



CORE STRENGTH. STRONG GROWTH.



A photograph of an office interior with a large orange semi-circular overlay on the right side. In the background, a man is seated at a desk with a computer monitor, and a woman is seated at another desk. The office has modern decor, including a long light fixture on the ceiling and glass partitions.

# CORE STRENGTH. STRONG GROWTH.

**Focused on our core strength — providing safe, reliable, affordable energy services, ensuring the safety of our employees, customers and the communities we serve, while delivering value for our shareholders — SJL remains positioned for strong growth.**

# LETTER TO SHAREHOLDERS

**Our strength comes from our core and we have decades of results to prove it — from serving customers, to developing talented employees, stewarding the environment and delivering for shareholders.**

In 2019, we emerged a better, stronger SJL. Navigating the challenges of a transition year, while making significant progress toward the goals of our strategic plan and aligning our investment strategies with the New Jersey Energy Master Plan for sustainable growth into the future.

As the owner and operator of two New Jersey utilities the EMP informs and shapes our strategy. However, we also recognize that moving too quickly toward electrification and a rapid expansion of renewable technology can have an adverse impact on our customers and local economy. While we remain committed to our role as partners with the state, we also recognize the importance of natural gas as a safe, reliable, affordable and environmentally-friendly bridge fuel that will support properly calibrated transition to renewable energy.

## **We advanced the integration of our gas utilities.**

In our first full year operating Elizabethtown Gas, we positioned this business for success as transition service agreements culminate. We've successfully integrated people, processes and technologies critical to future strong growth. In all our efforts we've shared lessons learned and best practices to establish a 'Best of Best' approach. We increased the number of customer service representatives based in New Jersey, built an Elizabethtown Gas dispatch team, stood up the space and technology demanded to ensure customers are served safely. The team also made notable progress in system development projects that will allow this business to operate independent of transition services in 2020.

## **We strengthened our balance sheet.**

In December 2019, SJL finalized agreements to sell both its Marina Thermal Facility, in Atlantic City, NJ, and the Elkton Gas utility, in Elkton, MD. These asset sales support our strategic plan — focusing investments, energy and resources on our core utilities in New Jersey — while strengthening our balance sheet in support of future opportunities for innovation and growth.

## **We achieved exceptional regulatory outcomes.**

Investments in utility safety, growth and reliability assets drove earnings growth in 2019 — with our utilities achieving record financial results. In June, Elizabethtown Gas received authorization from the New Jersey Board of Public Utilities (NJBPU) for a \$300M, five-year infrastructure investment program. Additionally, in November the NJBPU approved a base rate change for Elizabethtown Gas — reflecting substantial capital investments made to enhance system safety, reliability and resiliency. With this settlement, annual revenues from Elizabethtown Gas base rates are expected to increase by \$34 million.



**We improved our safety and customer satisfaction results.**

Our commitments to safety and customer satisfaction drive the decisions we make every day. At South Jersey Gas, we were able to reduce Occupational Safety and Health Administration recordable incidents for the third year in a row. Also, in our first full year operating Elizabethtown Gas we also saw a reduction in recordable incidents. We also saw customer satisfaction scores improve across our utilities. Elizabethtown Gas rated first in customer satisfaction for residential gas service among east midsize utilities for the fifth year in a row by J.D. Power & Associates and scores improved across all categories in the same ratings for South Jersey Gas.

**We invested in new sustainable energy sources.**

Reflecting our commitment to sustainability, we invested in new, sustainable energy sources in 2019. In August, South Jersey Gas entered into an attributes-based supply agreement for renewable natural gas. In November, South Jersey Gas began using certified responsible natural gas in its system.

As part of the renewable natural gas agreement, South Jersey Gas is displacing traditional natural gas dispensed at its owned and operated CNG stations with renewable natural gas sourced from an out of state landfill biogas project. This renewable natural gas supply will further reduce greenhouse gas emissions for all CNG fleets using the stations, including the South Jersey Gas fleet.

Our certified responsible natural gas provides us with a solution to deliver the same quality of service to our customers while reducing our environmental impact. The product is certified and rated based on factors such as emissions, well integrity and community engagement, providing us with the assurance that it is the best product we can provide for our customers and the environment. These investments reinforce the foundation for a sustainable business and energy future for the region.

These accomplishments — and the others highlighted in this report — made for an exciting and successful 2019. We continue to be impressed by our team and their willingness to collaborate, innovate and lead to drive the results that move SJI forward.

What's next will be exciting for SJI as we work to strike a balance between critical infrastructure investments to modernize our system; new projects to ensure adequate supply and redundancy; and new investments that will help us lower consumption and the carbon content of natural gas.

As we look ahead, we won't lose sight of our strengths and we'll leverage them to grow our core business and build on our success.

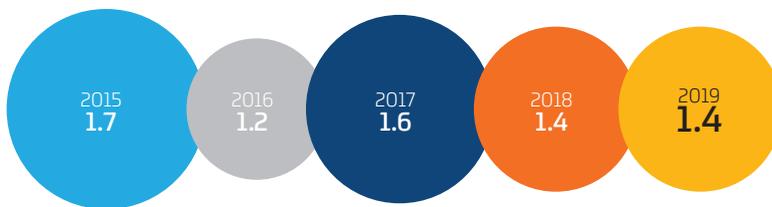
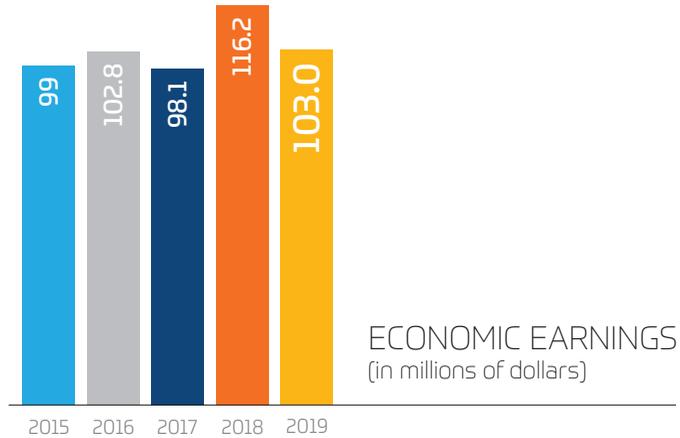
Thank you for your continued interest and investment in SJI.



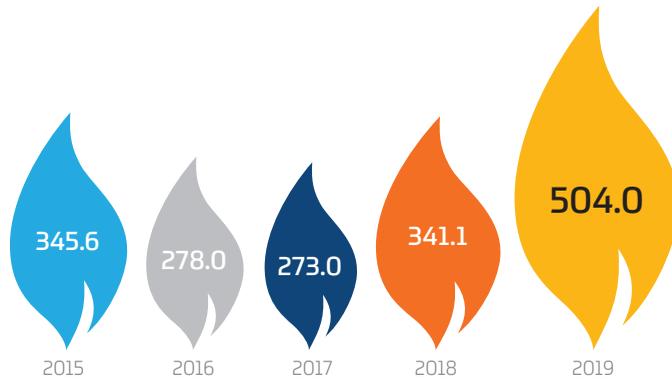
**Michael J. Renna, President & CEO**

**Walter M. Higgins III, Chairman**

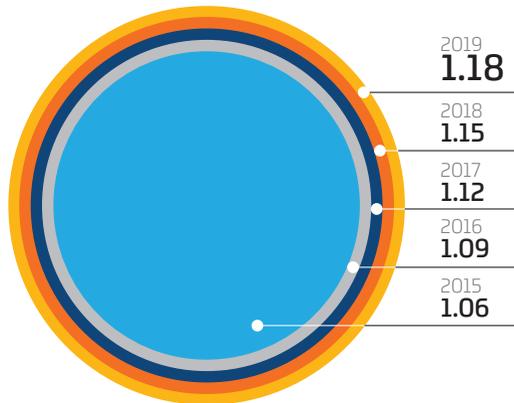
# PERFORMANCE AT A GLANCE



UTILITY CUSTOMER GROWTH RATE  
(as percentage year over year)



CAPITAL INVESTMENT EXPENDITURES  
(in millions of dollars)



ANNUALIZED DIVIDEND DECLARED  
PER COMMON SHARE  
(in dollars)



**Performance in 2019 reflected significant progress toward the goals of our strategic plan. In a year of transition, SJI achieved strong results while continuing to strengthen its balance sheet by identifying opportunities for divestitures to best support our core businesses and long-term growth.**

Economic Earnings totaled \$103.0 million, compared with \$116.2 million in 2018 reflecting increased gas utility operating performance, offset by a decline in non-utility and other operating performance. Overall, we are pleased with the full results which fell at an Economic Earnings per share of \$1.12, above the midpoint of our guidance.

SJI Utilities contributed \$122.2 million to Economic Earnings, a 37.6% increase from utility operations in the prior year, reflecting the first full-year contributions from Elizabethtown Gas and Elkton Gas. South Jersey Gas contributed \$87.4 million to earnings through infrastructure investments and customer growth. Elizabethtown Gas contributed \$34.2 million, primarily driven by the favorable outcome of the rate case. Elkton Gas added \$0.6 million to earnings.

Our commodity marketing and fuel management businesses within South Jersey Energy Group, contributed \$9.5 million to Economic Earnings in 2019. Results reflect the tightening of spreads and lack of market volatility that limited opportunities for asset optimization as compared with prior years.

Our energy production business, housed within South Jersey Energy Services, produced 2019 Economic Earnings of \$0.1 million as compared to a loss of \$0.6 million for the prior year. Results reflected the divestiture of our Marina Thermal Facility CHP assets, resulting in lower operating costs.

SJI Midstream contributed \$4.2 million to Economic Earnings in 2019, a 34.6% increase from 2018. The increase in 2019 stemmed from higher Allowance for Funds During Construction (AFUDC) as a result of higher cumulative spend.

### **Non-Utility Highlights**

In 2019 we continued to make progress on optimizing the value of our non-core, non-regulated businesses. Consistent with our plan, in December, we announced the sale of our Marina Thermal Facility CHP assets, further strengthening our balance sheet to facilitate opportunities for long-term growth in areas core to our strategic plan.



Our fuel supply management business continued to grow in 2019. We currently serve nine facilities with a contracted total volume of 1.23 BCF/day, and continue evaluating new opportunities to add contracted margin to support repeatable earnings. Despite growing contributions from our fuel management business, lower operating costs from the gas marketing divestiture in 2018 and contributions from our new, growing consulting business SJI Energy Advisors, our non-utility businesses were still impacted by unfavorable weather and tighter market spreads.

A non-utility business focused on wholesale commodity marketing, asset optimization and fuel supply management best supports our long-term growth strategy — delivering strong results, while ensuring we have the flexibility to pursue investments demanded by consumer preference and the changing political environment.

### Midstream Highlights

Progress continues on PennEast as we look forward with our partners to beginning construction on this important project — one that will, in an environmentally responsible manner, bring critical new supply to our region.

On January 30, 2020, FERC approved PennEast's petition for a declaratory order and expedited action requesting that the body issue an order interpreting the Natural Gas Act's eminent domain authority. On the same day, PennEast filed an amendment with FERC to construct PennEast in two phases.

Phase one consists of construction of a pipeline in Pennsylvania from the eastern Marcellus Shale region in Luzerne County that would end in Northampton County. Phase two includes construction of the remaining original certificated route in Pennsylvania and New Jersey. Construction is expected to begin following FERC approval of the phased approach and receipt of remaining governmental and regulatory permits.

The economic benefit to New Jersey homeowners and businesses from access to this gas, which is among the lowest priced in the country, means lower energy bills and lower costs to heat homes, cook food and power businesses. Last winter alone, PennEast would have delivered \$435 million in savings.

In addition to affordable, clean, reliable energy, PennEast will also bring 12,160 direct and indirect jobs to the region. Once operational, PennEast will deliver 1 BCF of clean and reliable natural gas from the Marcellus in Pennsylvania to New Jersey reducing our region's reliance on coal and oil as well as reducing air emissions.



# SJI UTILITIES

**SJI Utilities, the holding company for our regulated natural gas utilities, serves more than 700,000 customers across three utilities, South Jersey Gas and Elizabethtown Gas in New Jersey and Elkton Gas in Maryland.**

We are unwavering in our commitment to deliver safe, reliable, affordable natural gas service to our growing customer base. Collectively, our operational expertise allows us to identify and implement a 'Best of Best' approach, a practice that drove strong utility results in 2019.

From sales to operations to customer experience, we continued to see the benefits of collaboration, planning and data-based decisions.

## **Safety Culture**

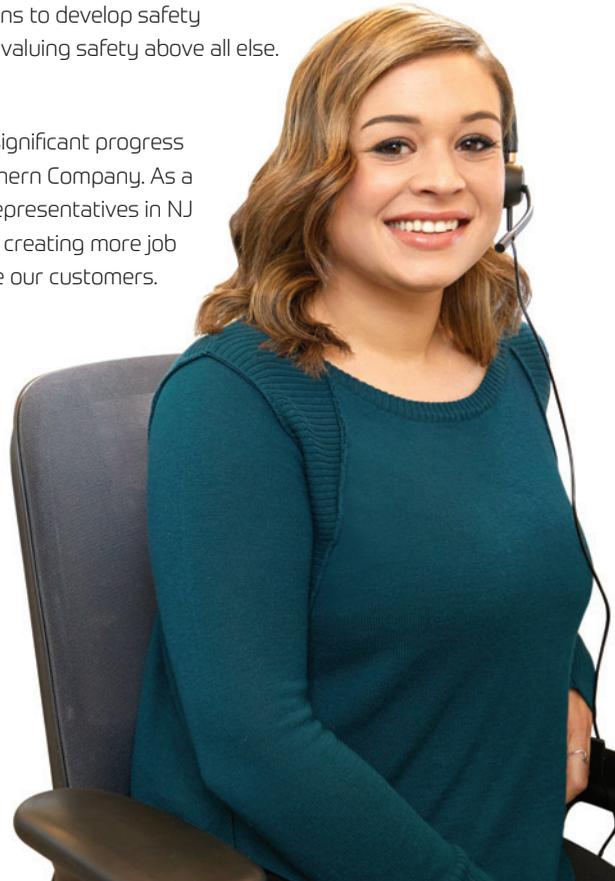
In 2019, we reinforced our commitment to safety introducing a safety culture leadership initiative designed to more clearly define how we value safety and how we can continue to foster our 'Make Every Day a Safe Day' culture. As part of this initiative, we've hosted workshops and coaching sessions to develop safety leadership skills and engage each level of leadership in valuing safety above all else.

## **Business Integration**

We continued to align our businesses in 2019, making significant progress on exiting our transition service agreements with Southern Company. As a result, we increased the number of customer service representatives in NJ and established the Elizabethtown Gas Dispatch Team creating more job opportunities and positioning ourselves to better serve our customers.

## **Customer Growth**

In 2019, our utility companies added 9,684 customers, representing a 1.4% growth rate and making us leaders among our peer-group. Customer growth was primarily driven by conversions from alternative fuels, however we continue to see a strong demand for natural gas in new construction. To sustain this growth and manage costs, our sales and marketing professionals are partnered with our operations teams to support organic and planned customer additions.



### Infrastructure Investment

Our utility companies are industry leaders in infrastructure investment. This is particularly true for South Jersey Gas, where we have executed accelerated infrastructure investment programs for two decades. In 2019, we received approval for the five-year Elizabethtown Gas Infrastructure Investment Program. Collectively we leveraged our expertise to complete gas distribution and transmission line improvements and upgrades for greater assurance of safe, reliable service. In 2019, South Jersey Gas installed 142 miles of main, Elizabethtown Gas installed 68.7 miles, and Elkton Gas installed 0.5 miles to reinforce reliability and better meet the growing needs of our customers. With safety at our core the investments we make in our system are driven by our commitment to our employees, our customers and the communities we serve.

### Customer Experience

The importance of delivering an outstanding experience for our customers is core to everything we do at our utilities — and the results of our commitment are clear. For five years in a row, Elizabethtown Gas has ranked highest in customer satisfaction for residential gas service among east midsize utilities by J.D. Power and Associates. At South Jersey Gas, we've improved our J.D. Power and Associates scores across all categories including Safety & Reliability, Billing & Payment, Price, Corporate Citizenship, Communications and Customer Service ranking in fifth place overall and about the category average in the same rankings.

Hiring additional customer service staff across South Jersey Gas and Elizabethtown Gas allowed us to spur additional job creation in the state, as well as better cater to customer needs.

Some of the efforts in 2019 to support continued excellence included increased staffing and training resources within our utilities, a new customer service training system and a new customer portal for South Jersey Gas customers. The company also established a Dispatch team at Elizabethtown Gas and a Social Media Response team at South Jersey Gas, evolving our business in support of customer needs.

South Jersey Gas employees, including new hires, participated in a new training program in 2019. The MAGIC — Make a Great Impression on Customers — training program teaches representatives best practices for working with customers as well as hands on on-the-job training.

In 2019 South Jersey activated its My Account portal — unveiling a comprehensive, safe and secure online solution to support a user-friendly approach to customer service, billing and inquiries. As portal use grows, we are encouraged by the opportunity this technology offers to optimize the customer experience and create efficiency within our business.

All the enhancements made to our customer experience in 2019 came directly from implementing our ‘Best of Best’ approach and responding directly to the feedback we received from customers on how we could better meet our customer promise: “As your trusted energy provider, we are committed to delivering safe, reliable, affordable service in a timely manner. We will employ professional, well-trained and knowledgeable staff. We will treat you with courtesy and respect. Our commitment to you as a customer is to be there, ready to serve you, when you need us.”

### Energy Efficiency

South Jersey Gas and Elizabethtown Gas have long prioritized energy efficiency programs to help customers reduce their energy consumption and costs. To date, more than 24,000 South Jersey Gas and Elizabethtown Gas customers have participated in these programs, including rebates, loans, and energy efficiency audits. In 2019, South Jersey Gas introduced its new programs approved in late 2018. These programs made energy efficiency more accessible, expanding energy efficiency home audits to all customers and introducing the South Jersey Gas Marketplace, a one-stop-shop for energy efficiency equipment available for purchase online with instant rebates.

### Energy Assistance

Across all our utilities, we continued to partner with providers to promote financial assistance for those in need, advocating for programs including the Low-Income Home Energy Assistance Program (LIHEAP), Payment Assistance for Gas and Electric (PAGE) and NJ SHARES, as well as other grants and relief funds administered by our state and federal agency partners. In 2019, these programs provided over 60,000 eligible households in the South Jersey Gas and Elizabethtown Gas service areas with nearly \$16.5 million, aided by the strategic outreach efforts of our own Energy Assistance teams.

### Elkton Gas Divestiture

In December 2019, we announced our agreement to sell Elkton Gas. The sale of this asset supports the goals of our strategic plan, to focus on our core business in New Jersey while identifying opportunities to strengthen our balance sheet. The transaction is anticipated to close in the second quarter of 2020.



“As your trusted energy provider, we are committed to delivering safe, reliable, affordable service in a timely manner.”



# BOARD AND OFFICERS

## **SJI Board of Directors**

Walter M. Higgins III (Chairman)

Sarah M. Barpoulis

Thomas A. Bracken

Keith S. Campbell

Victor A. Fortkiewicz

Sheila Hartnett-Devlin, CFA

G. Edison Holland

Sunita Holzer

Michael J. Renna (President & CEO)

Joseph M. Rigby

Frank L. Sims

## **SJI Senior Executives**

### **Michael J. Renna**

President & Chief Executive Officer

### **Steven R. Cocchi**

Senior Vice President & Chief Strategy and Development Officer

### **Cielo Hernandez**

Senior Vice President & Chief Financial Officer

### **Melissa Orsen**

Senior Vice President & General Counsel

Interim COO, South Jersey Energy Solutions and Marina Energy

### **David Robbins Jr.**

Senior Vice President

President, South Jersey Gas and SJI Utilities





### **Annual Meeting Information**

The Annual Meeting of Shareholders will be held  
Friday, April 24, 2020  
9:00 a.m.  
The Westin  
555 Fellowship Road  
Mount Laurel, NJ 08054

### **Transfer Agent/Shareholder Inquiries**

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