, financial and senior management, the internal auditing department, and the board of directors. • Provide an open avenue of communication regarding ethical behavior.
Compensation Committee	<ul style="list-style-type: none"> • Develop and administer an executive compensation program which: is competitive; ensures that the interests of executives are aligned with the interests of shareholders; ensures the company’s ability to attract and retain qualified executive talent; and strikes a proper balance between compensation and corporate growth. • Oversee the management of the assets of the company’s pension plans, VEBAs and Rabbi Trust; produce investment returns that achieve the Plans’ actuarially assumed rate of return; achieve the optimal return within specified risk tolerances; and, prudently invest assets in a high-quality, diversified manner.
Corporate Responsibility Committee	<ul style="list-style-type: none"> • Provide oversight of company policies, procedures and practices, and foster active corporate responsibility. Areas of primary focus include board identified matters of significant public interest and social value, community service and outreach, employment practices, standards of conduct, and environmental compliance and stewardship.
Executive Committee	<ul style="list-style-type: none"> • Exercise all powers on behalf of the board of directors in the management of the business and company affairs to the extent permitted by law and by the company’s Bylaws.
Governance Committee	<ul style="list-style-type: none"> • Make recommendations on board organization, practice, and facilitate the identification and recruitment of director candidates. The committee also advises and recommends changes in director compensation.

Board Orientation and Training

SJI’s board has in place an orientation and training program for directors. New board members receive background information on the company and the industry. The orientation includes, but is not limited to, a review of the company’s Code of Ethics, the policy regarding trading in company stock, board compensation, meetings with senior management, and visits to various company facilities.

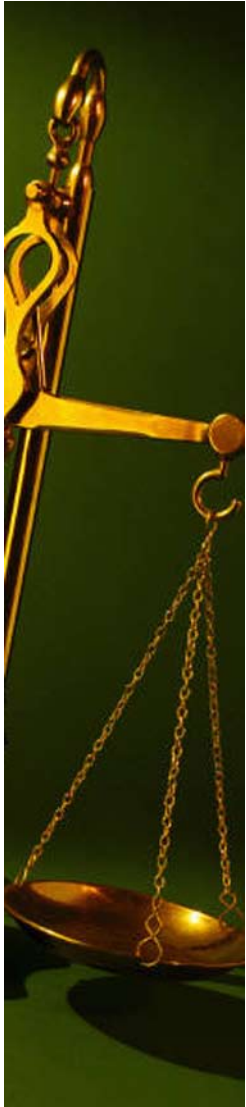
Board members have available resource materials that are supplemented and periodically updated. The resource materials include the By-laws, board committee charters, Code of Ethics, Policy on the Purchase and Sale of company Securities, company locations and other pertinent information on the board, management, and the company’s organizational structure of each of its functioning subsidiaries.

Funds are set aside by the board on an annual basis for the continuing education of its sitting directors. To assist the Board Members in remaining current with their board duties, committee responsibilities and the many important developments impacting their business and company, SJI participates in the NYSE-Corporate Board

Member Board Education Program. This Program offers SJI's Directors access to a wide range of in-person, peer-based and webinar educational programs on corporate governance, committee duties and board leadership and industry developments. In addition, each SJI Director is a member of the National Association of Corporate Directors, providing additional educational programs. Onsite educational programs are also provided for Directors. Each Director attends at least one education activity per year.

Corporate Governance Guidelines

SJI's Corporate Governance Guidelines are consistent with industry Best Practices. Examples of recent activities are:



Declassification of the board of directors: At SJI's 2009 annual meeting of shareholders, our shareholders voted to amend SJI's Certificate of Incorporation, establishing the annual election of the company's directors. Previously, directors were elected in classes to serve on the board in multi-year increments. As a result, the entire board was not required to run for election at the same time. As of 2012, all directors standing for election are annually elected to fill one-year terms.

Compliance and Ethics Program: Since our company was founded, we have had a reputation for being an honest and fair company with which to do business. Over time, we have demonstrated the ability to operate transparently by establishing policies and procedures that ensure integrity and fair business practices.

SJI adopted a new corporate Compliance and Ethics Program in 2007, which includes web-based training to ensure the board of directors and all employees act in compliance with laws, regulations and commonly accepted standards of ethical behavior. The training program includes practice scenarios for resolving ethical dilemmas. While SJI has had an Ethics Policy in place for many years, the updated program consolidated all critical information into one document and employed the use of technology for training purposes.

Other company policies in place that promote ethical and fair behavior are the Dishonest Conduct policy and the Equal Employment Opportunity Affirmative Action/Non-Discrimination policy. The Dishonest Conduct policy stresses that employees must conduct themselves in an ethical and honest manner at all times and should adhere to commonly accepted business practices that demonstrate a high degree of personal integrity during the course of business activities. Within the Equal Employment Opportunity Affirmative Action/Non-Discrimination policy the company fully endorses a workplace environment that is free from discrimination and/or harassment. Steps for reporting violations and for disciplinary action are clearly stated within those policies.

In addition to providing internal reporting mechanisms for employees to raise concerns about business behavior or practices, they can also report unethical, illegal or questionable business practices through MySafeWorkplace.com. This website is managed by an independent, third-party firm that ensures an employee's anonymity. Each report is investigated and brought to appropriate resolution.

SJI's Corporate Governance Guidelines are published and available in detail online at www.sjindustries.com under the heading, "Investors."

Company Achievements

MSCI Global Climate Index: SJI is a constituent of the MSCI Global Climate Index (previously named the KLD Global Climate 100 Index) since 2007. This is a specialty index designed to promote socially responsible investment in global companies whose activities demonstrate the greatest potential for mitigating immediate and long-term causes of climate change.

The purpose of the Index is to support and track the performance of companies leading the private sector's response to global warming.

The Index holds companies that are leaders in responding to environmental concerns including oil, utility, and automobile companies.

As these categories of companies are usually recognized negatively for their environmental impact, the MSCI is seeking to identify those that deviate from stereotype and have the greatest potential to deliver environmentally friendly, long-term solutions to energy issues.

Public Utilities Fortnightly Top 40 Companies: In September 2012, SJI was rated number 22 among the top 40 energy companies in the country in Public Utilities Fortnightly's annual financial ranking. The magazine, the flagship publication of Public Utilities Reports, Inc., established this ranking to highlight the industry's leading companies based on financial performance over a 3-year period. Fortnightly's method of ranking energy companies uses an industry analysis that communicates value to future investors, future owners, energy asset operators, regulators and consumers. The top 40 companies were selected from the nation's electric and gas utilities, pipelines and distribution companies. SJI has been ranked in the top 25 for the past four years.

Rankings are based on profit margin, dividend yield, free-cash flows as a percentage of revenue, return on equity and return on assets with an emphasis placed on current and future company growth.



South Jersey Gas was honored by Northeast Gas Association, receiving the 2012 Excellence in Safety and Health Recognition Award. This annual award recognizes a new safety and/or health program developed by an NGA member utility company that has positively impacted the lives of employees, customers, or the general public. South Jersey Gas was recognized for an innovative wellness program encouraging a healthier lifestyle among workers.

The American Heart Association honored SJI with the 2012 Fit-Friendly Company Platinum Certification. The certification targets employers who go above and beyond when it comes to employee health. SJI is one of only four companies in New Jersey who were awarded the certification in 2012.

SJI was honored with the Outstanding Partnership Award in 2012 by Red Bank-based Jersey Shore Partnership, a non-profit which serves as an advocate for beach protection throughout South Jersey's 127 miles of coastline. SJI was presented with a Certificate of Special Congressional Recognition for its support of the Jersey Shore Partnership over the past five years.

In the J.D. Power and Associates 2012 Gas Utility Residential Customer Satisfaction Study, SJG ranked third in the East region midsize utility segment. The study, now in its 11th year, measures residential customer satisfaction with gas utility companies across

six factors (listed in order of importance): billing and payment; price; corporate citizenship; communications; customer service; and field service.

SJI was honored with the 2011 Corporate Excellence Award by the Volunteer Center of Gloucester County for its commitment to engaging employees and devoting resources to support local non-profits and those in need. This award honors a socially responsible company with an exemplary commitment to service in the community and in Gloucester County.

Economic Impact



SJI is committed to making a positive economic impact in various ways in the geographic areas where we do business. We pay salaries to 681 employees, which include federal, state and local taxes. The company purchases goods and services from numerous vendors who participate in our supplier diversity program. We also subcontract utility construction work to area contractors. As an example, the infrastructure and equipment investment projects mentioned below, which significantly impact the economy in the regions we serve, are being completed by subcontractors. Our charitable donations and sponsorships of non-profit and business organizations through our Social Investment Program add to the impact we make on the economy. Details on our Social Investment Program are provided beginning on page 28.

In 2009, the New Jersey Board of Public Utilities approved a proposal by SJG to create jobs in support of New Jersey's Economic Stimulus Plan, while also improving our infrastructure to enhance the delivery of safe and reliable service to our customers. The initiative involved extensive infrastructure improvement projects in 2009 and 2010 totaling just over \$100 million that were incremental to SJG's normal capital programs scheduled for those years. For the purposes of this report, these projects are referred to as CIRT I in the following report. All CIRT I projects were completed and placed in service.

In addition, in early 2011, NJBPU approved an extension of the program through October 2012 with an additional \$60.3 million being spent on further infrastructure enhancements. These projects are referred to as CIRT II in the following report. In May 2012, SJG was granted an additional extension of \$35 million to continue infrastructure initiatives. This project is reported under CIRT III.

These expenditures, which were otherwise planned to occur over a 5-year period, are crucially important to SJG's gas delivery systems and simultaneously generate more jobs.

In mid-July, SJG filed with the NJBPU to expand its infrastructure investment program. As part of its newly proposed Accelerated Infrastructure Replacement Program, SJG plans infrastructure improvement projects over the next five years totaling approximately \$250 million that are incremental to the company's normal capital projects scheduled over that same time period. These expenditures will focus on the replacement, on an accelerated basis, of aging cast iron and bare steel infrastructure. The company plans to spend \$50 million per year to perform this work.

Below we have highlighted an overall update on where the CIRT projects stand as of June 2012:

CIRT II

- **Accelerated Main Replacements**

Replace approximately 82 miles of incremental bare steel/cast iron main and 3,736 associated bare steel services. This improves reliability by improving the integrity of the company's distribution system. As of June 30, 2012, actual dollars spent amount to \$27,597,365 with 78.65 miles of plastic pipe installed and 3,508 services. Total jobs to be created for this project are estimated at 142, total jobs created to date are 110.

- **12" Atlantic City Pipeline**

Install approximately 2.1 miles of 12" pipeline extension along Absecon Boulevard, 1000' of 8" pipeline, and a new distribution district regulator to supply Atlantic City and Absecon Island from the Huron Avenue station to improve delivery reliability.

As of June 30, 2012, SJG has spent \$5,964,145 on this project. Total jobs created for this project were estimated at 8; total jobs created to date are 13. The pipeline construction was completed and in-service December 2011. Minor punch list items remain to be completed.

- **24" Black Horse Pike to Delilah Road**

Install approximately 2.7 miles of 24" pipeline along Black Horse Pike and Fire Road in Egg Harbor Township to improve delivery reliability to the Pleasantville Station and Absecon Island.

As of June 30, 2012, SJG has spent \$8,320,263. Total jobs created for this project were estimated at 14; total jobs created to date are 20. The project construction was completed and in-service February 2012, however minor punch list items remain to be completed.

- **Absecon Island Ventnor Ave Feeder Main**

Replace approximately 4.5 miles intermediate pressure cast iron feeder main on Ventnor Avenue supplying the communities of Atlantic City, Ventnor, Margate and Longport.

As of June 30, 2012, actual dollars spent amount to \$8,954,397 with 4.53 miles of plastic and steel pipe installed. Total jobs created for this project were estimated at 47; total jobs created to date are 36.

- **Distribution District Regulator Upgrades**

Upgrade eight distribution district regulator facilities throughout the service territory to improve delivery reliability.

Total jobs created for this project were estimated at 9; total jobs created to date are 9. This project was completed and placed in-service December, 2011. SJG spent \$1,871,314.

- **LNG Tank Foundation, Impoundment Dike, Security & Vapor Fence Safety Upgrades**

Upgrade refurbishment of the existing LNG Tank foundation, liquid spill impoundment dike, vapor dispersion barrier fence, IR gas detection, and perimeter microwave security system. SJG has spent \$1,208,186. Total jobs created for this project to date are 2. This project was originally scheduled to be in-service by December, 2011; weather and material lead times delayed the project completion date to March 2012.

- **Transmission System Retrofits & Valving**

Replacement and/or retrofitting of existing transmission and high pressure sectionalizing valving and piping components to accommodate in-line inspection tools.

Total jobs created for this project to date are 20. This project was originally scheduled to be in service by December 2011. Pipe work was completed in early December, however overall completion of the project was achieved in March 2012. SJG has spent \$1,952,129.

- **Water Crossing Replacements at Oldman's Creek**

Horizontal directional drill replacement of two parallel 8" pipelines (250/60) crossing Oldman's Creek between Gloucester and Salem Counties along NJ Route 130.

SJG has spent \$890,785 on this project. Total jobs created to date are 2. The pipeline construction was completed and in-service by November 2011.





- **Absecon Island Ventnor Ave Lateral Mains**

Replace approximately 3.5 miles of low pressure bare steel and cast iron lateral mains associated with the Ventnor Avenue feeder main project.

As of June 30, 2012 actual dollars spent amount to \$4,896,147 with 2.87 miles of plastic pipe installed. Total jobs to be created for this project were estimated at 25; total jobs created are 20.

CIRT III

- **Accelerated Main Replacements**

Replace approximately 43 miles of incremental bare steel/cast iron main and 3,380 associated bare steel services. As of June 30, 2012, actual dollars spent amount to \$17,106,648 with 21.6 miles of plastic pipe installed and 1,342 services. Total jobs to be created for this project are estimated at 140, total jobs created to date are 68.

SJI's Financial Results

A 5-year summary of selected financial data for the full year ended December 31, 2011 follows on page 10 of this report.

For 2012, SJI has provided guidance of 4 percent to 8 percent growth in Economic Earnings. For the first six months of 2012, SJI's GAAP income from continuing operations was \$65.0 million, or \$2.14 per share, as compared with \$58.1 million, or \$1.94 per share, in the first six months of 2011.

Income from continuing operations on an Economic Earnings basis for the first six months of 2012 was \$58.7 million or \$1.93 per share, a 5.5 percent increase on a per share basis as compared with \$54.8 million or \$1.83 per share in the first six months of 2011. For more information about SJI's 2012 performance to date, please visit www.sjindustries.com to view SJI's earnings news releases.

2011 Highlights

Five-Year Summary of Selected Financial Data

(In Thousands Where Applicable)

South Jersey Industries, Inc. and Subsidiaries

Year Ended December 31,

	2011	2010	2009	2008	2007
Operating Results:					
Operating Revenues	\$ 828,560	\$ 925,067	\$ 845,444	\$ 961,977	\$ 956,371
Operating Income	\$ 121,607	\$ 116,492	\$ 111,110	\$ 153,509	\$ 129,623
Income from Continuing Operations	\$ 89,859	\$ 67,285	\$ 58,532	\$ 77,178	\$ 62,659
Discontinued Operations - Net (1)	(568)	(633)	(427)	(247)	(391)
Net Income	\$ 89,291	\$ 66,652	\$ 58,105	\$ 76,931	\$ 62,268
Total Assets	\$ 2,247,510	\$ 2,076,615	\$ 1,782,008	\$ 1,793,427	\$ 1,529,441
Capitalization:					
Equity	\$ 624,114	\$ 570,097	\$ 544,564	\$ 516,448	\$ 481,520
Long-Term Debt	424,213	340,000	312,793	332,784	357,896
Total Capitalization	\$ 1,048,327	\$ 910,097	\$ 857,357	\$ 849,232	\$ 839,416
Ratio of Operating Income to Fixed Charges (2)	5.4x	5.3x	5.9x	6.0x	4.8x
Diluted Earnings Per Common Share (Based on Average Diluted Shares Outstanding):					
Continuing Operations	\$ 2.99	\$ 2.25	\$ 1.96	\$ 2.59	\$ 2.12
Discontinued Operations - Net (1)	(0.02)	(0.03)	(0.02)	(0.01)	(0.02)
Diluted Earnings Per Common Share	\$ 2.97	\$ 2.22	\$ 1.94	\$ 2.58	\$ 2.10
Return on Average Equity (3)	15.0%	12.1%	11.0%	15.5%	13.3%
Share Data:					
Number of Shareholders of Record	7.1	7.1	7.3	7.5	7.7
Average Common Shares	30,000	29,861	29,785	29,707	29,480
Common Shares Outstanding at Year End	30,212	29,873	29,796	29,729	29,607
Dividend Reinvestment Plan:					
Number of Shareholders	4.4	4.9	5.1	5.1	5.3
Number of Participating Shares	2,193	2,682	2,072	2,102	2,179
Book Value at Year End	\$ 20.66	\$ 19.08	\$ 18.28	\$ 17.33	\$ 16.26

South Jersey Industries, Inc.
Part II

Dividends Declared per Common Share	\$ 1.50	\$ 1.36	\$ 1.22	\$ 1.11	\$ 1.01
Market Price at Year End	\$ 56.81	\$ 52.82	\$ 38.18	\$ 39.85	\$ 36.09
Dividend Payout:					
From Continuing Operations	50.1%	60.1%	62.2%	42.6%	47.3%
From Total Net Income	50.4%	60.7%	62.7%	42.8%	47.6%
Market-to-Book Ratio	2.7x	2.8x	2.1x	2.3x	2.2x
Price Earnings Ratio (3)	19.0x	23.4x	19.5x	15.4x	17.0x
Consolidated Economic Earnings (4)					
Income from Continuing Operations	\$ 89,859	\$ 67,285	\$ 58,532	\$ 77,178	\$ 62,659
Minus/Plus:					
Unrealized Mark-to-Market Losses/(Gains) on Derivatives and Realized (Gains)/Losses on Inventory Injection Hedges	(2,876)	13,698	12,723	(9,302)	(852)
Economic Earnings	\$ 86,983	\$ 80,983	\$ 71,255	\$ 67,876	\$ 61,807
Earnings per Share from Continuing Operations					
Earnings per Share from Continuing Operations	\$ 2.99	\$ 2.25	\$ 1.96	\$ 2.59	\$ 2.12
Minus/Plus:					
Unrealized Mark-to-Market Losses/(Gains) on Derivatives and Realized (Gains)/Losses on Inventory Injection Hedges	(0.10)	0.45	0.42	(0.32)	(0.03)
Economic Earnings per Share	\$ 2.89	\$ 2.70	\$ 2.38	\$ 2.27	\$ 2.09

- (1) Represents discontinued business segments: sand mining and distribution operations sold in 1996 and fuel oil operations with related environmental liabilities in 1986 (See Note 3 to Consolidated Financial Statements).
- (2) Calculated as Operating Income divided by Interest Charges.
- (3) Calculated based on Income from Continuing Operations.
- (4) This section includes the non-generally accepted accounting principles (“non-GAAP”) financial measures of Economic Earnings and Economic Earnings per share. See Management’s Discussion and Analysis of Financial Condition and Results of Operations in Item 7 of this report for a discussion regarding the use of non-GAAP financial measures.

Environmental Impact

Environmental Policy and Goals

SJI's management and board of directors believe that businesses are responsible for achieving sustainable environmental practices and operating in a sustainable manner. We are therefore committed to reducing our environmental impact and continually improving our environmental performance as an integral and fundamental part of our business strategy and operating methods. SJI operates an Environmental Committee comprised of various senior executives that meet approximately six times per year to discuss the status of current remediation projects and any environmentally-focused regulatory or legislative matters, and also review and approve annual forward-looking cost projections.

As an organization, we work diligently to adhere to the following environmental principles:



- ◆ Our products and operations will comply with or exceed all applicable regulations and requirements.
- ◆ We will employ management systems and procedures specifically designed to minimize the use of hazardous materials, energy and other natural resources, to minimize the generation of waste, and to enable recycling and reuse of materials.
- ◆ We will minimize energy and water usage in our buildings, vehicles and processes to conserve supplies and minimize our consumption of non-renewable natural resources.
- ◆ We will apply the principles of continuous improvement in respect of air, water, noise and light pollution from our premises and reduce any impacts from our operations on the environment and local community.
- ◆ We will as much as possible, purchase products and services that do the least damage to the environment and encourage others to do the same.
- ◆ We will offer our customers the most environmentally friendly energy supplies and encourage them to purchase energy efficient equipment and to implement efficiency measures.
- ◆ We will promote participation and communicate our commitment to responsible environmental management by promoting environmental responsibility among our employees; and by informing suppliers of our environmental policy and encouraging them to adopt effective environmental management practices.

Natural Gas – The Environmentally Friendly and Less Expensive Fuel

Natural gas, the cleanest fossil fuel, is a highly efficient form of energy. Using it to replace less environmentally friendly fuels like oil and coal can help reduce smog, acid rain and greenhouse gas emissions. According to the American Gas Association, clean-burning natural gas can play a significant role in mitigating global climate change, while enhancing America's energy security and economic growth.

In addition to its positive environmental impacts, natural gas has a significant price advantage over oil, propane and electricity. In large part, this price advantage is due to the plentiful supplies of shale gas available within the United States. South Jersey Gas has abundant supplies of Marcellus Shale gas in close proximity that are creating a long-term supply at a low cost.

SJI has business opportunities involving Marcellus gas from a marketing standpoint, where we help producers move gas from the wellhead to end users. We also are involved in a royalty purchase program where we have a revenue stream associated with natural gas production without the risk and capital connected with drilling.

As you may be aware, drilling associated with shale gas extraction has been a local, regional and national news item. This drilling process was first used in the United States in 1947. It has been successfully used on more than one million wells. This extraction process is subject to federal, state and local regulations that cover everything from initial permits to water disposal. The United States Environmental Protection Agency, Ground Water Protection Council, Interstate Oil and Gas Compact Commission and others have examined the process and found it to be safe if performed according to regulations.

While SJI does not participate in the actual drilling process, it strongly supports environmentally responsible drilling by producers who comply with strict local, state and federal regulations and regularly monitor and test to confirm that their work is proceeding safely.

SJI also believes there are many positive benefits of extracting shale gas if done safely and properly that include job creation, abundant supplies of clean fuel and low energy costs for consumers.

Initiatives to Reduce Our Customers' Energy Consumption

SJI's commitment to providing the most environmentally friendly energy supplies and encouraging customers to implement energy efficiency equipment and measures is evident in the initiatives and projects in which we participate. Not only do these activities reduce energy consumption for our customers, they also help stimulate the economy through the creation of jobs.

Utility Initiatives – Reducing Customers' Energy Usage



Conservation Incentive Program

SJG was one of the first utilities in the country to implement an innovative Conservation Incentive Program rate structure. The program encourages customers to use natural gas more efficiently by educating them about measures they can take to reduce consumption. The 4-year pilot program began in October 2006.

Through education programs CIP encourages customers to use natural gas more efficiently.

Residential, government and business customers can reduce their natural gas bills by implementing energy efficiency measures and lowering their usage. CIP benefits SJG by eliminating the link between utility profits and the quantity of natural gas the company sells.

Profits are tied to the number of customers SJG serves and how efficiently they are served. From October 2006 through June 2012, SJG's customers have reduced their natural gas usage by a total of 27 billion cubic feet, enabling them to save \$314.4 million in energy costs, while \$37.1 million of our net income was protected.

The CIP has been extended for an additional three years through September 30, 2013.

Energy Efficiency Tracker Program

In 2009, SJG received approval from the New Jersey Board of Public Utilities to implement new energy efficiency program incentives that would help to reduce energy usage and also strengthen the local economy by creating green jobs.

The initiative involves five incremental programs:

<p>Program I helps to influence purchases of residential heating equipment.</p>	<p>Enhanced rebates are available of \$900 for high efficiency heating equipment purchases if customers agree to an in-home energy assessment by a certified auditor.</p> <p>The average customer who takes part will save about 151 therms of natural gas a year by upgrading his or her heating equipment – this equates to approximately \$200.</p>
<p>Program II offers customers an attractive financing package to assist in obtaining whole house energy efficiency.</p>	<p>With recommended measures installed from a home energy assessment, SJG, through a lending institution, is offering a financing package of up to \$10,000.</p>
<p>Program III complements NJ Energy Master Plan goals to reduce energy consumption and carbon emissions by lowering dependence on the electric grid system.</p>	<p>This initiative provides incentives for large commercial and industrial customers to install a combined heat and power (cogeneration) system or an efficient distributed generation power plant to generate electricity.</p> <p>A rate and contract mechanism will stabilize natural gas prices over a longer period of time to mitigate price volatility. SJG is providing a direct financial incentive to match NJ Clean Energy program incentives.</p>
<p>Program IV encourages commercial customers to implement the NJ Clean Energy Smart Start Building program qualified measures or improvements identified by the 2009 NJ Clean Energy Direct Install program.</p>	<p>SJG, through a lending institution, offers commercial customers whose electric demand is not greater than 100 kilowatts per month, 0% financing for up to \$25,000 to install energy efficient gas reducing technologies, less the NJ Clean Energy rebate received, for a 10-year period.</p> <p>Based on a small commercial customer’s average use of 487 therms a year, a 20% savings plan would produce over 97 therms per customer per year.</p>
<p>Program V helps to generate savings for larger commercial and industrial customers such as multifamily housing complexes, institutions, schools, municipal complexes, medical facilities, etc.</p>	<p>South Jersey Gas will match the NJCEP Natural Gas related incentive up to \$100,000. This program also provides upfront financing options of up to \$100,000.</p> <p>SJG will also offer a financing package to encourage the installation of a whole building approach to energy efficient technologies.</p> <p>Based on the average savings of 2,522 dekatherms per customer, this program could generate 80,704 dekatherms savings annually for those who take part</p>

SJG has recently filed with the NJBPU to enhance its Energy Efficiency programs, specifically with the addition of Natural Gas Vehicle Grant program to allow public entities to be better positioned to take advantage of significant cost savings that compressed natural gas offers compared to gasoline.

Non-regulated Initiatives – Creating Efficiency Through On-Site Energy Production

Both Marina Energy and Energenic specialize in on-site energy production facilities that are highly efficient and cost-effective. We currently own and operate facilities at numerous sites of various configurations, including central utility plants, combined heat & power projects, solar photovoltaic arrays, and landfill gas-to-electric generation.

Central Utility Plants:



The Marina Thermal Facility (MTF) is our largest project, providing the Borgata Hotel Casino & Spa (along with its Water Club expansion) with electricity, heated water, and chilled water used for lighting, power, air conditioning, space heating, and domestic hot water production. MTF can also provide electricity to the casino and the PJM grid during periods of emergency and peak electricity demand.

Energenic installed a combined heating, cooling, & power project adjacent to MTF. The project includes a combustion turbine, a waste heat recovery unit, and two absorption chillers. The turbine generates 7.9 MW of electricity, with its exhaust gas producing 38 mmBtu/hr of useful thermal energy from a waste heat recovery unit. The electricity generated replaces power normally drawn from the taxed local electric grid. The thermal energy offsets current MTF boiler and electric chiller operation with resulting production efficiencies exceeding those of the existing equipment. Construction of the facility was completed in December 2010.

Energenic (as ACR Energy Partners, LLC) recently completed the Inlet District Energy Center (IDEC) which is serving the newly-constructed Revel AC resort in Atlantic City, NJ. Similar to MTF, IDEC provides Revel with all heating, hot water, air conditioning, normal, and emergency electric power needs. IDEC commenced commercial operations in April, 2012. A 7.9 MW CHCP project was also completed at the IDEC site, providing the same advantages to efficiency and grid relief as the MTF CHCP project.

PPB Energy Partners, LLC is an Energenic special-purpose entity that acquired the central utility plant providing heated and chilled water to the Parx Casino recently opened at the Philadelphia Park Racetrack in Bensalem, PA. The facility currently provides the casino 3,900 tons of cooling capacity, 1,250 boiler horsepower of heating capacity, and 5 MW of emergency generation.

Energenic is currently discussing plans to expand the central utility plant to serve additional Parx Casino load. PPB Energy Partners is also evaluating the addition of a biogas cogeneration project in conjunction with the racetrack, as well as a ground-mounted solar array.

Landfill Gas-To-Electric Generation:

Our renewable energy projects underscore our corporate commitment to cleaner air and renewable energy. Energenic has landfill gas-to-electric (LFGTE) projects online in Atlantic, Burlington, Salem, Sussex, and Warren counties in NJ, and one project online in Fredrick County, MD. The total installed electric capacity of these projects is over 25 MW. More than 20 million pounds per year of environmentally harmful methane gas is converted into electricity capable of powering 11,000 homes.

In December 2009, landfill operator Republic Services and Energenic executed a contract for Energenic to develop, own and operate its largest single LFGTE facility at the Apex Landfill in Clark County, NV, just outside of Las Vegas. The project declared substantial completion in December, 2011 and is capable of producing approximately 11 MW of electricity, all of which is sold to the local utility, NV Energy, through a 20-year Power Purchase Agreement.

Energenic is constantly seeking out new LFGTE opportunities and analyzing the potential to expand several existing sites.

Solar Photovoltaic Electric Generation:

Operating Projects

Within New Jersey, strong leadership from the state government, the Board of Public Utilities, along with substantial federal tax incentives have created a favorable environment for solar photovoltaic (PV) project develop-



ment. Marina Energy and Energenic have constructed over 22 MW of solar PV projects to date at 16 locations throughout the state. In mid-2009, Marina Energy completed a 1.2 MW rooftop and parking canopy project for a New Jersey educational facility. Other projects include a multi-building 2.2 MW rooftop and ground installation in New Brunswick, NJ, 700 kW of rooftop and open-field arrays serving customers in Folsom and McKee City, and 4.2 MW of open-field arrays in Seabrook, NJ.

Projects Under Construction

Marina Energy and Energenic are currently constructing an additional 13.6MW of photovoltaic generation at multiple sites throughout New Jersey, including an additional 1 MW in Warren County, to be completed throughout late 2012 and 2.6 MW at a facility in Newark, NJ. Energenic will be adding 2 MW at the Seabrook, NJ project in 2012.

Combined Heat & Power Projects:

Operating Projects

Combined heat & power (CHP) projects (similar to the above-described CHCP projects at MTF and IDEC) benefit the environment by using the exhaust or “waste” energy created from the electric-generating process to improve a customer’s total energy efficiency.

Modern CHP projects provide heating, cooling and electricity to end users at much greater efficiencies than purchasing electricity and natural gas from utility systems to provide those same energy products. CHP efficiencies of production result in fewer pollutants discharged into the environment and lower utility costs for the customer.

In addition to the MTF and IDEC CHCP facilities, Energenic has provided turnkey engineering, procurement and construction services for high-efficiency CHP projects in West Deptford, NJ and upstate NY.

Projects Under Construction

Montclair State University and Energenic recently announced a major public-private construction project, launched under the 2009 New Jersey Economic Stimulus Act, to develop a new combined heating, cooling, and power (CHCP) system for the Montclair State campus. Construction of the project commenced in June, 2012 with anticipated commercial operations in the second-half of 2013.



This \$90 million public-private partnership – the second for Montclair State and only the third statewide – will enable the University to replace its current heating and cooling system without construction funding being required of either the University or the state of New Jersey. The new state-of-the-art facility and its related infrastructure improvements will replace the campus’ existing energy plant, which began generating steam in the 1940s and providing electricity as a co-generation plant in 1993. The project’s development will result in the more cost-effective, efficient, and reliable delivery of heating, cooling, and electrical services to campus buildings.

The scope of the project includes the design, construction, operation, and maintenance of the plant on property leased from the University for a term of 30 years. The facility will provide natural gas-fired electric generation, chilled water, and steam for heat. The steam, condensate, and chilled water will be delivered to and returned from campus buildings via a new underground energy distribution system. The majority of the campus’ electricity will be provided by a 5.4 MW combustion turbine-generator. Other major project components include a heat recovery steam generator to capture the exhaust from the turbine, electric- and steam-driven chillers, steam boilers, cooling towers, and backup generators.



Non-regulated Initiatives – Reducing Customers’ Energy Consumption

South Jersey Energy and South Jersey Energy Service Plus are uniquely positioned to advance New Jersey’s clean energy objectives.

SJE has been at the forefront of energy efficiency by performing energy audits and offering efficient products and services to commercial customers for over a decade.

The bulk of SJE’s services represent energy efficient lighting retrofits. Lighting projects completed by SJE have resulted in annual electric savings of 17,764,463 kilowatt hours and annual CO2 reductions of 23,822,145 pounds for our clients.

SJESP is the region’s leading residential and commercial HVAC company. Through New Jersey’s Clean Energy programs we promote high efficiency, ENERGY STAR rated residential heating and cooling equipment and commercial equipment upgrades through the Direct Install Program.

Over the past five years, SJESP has installed over 2,000 high efficiency air conditioning and heating systems with customers seeing significant savings in terms of kilowatt hours of electricity and therms of natural gas.

One of the first contractors in New Jersey to become a Gold Star Building Performance Institute accredited energy auditor, SJESP performs energy audits and recommends and installs energy efficiency measures and equipment. This work increases a home’s comfort, ensures appliances work safely and reduces energy usage and lowers energy bills.

In 2011, SJESP announced that Home Serve USA, a leading supplier of home repair programs, would partner with the company and have the exclusive right to renew the service contracts of the appliance service business as they come due. This agreement has allowed SJESP to continue growing its business while freeing up resources for installation, service and maintenance of HVAC systems in South Jersey.

Vehicle Emissions Reductions

In our efforts to reduce CO2 emissions, SJI established a policy in 2008 of purchasing only hybrid vehicles in the passenger sedan and SUV classes for supervisory employees who drive company vehicles. To date, SJI has purchased 51 hybrid vehicles. The choice of hybrids over gasoline powered vehicles is producing a savings in CO2 emissions of more than 143,000 pounds per year.



The use of compressed natural gas in commercial vehicles is gaining popularity in the United States. SJG has several customers in various stages of considering or actually converting their fleets. Our support of those customers includes ensuring adequate system pressures and providing consultative expertise.

With many other utility companies across the United States involved in similar activities, SJG is collaborating with those companies as well as advocacy agencies to develop a nationwide fuel infrastructure. In addition to supporting customers’ fleet conversions to compressed natural gas, a fueling infrastructure in SJG’s service area would support our company’s fleet conversion as well. We have made a commitment to convert our fleet over the next 10 years. In March 2012, SJG opened its flagship CNG refueling station in Glassboro, New Jersey. This station is supporting the fueling of 17 natural gas vehicles in our fleet – 10 street trucks, 4 utility trucks and 2 construction vans and one passenger sedan. SJG plans to construct up to seven CNG fueling stations over the next three years, all allowing public access for fleets.

The benefits of using natural gas vehicles in fleets include reductions in greenhouse gases on average of 20-29%. In SJG’s situation, our reductions would amount to 26-29% in the light duty category that encompasses

most of our fleet. The differential between gasoline and CNG Gasoline Gallon Equivalent was as high as \$2.50 in Spring 2008 when gasoline was at \$4.00 per gallon. Currently, the differential is approximately \$1.50 or more - a considerable savings over gasoline. Another benefit is that the demand for global supplies of petroleum is continuing to increase and natural gas is domestically available.



Millennium Account Services, LLC, our joint venture investment with Conectiv Solutions, has provided meter-reading services to SJG and Atlantic City Electric Company for the past 12 years.

To provide this service, in 2011 Millennium traveled approximately 804,000 miles, used 61,800 gallons of fuel, and prevented 1,235,560 pounds of carbon dioxide from escaping into the atmosphere. From its inception 13 years ago, this joint venture has allowed each utility to:

- ◆ Conserve more than 15,804,000 miles
- ◆ Avoid consumption of 1,026,700 gallons of fuel
- ◆ Prevent the discharge of 20,511,910 pounds of carbon dioxide into the atmosphere

Land Impacts

Manufactured Gas Plant Site Remediation

During the late 1800s and early 1900s, select towns and cities across the United States used manufactured gas to light lamps, heat buildings and to fire appliances for cooking. The gas produced at manufactured gas plants, or MGPs, was made by heating coal, oil or other feedstocks in oxygen depleted ovens then collecting the gas emitted during the heating.



It is estimated that between 3,000 and 5,000 MGPs were built in the United States during their prominence. When the interstate pipeline introduced natural gas in the 1950's, MGP's rapidly disappeared. Due to the nature of the products and processes used in the operation of these plants, many left behind by-products that are being cleaned up to meet current environmental standards.

SJG, due to the fact that its predecessor companies operated the plants, agreed to investigate and/or remediate 14 MGP sites. In cooperation with the New Jersey Department of Environmental Protection, SJG has ongoing investigation and remediation activities at 12 of the 14 sites. One site was determined to not be a typical manufactured gas plant site and the case was closed by the NJDEP. Liability for the second site was transferred by agreement to a third party.

SJI successfully entered into settlements with all of its historic comprehensive general liability carriers regarding the environmental remediation expenditures at the SJG sites. Also, SJG purchased a Cleanup Cost Cap Insurance Policy limiting the amount of remediation expenditures that SJG will be required to make at 11 of its sites. The policy is limited to an aggregate amount of \$50.0 million, of which SJG has recovered \$47.2 million through December 31, 2011.

SJG also has a rate mechanism in place to recover environmental remediation costs at 12 MGP sites. The Remediation Adjustment Clause allows SJG to recover these costs over 7-year amortization periods. Since implementing the RAC in 1992, SJG has recovered \$58.6 million through rates as of December 31, 2011.

Remediation at Discontinued Nonutility Subsidiary Sites

In addition to the remediation liabilities associated with the MGP sites, SJI also maintains environmental responsibility at several properties owned by two discontinued nonutility subsidiaries. Due to historic activities

at the sites such as fuel storage, maintenance and fueling, four sites owned by South Jersey Fuel and nine sites previously owned by The Morie Company are currently at various stages of environmental investigation or remediation.

As of December 31, 2011, SJI has spent \$195.4 million since the early 1980's on remediation activities.

Wildlife and Wetlands Protection Efforts

SJI's commitment to the environment extends to our community involvement activities. The company provides corporate support to various organizations in the form of sponsorships and donations. SJI provides funding for the following organizations that work to protect wildlife and wetlands areas in New Jersey.



- ◆ The New Jersey Audubon fosters environmental awareness and conservation, and protects New Jersey's bird, mammals, plants, and endangered species. SJI is part of a unique group of New Jersey companies that make up the Corporate Stewardship Council, united behind a common goal of environmental sustainability and responsibility as it pertains to the land they own. Each member company works closely with New Jersey Audubon to evaluate habitat restoration or enhancement potential on its property or affiliated sites. Once identified, the partners work together to develop and implement a conservation plan intended to improve upon existing conditions and enhance habitat for rare wildlife and plants.
- ◆ The Wetlands Institute in Stone Harbor, N.J., a non-profit that promotes appreciation of wetlands and coastal ecosystems, is an organization SJI has supported for several years, encouraging stewardship of ecosystems worldwide.
- ◆ The Jersey Shore Partnership is an advocate of initiatives that are important to the Jersey Shore coastal communities with an emphasis on shore protection and beach replenishment, including tourism, coastal resources, vital infrastructure, education and emergency preparedness - issues which are also of importance to SJI. We have supported this organization through board membership and contributions for several years.
- ◆ The Woodford Cedar Run Wildlife Refuge seeks to protect the environment through rehabilitation, education and habitat preservation. SJI provides funds to support the refuge in educating more than 19,000 students each year on animal species and habitats, expanding their knowledge of nature. Our funding also assists in covering the animal care costs associated with rehabilitating animals and with maintaining and improving the 174 acres of the Pinelands they have preserved as part of the Green Acres program. The refuge cares for more than 4,000 orphaned or injured animals each year. Animals that are un-releasable often serve as education ambassadors to teach children and others about different species and their habitats as part of the educational programs they host at the center.

Air Impacts

Climate change represents a serious challenge for virtually all industry sectors – particularly those dealing with energy generation and distribution. At a national level, the debate has moved past discussions about science and is now focused squarely on policy responses. In the last three years, several key policies have been initiated to facilitate more detailed accounting of company greenhouse gas (GHG) inventories and potential regulations to restrict GHG emission levels.

The US Environmental Protection Agency finalized a Mandatory Greenhouse Gas Reporting Rule, which required LDCs like South Jersey Gas to put in place monitoring and recordkeeping systems that are establishing the baselines for reporting that went into effect in 2010.

SJI management understands that there are risks and opportunities associated with this challenge. Our responsibility to customers and shareholders is to prepare for a carbon-constrained economy in the future. Our company has taken action to better understand the sources and magnitude of GHG emissions for our overall enterprise, including an enterprise-wide GHG inventory completed in 2010. Using this information, we are regularly evaluating options to reduce GHG emissions within our operations and continue developing options for our customers to reduce their emissions as well. We are committed to remaining informed about GHG policy developments and to developing strategies that allow us to capitalize on opportunities stemming from climate change initiatives.

Managing Materials and Resources

Recycling

All SJI facilities have recycling programs in place. Recycled materials include paper, cardboard, glass, plastic and aluminum. Because we have numerous vendors collecting from our facilities, including county and municipal entities, our ability to quantify the amounts of recycled materials is very limited. We put a single stream recycling program in place in our headquarters and in three of our divisional locations that do not have county or municipal pickup. This type of program will allow us to increase our volume of recycled materials as well as quantify the amount of materials recycled outside of the county or municipal pickups.



In addition to recycling lighting elements, such as fluorescent light tubes and lighting ballasts, SJI also recycles IT equipment, including PCs, monitors, batteries and mainframes.

Energy Consumption and Energy Efficiency

Over the past several years, SJI has examined company facilities and operations seeking opportunities to become more energy efficient. SJI implemented a boiler/heater and air conditioning replacement program in 2001 whereby higher efficiency units are installed in all company locations as existing units reach the end of their service lives. Boilers in our corporate headquarters and one divisional office have been replaced with more efficient units resulting in less natural gas consumption. Between 2005 and 2011, 30 of 35 natural gas fired absorption air conditioning units at divisional facilities were replaced by higher efficiency models also resulting in less natural gas consumption. The remaining replacement units are planned for the next five years.

Other efforts to reduce electric and natural gas consumption at our facilities include interfacing all HVAC equipment into automated energy management systems. Thus far we have completed these projects in our corporate headquarters and three divisional locations. Similar systems are planned for the remainder of our divisional facilities over the next five years.

During 2006 and 2007 we installed lighting occupancy sensors at our corporate headquarters and in the office space at SJG's divisional offices. Sensors were installed in the inventory storerooms at the divisional offices in 2008. All utility offices and our corporate headquarters were retrofitted with energy efficient lighting. Through the installation of sensors and new lighting the company has reduced electric consumption.

SJI also installed spray polyurethane roofs to replace traditional roofing systems at five SJI facilities from 2001 to 2009. This type of roofing system provides a higher insulation value, which reduces energy consumption.

In addition, over the past several years SJI's IT department has switched from CRT (Cathode Ray Tube) to LCD (Liquid Crystal Display) monitors, which has helped to reduce electrical and cooling requirements for these systems.



Solar Projects at SJI Facilities

At the close of 2009, two solar projects were completed at SJI facilities – one at the corporate headquarters in Folsom and the other at the company’s McKee City facility. Folsom’s solar system has provided approximately 5 percent of the building’s energy needs, while the McKee City system is generates 100 percent of the energy needed at both its operating office and LNG plant.

Water Management

Water control faucets and water conserving fixtures were installed during restroom renovations or when repairs/replacements are required in our company locations.

Green Cleaning

SJI employs a janitorial service to clean its facilities. This company uses only Green Seal Certified cleaning products, which have a low impact on the environment. HEPA vacuum cleaners are used to improve indoor air quality and only microfiber mop heads and rags are used, laundered and reused.

Social Impact

Labor Philosophies, Policies and Practices

SJI has policies and procedures in place that help us acquire and retain high quality employees. We expect our employees to perform their jobs in conformance with commonly accepted workplace standards, courtesy and common sense. Our employees’ actions are guided by our corporate values of integrity, highest standards of safety, innovation, performance and respect.

SJI’s Human Resources Policy addresses Equal Employment Opportunity and Affirmative Action/Non-Discrimination practices. SJI is fully committed to ensuring that the principles of Equal Employment Opportunity and Affirmative Action and Non-Discrimination are enforced and endorsed by all employees.

The policy states that SJI will:

- ◆ Recruit and hire employees without regard to race, color, religion, gender, sexual orientation, age, national origin, physical or mental disability or veteran’s status
- ◆ Treat employees equally with respect to compensation, benefits, layoffs, termination, opportunities for advancement, including upgrading, promotion and transfer and all other privileges, terms and conditions of employment
- ◆ Provide equal employment and advancement opportunities on the basis of individual qualifications and job performance
- ◆ Maintain a working environment that is free from harassment

Employee Recruitment

SJI’s goal is to attract, develop and retain the best talent and leaders who are reflective of our diverse customer base. We are focused on creating a culture where all employees feel respected, appreciated and are able to contribute value based on their skills, knowledge and experiences to generate new ideas and provide superior service. SJI uses a variety of means to recruit employees for open positions:

Website: In 2010, SJI implemented a new online applicant tracking system that provides a number of benefits to the company in the area of recruitment. In addition to improving productivity and efficiencies, the system

enables SJI to attract and focus on the most appropriate candidates for positions. The new system is available on SJI's website, www.sjindustries.com, under the heading Employment Opportunities. Anyone who has internet capabilities can view and apply for open positions.



Internet Job Boards: Postings on CareerBuilder.com and other sites targeting specific fields of talent as appropriate attract external candidates to SJI.

Industry/Trade/Affinity Group Organizations: Depending upon the position we're seeking to fill, we contact various organizations to ensure appropriate expertise and diversity of candidates. As an example, if we are looking to fill an engineering position we may contact the following organizations: American Society of Civil Engineers, New Jersey Professional Engineers, Society of Women Engineers, and National Society of Black Engineers.

Newspaper Advertising: When advertising in newspapers we identify our company as an Equal Opportunity Employer in all ads displaying our commitment to diversity.

Technical School and College Recruiting: When recruiting is necessary at technical schools and colleges we include those attended by minority group members, veterans and the disabled.

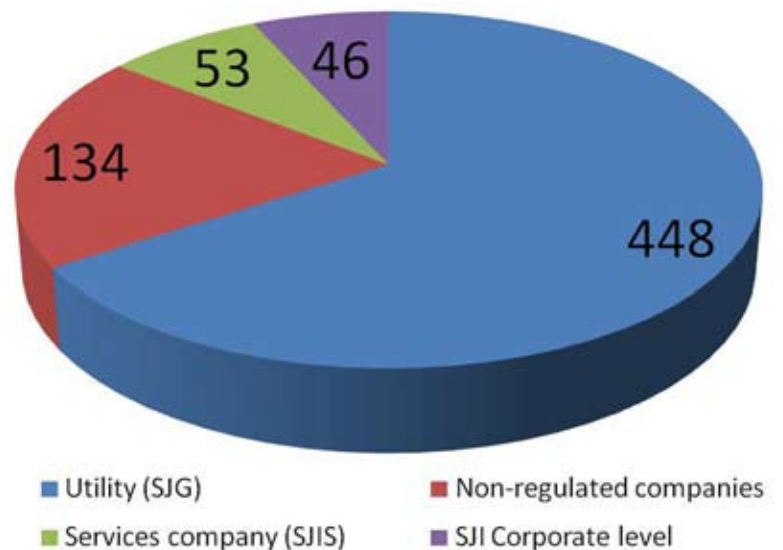
Use of Recruitment Consultants: For hard-to-fill positions we use recruiting firms to identify talented individuals. One consultant in particular has a green collar staffing division that connects eco-friendly companies with qualified and like-minded talent. This company also donates a portion of their profits to environmental/conservation organizations. The consultants represent minorities, veterans and the disabled as well.

Social media: As of August 2012, SJI also promotes its open positions on its social media sites, including Facebook and Twitter. Access to these pages can be found by going to [facebook.com/southjerseyindustries](https://www.facebook.com/southjerseyindustries) and on Twitter @sjindustries.

Workforce Demographics

As of June 30, 2012, SJI had 681 employees:

- 46 at the SJI corporate level
- 448 in the utility (SJG) encompassing all locations
- 134 in the non-regulated companies (SJES and its subsidiaries)
- 53 in the services company (SJIS)



Forty-eight percent of our total workforce at SJI is represented by unions:

	International Association of Machinists (IAM) Local 76	International Brotherhood of Electrical Workers (IBEW) Local 1293
South Jersey Gas Company		
Glassboro	50	
Pleasantville	46	
Millville	37	
Waterford	30	
McKee City	16	
Folsom	67	
Swainton		38
South Jersey Energy Service Plus	37	5

Governing Bodies

Composition of SJI Board of Directors.

	Age Group			Racial Group		
	Under 50	Between 50-60	Over 60	Caucasian	African- American	Asian
Women	1	2		2		1
Men		4	3	6	1	

Composition of SJI Senior Officers.

	Age Group			Racial Group		
	Under 50	Between 50-60	Over 60	Caucasian	African- American	Asian
Women	2			1	1	
Men	1	4		4	1	



Diversity

SJI works to ensure that all levels of the workforce reflect the composition of the region we serve. Our commitment to inclusion includes welcoming and supporting employees from all backgrounds so they can achieve their full potential. We strongly believe that differences of culture, circumstances and view play a key role in broadening our ability to grow our company and that a diverse workplace maximizes employee performance and creates value for our customers and our shareholders. During 2010, SJI established a Diversity Council to recommend, implement and ensure communication of the company's diversity strategy and policy. One of the council's primary tasks is to recommend updates to SJI's Diversity Policy. In addition, the council reviews initiatives and seeks employee feedback regarding opportunities for creating a diverse and inclusive workforce and workplace environment.

Since 2005, SJI's minority representation has risen. In 2011, minorities and females accounted for 17.7 percent of our workforce.



As part of our diversity activities, we created a Women’s Leadership Initiative founded on the principle that the participants and SJI will benefit from the encouragement of growth and development, on-going mentoring and the sharing of information and expertise. The group strives to develop a strong community where members communicate, educate, collaborate, influence, network with and encourage one another. The Leadership Initiative shares ideas and information throughout the organization and sponsors educational activities and that are not exclusive to the group’s membership but that benefit the organization as a whole.

The group is supported by three key committees tasked with identifying activities that will allow the women of SJI to create connections and support across functional areas and throughout the organization. The Community Service Committee identifies and develops community service initiatives to benefit key agencies and non-profits throughout the region. The Education Committee was formed to create a culture that encourages learning and growth by providing opportunities that support education and encourage collaborative and professional dialog. To achieve this mission, the committee offers educational opportunities, including a distinguished speaker’s series and an audio conference series,

to assist in the advancement of leaders at SJI. The Networking and Mentoring Committee works to develop networking events as well as coaching and mentoring opportunities both with internal staff and external mentors from a variety of organizations.

In addition to our Women’s Leadership Initiative SJI’s senior executives actively participate in women’s leadership organizations such as Executive Women of New Jersey, which promotes the advancement of women to the highest levels of business, the professions, and government, and; the Forum of Executive Women, which leverages the power of executive women in the Greater Philadelphia region to expand the impact and influence of women leaders.

In late 2010, SJI was also awarded “Company of the Year” by the National Association of Women Business Owners – Southern New Jersey Chapter because of our commitment to the growth and success of women in our organization and industry.



In February 2010, SJI formed a South Jersey Chapter of the American Association of Blacks in Energy. AABE is a national association of energy professionals founded and dedicated to ensure the input of minorities into the discussions and developments of energy policy regulations, R&D technologies, and environmental issues. The group was chartered in May and they are in the process of expanding membership to other organizations in southern New Jersey.

The South Jersey Chapter has three standing committees: Networking and Communication; Community Service and Scholarship; and Education and Awareness.

The purposes of AABE are the following:

- ◆ To serve as a resource for policy discussion of the economic, social and political impact of environmental and energy policies on minorities.
- ◆ To ensure involvement of minorities in governmental energy policymaking by recommending capable, sensitive and informed personnel to appropriate officials.
- ◆ To encourage both the public and private sectors to be responsive to the problems, goals and aspirations of minorities in energy-related fields.
- ◆ To encourage minorities students to pursue careers in energy-related fields and to provide scholarships and other financial aid for such students.

SJI's Supplier Diversity Program is another example of our commitment to diversity and inclusion. We value the contributions of a diverse array of suppliers to support SJI's team in providing exceptional customer services and products. Our Supplier Diversity Program aims to increase opportunities for retailers while expanding the number of women and minority owned vendors with whom we do business. SJI is proud to be a member of the New Jersey Board of Public Utilities' Supplier Diversity Development Council, which is dedicated to forging effective working relationships between minorities, service disabled veterans and woman-owned businesses and New Jersey's public utilities.



Fairness Training

SJI regularly trains its employees to avoid engaging in behavior that could constitute discrimination or harassment based on a characteristic prohibited by State or Federal law. In addition, we train employees on what to do if they view or feel they are victims of harassment or discrimination. As part of this training, company policies on anti-harassment and discrimination that strictly prohibit harassing and/or discriminating behavior, are reviewed with employees.

We provide ethics training to newly hired employees within a short time of hire that encompasses anti harassment/discrimination training. Further, we give new hires our HR policy/procedure manual, which contains anti harassment discrimination policies and employees sign off on an acknowledgment of receipt and understanding of those policies.

The company also provides employees with a web portal through which they can anonymously report behavior they believe to be problematic. Through MySafeWorkplace.com employees have access to a third party complaint mechanism in addition to the company's internal complaint procedures.

Occupational Safety and Health

Philosophy/Policy

Public safety and the safety of our employees are primary concerns of SJI. We view the enforcement of a safe work environment as a shared responsibility among all employees. SJI has based its safety philosophy on six principles:

- ◆ All injuries can be prevented
- ◆ Management is dedicated to preventing injuries and illnesses
- ◆ All hazards can be controlled
- ◆ Safety is a condition of employment
- ◆ Employees must be trained to work safely
- ◆ Preventing injuries is good business for everyone

Safety and Health Steering Committee

SJI has in place an effective Safety and Health Steering Committee that leads the development of the company's safety and health environment by providing guidance, making decisions and establishing policies that reduce accidents and injuries and maintain or improve the health of our employees, contractors and the general public. The committee is comprised of members of both management and bargaining unit employees. The steering committee's responsibilities are to:

- ◆ Ensure that safety remains a core value for the company by providing oversight of safety performance and leading communications activities in areas of safety and health

- ◆ Establish goals, policies and programs that support the creation of a safe and healthy work environment
- ◆ Promote accountability for safety at all levels of the organization
- ◆ Ensure that adequate resources are provided to achieve the company's safety and health goals
- ◆ Evaluate the effectiveness of the company's safety and health programs and modify programs as required to improve performance
- ◆ Evaluate the impact of legislation or regulatory actions in the areas of safety and health and ensure responses to the changing environment are timely and appropriate
- ◆ Ensure that lessons learned from safety incidents are communicated and implemented across SJG
- ◆ Safety is our number one operational priority, and our safety program has continued to produce excellent results.

Safety Goals

In 2012, SJG continued its commitment to reducing the number of OSHA recordable incidents and preventable motor vehicle accidents. Our goal in 2012 is to aggressively pursue improvement in safety performance with the ultimate goal of zero injuries and zero preventable motor vehicle accidents, while tracking our injuries and determining the root cause of injuries. We attempted to match or reduce the number of incidents that occurred during the best year of the last 3 years.

	Incident/Accident Targets	Incident/Accident Actual*
OSHA Recordable Work Incidents	<14	13
Lost Time Accidents	<7	4
Preventable Motor Vehicle Accidents	<7	4

**YTD Actual as of June 30, 2012*



Our goals are not limited to only reducing the number of incidents, but improving safety awareness. We have developed the following goals for 2012.

- ◆ Develop and implement a plan to reduce the number of excavation damages per 1,000 tickets received by 25% as compared to 2011. The SJG damage rate was 5.39 damages per 1,000 tickets in 2011. Through June, our damage rate is 4.76 per 1,000 tickets. Our goal is a damage rate of 4.04 per 1,000 tickets.
- ◆ Revise and implement an enhanced cross-bore procedure.
- ◆ Review the SJG safety training program, make changes as required, and complete a minimum of 90% of identified training. Currently 61 percent complete.
- ◆ We are working to improve our ability to learn from safety incidents, near misses, and safety suggestions. This will include completing accident investigations within 7 days of an incident and communicating lessons learned throughout the organization within 30 days of each incident.
- ◆ Develop and implement a plan to reduce the number and cost of ergonomic related injuries.

We are implementing leading safety indicators through management accountability, effective training programs, and creating ownership of the safety process. Specific leading indicators being measured are: number of first aid cases being reported; number of near

misses reported and investigated; percent of shared safety meeting minutes; and number of safety recognitions for positive safety behavior.

Our monthly safety committee meeting issues are reviewed at each Safety and Health Steering Committee. There is follow up with an action plan for each item discussed until the issue is resolved.

Utility Safety Training

SJG's technical training center provides necessary training revolving around safety practices to service and street department employees. Some of the programs offered include:



- ◆ Defensive driving
- ◆ Coaching utility truck drivers
- ◆ Cathodic protection procedures
- ◆ Forklift operator training
- ◆ Hazard communication
- ◆ Proper lifting techniques
- ◆ Safety related training programs

Through June 2012, SJG has had four preventable motor vehicle accidents. We will continue to provide the necessary driver training to all employees with the goal of bettering our performance in the future.

Our training staff also provides training to fire departments in our service area. The training program instructs fire personnel on how to respond to emergency situations involving natural gas. Recently, we updated this training with a presentation we developed in house. The training uses PowerPoint and videos to emphasize the importance of proper response by first responders. This new presentation has been given to eight fire departments since December 2011.



Emergency Response Preparedness

The Federal Office of Pipeline Safety has pipeline public awareness requirements that utilities such as SJG must comply with based on American Petroleum Institute Recommended Practice 1162 and DOT Pipeline Public Awareness Rule. Public awareness programs are important in helping the public understand that pipelines are the major transportation system for natural gas in the United States, how pipelines function and their responsibility to help prevent damage to pipelines. When effectively and consistently managed, a public awareness program can enhance public safety, improve pipeline safety and environmental performance, build trust and better relationships with the public along the pipeline route and enhance emergency response coordination.

SJG's pipeline safety awareness program targets messages to customers, non-customers who live near pipeline facilities, emergency officials, public officials and excavators.

As part of our safety awareness efforts, SJG personnel are involved in the Common Ground Alliance. This group raises facility damage prevention awareness on a national and statewide basis. The national 811 "Call Before You Dig" phone number is promoted through bill inserts, news releases and social media messages, on our website, through municipal meetings, and in lunches and dinners involving first responders and excavators. During these events we make presentations that educate first responders and excavators on exercising care when excavating or doing construction work. A new breakfast presentation was developed by the four NJ natural gas distribution companies along with the BPU and NJ One Call that is targeted at excavation contractors. Two presentations were given in the SJG service territory in 2011 and three presentations were given in 2012.

As a result of our educational activities, the number of damages to our facilities has decreased over the years. From 2007 through 2011, the number of damages per 1,000 calls for a markout has decreased by 27%. This shows an increased awareness by the excavating community of the care needed in working around our facilities. The number of damages in instances when no call was made for a markout made up 33.7% of all damages to our facilities in 2007. In 2011, this decreased to 27.1% of all of the damages to SJG facilities. This shows that excavators are recognizing the importance of calling for a markout before they dig.

Our 2012 goal is to reduce our damage rate by 25%. This will be a challenge for all involved in the process. Through April 2012, we have reduced the damage rate by 9.1% over the 2011 final number

Non-regulated company safety training

SJI has a very active safety committee that meets on a regular basis. Driver training is provided across the organization to meet the needs of each of the various business units.



Employee Health & Wellness Program

SJI recognizes the importance of promoting healthy living and equipping its employees to make positive lifestyle choices. The company recently took steps to develop and initiate a comprehensive corporate wellness program. In addition to outfitting SJI employees with the tools to manage and improve their health through education and motivation, the development of a corporate wellness program is expected to provide other benefits as well.

Promoting healthy, safe behavior is fundamental in improving overall health and can lead to reduce absenteeism, improved capacity to learn, improved ability to focus and improved mental alertness. A wellness program can also positively impact employee retention, as employees are more likely to be attracted to, remain with and value a business that supports and encourages wellness at a corporate level.

Health and wellness programs have financial benefits as well, as over a period of time; they have the potential to reduce health care costs for corporations and their employees. These programs have been proven to provide significant return on investment, averaging about \$3-\$6 for every \$1 invested in health cost savings. Research also indicates that wellness programs reduce the number of short and long-term disability and workers' compensation claims.

Discount Programs	Fitness Activities	Educational Seminars
<p>Cafeteria Healthy Menu Subsidy: "It Pays to Eat Healthy." Rolled out in 2011, employees can select food items from the Healthy Heart Menu for a 50% discount.</p> <p>Wellness Reimbursement Program. For the Spring, 2012, employees were reimbursed 50% of their gym membership or weight loss fess (up to \$30 per person) for self plus one dependent.</p> <p>Corporate Gym Rates. SJI has negotiated discounted corporate rates with local fitness facilities.</p>	<p>Biggest Loser Competition</p> <p>National Start Walking Day</p> <p>March of Dimes</p> <p>Heart Walk</p> <p>Walking Trail on corporate campus</p> <p>Blood Drive</p> <p>Zumba classes</p> <p>Yoga classes</p> <p>Mammogram mobile</p> <p>DVD Fitness Lending Library</p>	<p>Diet & Nutrition</p> <p>Healthy Eating</p> <p>Back Pain</p> <p>Women's Health</p> <p>Heart Health</p> <p>Men's Health</p> <p>Caring for Aging Family Members</p> <p>College Planning</p> <p><i>These sessions were offered in conjunction with organizations such as American Heart Association, Cigna and South Jersey Healthcare.</i></p>

Smoke Free Workplace

In 2009, SJI implemented a smoke free campus policy to promote better health, provide a comfortable working environment and to ensure compliance with applicable laws. The policy was developed to protect all employees, customers and visitors from exposure to secondhand smoke and reduce the death and diseases caused by tobacco use. The policy applies to inside and outside of company premises and also extends to company vehicles.



Employee Development

SJI has established a formal process of analyzing and reviewing the performance of every supervisory, administrative and professional employee by his or her immediate supervisor once a year. The company has adopted the balanced score card approach to aligning corporate objectives with the objectives of each business unit, department and individual in the company for management level employees. This strategy ensures that the work being performed by every individual is linked to the organization's vision and strategic objectives. Management employees are also rated annually on a set of competencies in addition to the attainment of their balanced scorecard objectives. Midway through the review year, supervisors conduct a mid-year review to address how their employees are performing against their objectives and competencies. This meeting is an open discussion that allows for two-way communication. Supervisors provide positive reinforcement and constructive feedback during these discussions and employees have the opportunity to express concerns and ask for support.

Approximately 21 percent of SJI's workforce is comprised of supervisory and above employees who participate in the formal review process. Informal communication of performance is also provided to all employees as part of the supervisor/employee relationship.

Career development training and educational opportunities exist for SJI's employees. SJI subject experts conduct a course for supervisory employees based on the Public Utilities

Reports Guide, which is a training manual containing all the basic principles needed to succeed in the utility industry. The PUR course covers the topics of public utilities, regulation, delivery of service, rates and ratemaking, accounting, finance, organization and management, and market issues. Employees also attend conferences, seminars and participate in other development venues as needed to expand their skills and expertise. In addition, employees and supervisors identify specific training needs and develop individual plans that address appropriate training opportunities.



In 2010, SJI began a rotational management development program called POWER.

Through POWER, SJI seeks to hire external employees to place in key, strategic business functions to develop them into tomorrow's leaders. Two candidates completed the POWER program in August 2012, one in SJES and the other in SJI; a third POWER employee joined SJES in 2011. Due to the success of the program, SJI seeks to expand the program to draw more talented, well-qualified employees to our organization. Given the complexities of the energy industry and our own organization, a management development program provides an excellent way for employees to learn the business and prepare for greater responsibility.

Tuition Assistance

SJI encourages full-time employees to develop their skills to improve their performance in their current jobs and prepare themselves for future promotional opportunities. As such, the company provides a tuition assistance program for courses offered by approved institutions of learning, such as accredited colleges, universities and trade schools. Courses

must be directly or reasonably related to the employee's present job or another position within the company, or part of a degree program.

Internships

Our internship programs offer local college and university students the opportunity to experience working in their chosen fields under the guidance of SJI employees. While giving students the ability to hone their skills on the job, SJI benefits by identifying potential candidates for future employment, particularly in critical areas such as engineering, internal auditing and accounting.



Public Policy

SJI is active in promoting public policy initiatives that further the best interests of our business. As a member of the Board of Directors of the Hughes Center for Public Policy at the Richard Stockton College of New Jersey, SJI Chairman President and CEO, Edward J. Graham, has carved out an active role for the company in promoting green energy information, resources and programming.

SJI has been a member of Choose New Jersey since 2010, where our CEO remains on the Board of Directors. Choose New Jersey is an independently funded and operated 501(c)(3) nonprofit corporation created to encourage and nurture economic growth throughout New Jersey.

The company also provides financial support to the Rutgers Center for Energy, Economic and Environmental Policy. These funds provided critical support to the Center’s collaboration with the John J. Heldrich Center for Workforce Development to develop information regarding workforce needs and development in the energy industry. This information has subsequently contributed as a resource in the development of statewide curriculum for green job training programs.

Charitable Giving/Employee Community Spirit

SJI is committed to continuing and strengthening its role as a true community partner throughout Southern New Jersey and beyond. Through our Social Investment grants program, we strive to support initiatives that positively impact a diverse mix of residents in the communities we serve. We recognize that an investment in our community is an investment in our children, our economy and our future.

SJI provides funding to qualifying 501(c)(3) non-profit organizations demonstrating the ability to positively impact our communities, while focusing on needs that closely coincide with the company’s strategic social investment goals.

We assist as many local residents of our utility service area as possible, addressing the critical needs of our communities through our support of community programs, projects and initiatives. When allocating our social investment dollars, we focus on organizations that address the following core priority areas:

Health and Social Services	Improving the quality of life for residents of Southern New Jersey, specifically addressing the health and welfare of our region’s women, children and families.
Economic Development	Strengthening the communities of Southern New Jersey by enhancing the economic vitality of the region through programs that create or retain jobs, stimulate growth and economic development, and increase tourism.
Cultural Diversity	Improving the communities of Southern New Jersey by promoting in our region cultural diversity and exposure to the arts through a variety of outlets.
Vocational and Technical Education	Improving the quality of life for Southern New Jersey residents by encouraging life-long learning efforts.
Environmental Preservation	Improving the communities of Southern New Jersey by protecting our region’s environment and natural resources through education, advocacy and grassroots efforts.



In fulfilling our pledge to serve the community, SJI has provided more than \$3 million in financial support to local non-profit, business and civic organizations in just the last five years. SJI supports more than 150 civic and non-profit organizations each year that directly and positively impact the customers and communities we serve. In addition, our employees volunteer countless hours of their time to support both business and social service organizations. Following are some notable examples of our involvement.

We are committed to helping ensure that a quality education remains accessible and affordable for today's students and we are pleased to participate in the School Counts! Scholarship program. Each month, SJG's customers are given the option to donate \$1 by checking a box on their SJG bill to commit their support to our local community colleges. As a result of this initiative and the generosity of our customers, our local community colleges have received more than \$59,000 in scholarship funds. These funds help reduce out of pocket educational expenses for qualifying high school seniors in our area. Through the program, students learn the necessary job and life skills required to be contributing members of the workforce, guaranteeing that area employers have access to educated, skilled workers.

SJI is a proud supporter of the United Way, a pillar in our local communities and a provider of numerous social service programs. In 2011, SJI employees participated in a successful workplace fundraising campaign that benefitted the programs of 12 United Way offices. Through this campaign, our employees pledged more than \$97,000, an increase of more than \$10,000 over the prior year's employee commitments. Additionally, through June 2012 SJI provided corporate contributions totaling nearly \$78,000 to those agencies.



Two new funding programs under the SJI umbrella celebrating great inaugural success are SJG's Game on Grants and SJES' Energy for the Arts. Game on Grants awards 20, \$500 grants designed to provide critical support needed to sustain local, community-centered athletic programs, leagues, clubs, associations, and recreational organizations for children. Energy for the Arts awards 15, \$1,000 grants designed to provide critical support for competitive arts programs for school-aged children in our community.

Over the last three years, SJI has focused its efforts to provide increased support to organizations advocating diversity in the workplace, totaling more than \$70,000.

In addition to our corporate financial support of the organizations mentioned and many others, SJI offers a working environment that encourages employees to be active, contributing members of their communities. For many of our employees, community service is a way of life as they enthusiastically dedicate their time to serving others. Many of our employees serve on non-profit boards, committees and leadership panels.

We recognize that part of SJI's success is rooted in our commitment to social investment. The relationships developed through our charitable giving programs are critical to helping

build revenue opportunities that sustain our business. Maintaining these relationships and working to identify new opportunities is a job we continue to take very seriously.

Forward-Looking Statement

This report may contain forward-looking statements. All statements other than statements of historical fact included in this report should be considered forward-looking statements made in good faith by the company and are intended to qualify for the safe harbor from liability established by the Private Securities Litigation Reform Act of 1995. When used in this report words such as “anticipate”, “believe”, “expect”, “estimate”, “forecast”, “goal”, “intend”, “objective”, “plan”, “project”, “seek”, “strategy” and similar expressions are intended to identify forward-looking statements. Such forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those expressed or implied in the statements. These risks and uncertainties include, but are not limited to, the following: general economic conditions on an international, national, state and local level; weather conditions in our marketing areas; changes in commodity costs; the timing of new projects coming online; changes in the availability of natural gas; “non-routine” or “extraordinary” disruptions in our distribution system; regulatory, legislative and court decisions; competition; the availability and cost of capital; costs and effects of legal proceedings and environmental liabilities; the failure of customers, suppliers or business partners to fulfill their contractual obligations; and changes in business strategies. SJI assumes no duty to update these statements should actual events differ from expectations.



South Jersey Industries
1 South Jersey Plaza
Folsom, NJ 08037-9917
www.sjindustries.com
609-561-9000