SOUTH JERSEY INDUSTRIES INC
Form DEF 14A
April 08, 2011

South Jersey Industries
1 South Jersey Plaza, Folsom, New Jersey 08037
Tel. (609) 561-9000 l Fax (609) 561-8225 l TDD ONLY 1-800-547-9085

Notice of Annual Meeting of Shareholders
April 28, 2011

NOTICE IS HEREBY GIVEN that the Annual Meeting of Shareholders of South Jersey Industries, Inc. ("Company" or "SJI") will be held at The Mansion on Main Street, 3000 Main Street, Voorhees, New Jersey, on Thursday, April 28, 2011, at 10:00 a.m., Eastern Time, for the following purposes:

1. To elect three Class III Directors and three Class I Directors (term expiring 2012).
2. To hold an advisory vote on executive compensation.
3. To determine whether future advisory votes on executive compensation will occur every 1, 2 or 3 years.
4. To ratify the appointment of Deloitte & Touche LLP as the independent registered public accounting firm for 2011.
5. To transact such other business that may properly come before the meeting.

The Board of Directors has fixed the close of business on February 28, 2011 as the record date for determining the shareholders of the Company entitled to notice of, and to vote at, the Annual Meeting or any adjournments thereof. Accordingly, only shareholders of record on that date are entitled to notice of, and to vote at, the meeting.

You are cordially invited to attend the meeting. Whether or not you expect to attend the meeting, we urge you to vote your shares now. Please complete and sign the enclosed proxy card and promptly return it in the envelope provided or, if you prefer, you may vote by telephone or on the Internet. Please refer to the enclosed proxy card for instructions on how to use these options. Should you attend the meeting, you may revoke your proxy and vote in person.

By Order of the Board of Directors,

Gina Merritt-Epps
Corporate Counsel & Secretary

Folsom, NJ
March 25, 2011

YOUR VOTE IS IMPORTANT
PLEASE VOTE, SIGN, DATE, AND PROMPTLY RETURN YOUR PROXY IN THE ENCLOSED ENVELOPE
OR VOTE BY TELEPHONE OR ON THE INTERNET.

SOUTH JERSEY INDUSTRIES, INC.
1 South Jersey Plaza, Folsom, New Jersey 08037

PROXY
STATEMENT

This statement is furnished on behalf of the Board of Directors of South Jersey Industries, Inc. to solicit proxies for use at its 2011 Annual Meeting of Shareholders. The meeting is scheduled for Thursday, April 28, 2011, at 10:00 a.m. at The Mansion on Main Street, 3000 Main Street, Voorhees, New Jersey. The approximate date proxy materials will be sent to shareholders is March 25, 2011. On the mailing date, a copy of the proxy and Annual Report will be available on our website at www.sjindustries.com under the heading “Investors”.

Proxy Solicitation

The Company bears the cost of this solicitation, which is primarily made by mail. However, the Corporate Secretary or employees of the Company may solicit proxies by phone, fax, e-mail or in person, but such persons will not be separately compensated for such services. The Company may also use a proxy-soliciting firm at a cost not expected to exceed $6,000, plus expenses, to distribute to brokerage houses and other custodians, nominees, and fiduciaries additional copies of the proxy materials and Annual Report to Shareholders for beneficial owners of our stock.

Record Date

Only shareholders of record at the close of business on February 28, 2011 may vote at the meeting. On that date, the Company had 29,883,823 shares of Common Stock outstanding. Shareholders are entitled to one vote per share on each matter to be acted upon.

Quorum and Vote Required

A quorum is necessary to conduct the business of the meeting. This means holders of at least a majority of the outstanding shares of Common Stock must be present at the meeting, either by proxy or in person. Directors are elected by a plurality vote of all votes cast at the meeting. All other matters that come before the meeting require the affirmative vote of a majority of the votes cast at the meeting. Abstentions and broker non-votes will be treated as present to determine a quorum but will not be deemed to be cast and, therefore, will not affect the outcome of any of the shareholder questions. A broker non-vote occurs when a nominee holding shares for a beneficial owner

does not vote on a particular proposal because the nominee does not have discretionary voting power with respect to that item and has not received instructions from the beneficial owner.

Voting of Proxies and Revocation

Properly signed proxies received by the Company will be voted at the meeting. If a proxy contains a specific instruction as to any matter to be acted on, the shares represented by the proxy will be voted in accordance with those instructions. If you sign and return your proxy but do not indicate how to vote for a particular matter, your shares will be voted as the Board of Directors recommends. A shareholder who returns a proxy may revoke it at any time before it is voted by submitting a later-dated proxy or by voting by ballot at the meeting. If you attend the meeting and wish to revoke your proxy, you must notify the meeting’s secretary in writing prior to the voting of the proxy. If any other matters or motions properly come before the meeting, including any matters dealing with the conduct of the meeting, it is the intention of the persons named in the accompanying proxy card to vote such proxy in accordance with their judgment. The Board of Directors is not aware of any such matters other than those described in this proxy statement.

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PROPOSAL 1

DIRECTOR
ELECTIONS

At the Annual Meeting, directors are to be elected to the Board of Directors to hold office for a one-year term. The following persons have been nominated by the Board: Keith S. Campbell, Victor A. Fortkiewicz, Edward J. Graham, Walter M. Higgins, III, Shahid Malik and Joseph H. Petrowski. The Board of Directors currently consists of 11 members. With the exception of Directors Fortkiewicz and Malik, all nominees previously have been elected by the Company's shareholders, and all nominees are currently serving as directors. Director Malik was recommended to the Board by a non-management director and a third party search firm. Director Fortkiewicz was recommended to the Board by the Chief Executive Officer and non-management directors. While we do not anticipate that, if elected, any of the nominees will be unable to serve, if any should be unable to accept the nomination or election, the persons designated as proxies on the proxy card will vote for the election of such other person as the Board of Directors may recommend.

In accordance with its Charter, the Governance Committee reviewed the education, experience, judgment, diversity and other applicable and relevant skills of each nominee, and determined that each nominee possesses skills and characteristics that support the Company's strategic vision. The Governance Committee has determined that the key areas of expertise include: enterprise leadership; political/governmental; human resources; legal; utility/energy; finance/financial management; accounting; and, enterprise risk management. The Governance Committee has concluded that the nominees and incumbent directors possess expertise and experience in these areas, and the Board has approved the slate of nominees.

The Governance Committee has determined that Director Campbell's areas of expertise include enterprise leadership, enterprise risk management, environmental, finance/financial management, human resources and sales/marketing. Based on Mr. Campbell's expertise and experience in these areas, the Governance Committee determined that Mr. Campbell should serve as a Director for the 2011 – 2012 term.

The Governance Committee has determined that Director Fortkiewicz' areas of expertise include enterprise leadership, political/governmental, legal, environmental, enterprise risk management, and the utility/energy industry. Based on Mr. Fortkiewicz' expertise and experience in these areas, the Governance Committee determined that Mr. Fortkiewicz should serve as a Director for the 2011 – 2012 term.

The Governance Committee has determined that Director Graham's areas of expertise include energy risk management, enterprise leadership, enterprise risk management, environmental, finance/financial management, regulatory, and the utility/energy industry. In addition, the Board has determined that Director Graham is a financial expert as defined by the New York Stock Exchange and SEC. Having served as CEO of the Company since 2005, Mr. Graham has significant knowledge regarding the Company's business and structure. Based on Mr. Graham's expertise and experience in these areas, the Governance Committee concluded that Mr. Graham should serve as a Director for the 2011 – 2012 term.

The Governance Committee has determined that Director Higgins' areas of expertise include energy production, energy risk management, enterprise leadership, enterprise risk management, environmental, finance/financial management, human resources, and the utility/energy industry. In addition, the Board has determined that Director Higgins is a financial expert as defined by the New York Stock Exchange and SEC. Based on Mr. Higgins' expertise and experience in these areas, the Governance Committee concluded

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that Mr. Higgins should serve as a Director for the 2011 – 2012 term.

The Governance Committee has determined that Director Malik's areas of expertise include energy risk management, enterprise leadership, enterprise risk management, finance/financial management, and the utility/energy industry. Based on Mr. Malik's expertise and experience in these areas, the Governance Committee concluded that Mr. Malik should serve as a Director for the 2011 - 2012 term.

The Governance Committee has determined that Director Petrowski's areas of expertise include energy risk management, enterprise leadership, enterprise risk management, environmental, finance/financial management, sales/marketing and the utility/energy industry. In addition, the Board has determined that Director Petrowski is a financial expert as defined by the New York Stock Exchange and SEC. Based on Mr. Petrowski's expertise and experience in these areas, the Governance Committee concluded that Mr. Petrowski should serve as a Director for the 2011 – 2012 term.

As explained below, Directors Shirli M. Billings, Thomas A. Bracken and Sheila Hartnett-Devlin will continue in office until 2012. The Governance Committee evaluated their areas of expertise and concluded that they possess the requisite expertise and experience as described below.

The Governance Committee has determined that Director Billings' areas of expertise and experience include enterprise leadership, enterprise risk management, finance/financial management, and human resources. The Governance Committee has determined that Director Bracken's areas of expertise and experience include enterprise leadership, finance/financial management, enterprise risk management, and political/governmental. In addition, the Board has determined that Director Bracken is a financial expert as defined by the New York Stock Exchange and SEC. The Governance Committee has determined that Director Hartnett-Devlin's areas of expertise and experience include enterprise leadership, enterprise risk management, and finance/financial management. In addition, the Board has determined that Director Hartnett-Devlin is a financial expert as defined by the New York Stock Exchange and SEC.

Director Terms

In 2009, the Shareholders approved a proposal to amend the Certificate of Incorporation to require the annual election of each director. The Certificate was amended and all directors will stand for election for a one-year term as follows:

§ Directors assigned to Class II and elected at the 2009 Annual Meeting of Shareholders were elected for a three year term;

§ Directors assigned to Class III and elected at the Company's 2007 Annual Meeting of Shareholders are standing for election and would be elected for a one-year term;

§ Directors assigned to Class I and elected at the Company's 2008 Annual Meeting of Shareholders will stand for election in 2011 and would be elected for a one-year term; and

§ Commencing 2012, all Directors will stand for election annually and would be elected for one-year terms.

NOMINEES
Class I I I
Term Expires in 2012

Victor A. Fortkiewicz has been a director since 2010. Age 59. Member of the Corporate Responsibility Committee and Governance Committee. Executive Director, New Jersey Board of Public Utilities, Newark, NJ (2005-2010); Assistant Counsel, Office of the Governor, Trenton, NJ (2005); Licensed Professional Engineer; Attorney, State of New Jersey; President and Director, NUI Utilities & Elizabethtown Gas Company, Union, NJ (2003-2004); director, South Jersey Gas Company.

Edward J. Graham has been a director since 2004. Age 53. Chairman of the Executive Committee. Chairman of the Board (April 2005 to date), President and Chief Executive Officer of the Company and South Jersey Gas Company (February 2004 to date); President and Chief Operating Officer (2003 - January 2004) and President (2003 to date), South Jersey Gas Company; President (2000 - 2003), South Jersey Energy Company; Vice President of the Company (2000 - 2001); Senior Vice President, Energy Management, South Jersey Gas Company (1998 - 2000); director, New Jersey Manufacturers Insurance Company, Trenton, NJ; director, New Jersey Business & Industry Association, Trenton, NJ; director, New Jersey Utilities Association, Trenton, NJ; director, New Jersey Commission on Higher Education; director, Atlantic City Chamber of Commerce, Atlantic City, NJ; member, William J. Hughes Center for Public Policy, Pomona, NJ; director, South Jersey Gas Company.

Shahid Malik has been a director since 2011. Age 49. Member of the Audit Committee and Compensation Committee. Management Consultant, Pittiglio, Rabin, Todd and McGrath (PRTM), Washington DC (2009 to date); Executive Vice President, Great Plains Energy, Kansas City, MO (2004-2008); President and Chief Executive Officer, Strategic Energy, Pittsburgh, PA, (2004-2008); director, South Jersey Energy Company; Executive Committee Member, South Jersey Energy Solutions, LLC, Marina Energy, LLC, South Jersey Energy Service Plus, LLC and South Jersey Resources Group, LLC.

The Board of Directors recommends a vote “FOR” each of the above nominees.

NOMINEES
Class I
Term Expires in 2012

Keith S. Campbell has been a director since 2000. Age 56. Member of the Executive Committee, Corporate Responsibility Committee and Chairman of the Compensation Committee. Chairman of the Board, Mannington Mills, Inc., Salem, NJ, a leading manufacturer of hard and soft surface flooring (1995 to date); trustee, Rowan University Foundation, Glassboro, NJ; director, Skytop Lodge, Inc.; director, Federal Reserve Bank of Philadelphia; director, South Jersey Energy Company; Executive Committee Member, South Jersey Energy Solutions, LLC; Marina Energy, LLC, South Jersey Energy Service Plus, LLC and South Jersey Resources Group, LLC.

Walter M. Higgins III has been a director since 2008. Age 66. Lead Independent Director, (November 2010 to date), Member of the Executive Committee, Audit Committee and Compensation Committee. Interim President and CEO, Ram Power, Corp., Reno, NV, a renewable energy company (February 2011 to date); Retired Chairman, President, and CEO of Sierra Pacific Resources (now called NVEnergy), the electric and gas utility company for most of Nevada and the Lake Tahoe region of California; member of the board of Ram Power, Corp., a geothermal power company listed on the Toronto Stock Exchange; member of the board of TAS, a privately held manufacturer of Turbine Inlet Air Cooling Systems; member of the board of AEGIS, a mutual insurance company, and the Operating Company board of Landis+Gyr LLC; trustee of the Foundation of St. Mary’s Hospital of Reno, NV, and Sierra Nevada College Foundation; member of the board of trustees of The Nature Conservancy - Nevada Chapter, Reno, NV; director, South Jersey Energy Company; Executive Committee Member, South Jersey Energy Solutions, LLC; Marina Energy, LLC, South Jersey Energy Service Plus, LLC and South Jersey Resources Group, LLC.

Joseph H. Petrowski has been a director since 2008. Age 56. Member of the Audit Committee and Compensation Committee. CEO of the Gulf Oil/Cumberland Farms Groups located in Massachusetts; board member, Financial Economics Institute of Claremont McKenna College; board member, Gulf Acquisition, LLC; board member, Cumberland Farms, Inc.; board member, NEPOOL (New England Power Pool) Board of Review; director, South Jersey Energy Company; Executive Committee Member, South Jersey Energy Solutions, LLC; Marina Energy, LLC, South Jersey Energy Service Plus, LLC and South Jersey Resources Group, LLC.

The Board of Directors recommends a vote “FOR” each of the above nominees.

DIRECTORS CONTINUING IN OFFICE
Class I I
Term Expires in 2012

Shirli M. Billings, Ph.D. has been a director since 1983. Age 70. Member of the Executive Committee, Compensation Committee, and Chairman of the Governance Committee. President, Billings & Company, New Albany, OH, a human resource consulting firm (2001 to date); President, Leadership Learning Academy, Lakeland, FL, a human resource development agency (1999 - 2001); Superintendent of Schools, Oberlin, OH (1994 - 1997); Vice President, Human Resource Development, Honeywell, Inc., Minneapolis, MN (1985-1990); director, South Jersey Gas Company.

Thomas A. Bracken has been a director since 2004. Age 63. Member of Audit Committee and Corporate Responsibility Committee. President, New Jersey Chamber of Commerce (February 2011 to date); President, TriState Capital Bank-New Jersey, a commercial bank specializing in meeting the needs of middle market companies, their principals, the professional community and selective industries (January 2008 to February 2011); President and CEO of Sun Bancorp, Inc. and its wholly-owned subsidiary Sun National Bancorp, Inc., Vineland, NJ (2001 to 2007); Executive Director Public Sector Group, First Union Bank (2000 - 2001); Executive Vice President, Head of Commercial and Governmental Banking for New Jersey, New York and Connecticut, First Union Bank (1998 - 2000); Former Chairman, Economic Development Corporation of Trenton, Trenton, NJ; Former Chairman, New Jersey Bankers Association; director and Chairman, Finance Committee, Cancer Institute of N.J. Foundation; director, New Jersey Alliance for Action; director and vice chairman, New Jersey Network; director, Einsteins Alley; director and secretary, Bedens Brook Club; director, South Jersey Gas Company.

Sheila Hartnett-Devlin, CFA has been a director since 1999. Age 52. Member of the Executive Committee, Governance Committee and Chairman of the Audit Committee. Vice President, American Century Investments (2008 to date); Managing Director, Cohen, Klingenstein & Marks, Inc., an investment management company (September 2005 to 2008); Executive Vice President (1997 - 2004), Senior Vice President (1991 - 1997), Vice President (1985 - 1991), Chair, Global Investment Committee (1996 - 2004), Member, Investment Policy Committee (1995 - 2004), Fiduciary Trust Company International, New York, NY; member, New York Society of Security Analysts; director, Mercy Investment Services, Inc., member, Investment Committee (2003-2010); director, Mannington Mills, Inc.; director, South Jersey Gas Company.

PROPOSAL 2

NONBINDING ADVISORY VOTE ON EXECUTIVE COMPENSATION

The Company's executive compensation policies and procedures are designed to attract and retain highly qualified named executive officers while linking Company performance to named executive officer compensation which creates shareholder value. The Compensation Committee has a strong pay for performance philosophy; and, as a result, the compensation paid to our named executive officers is generally aligned with the Company's performance on both a short-term and a long-term basis. Our performance over the last five years provides evidence that our executive compensation policies and procedures have been effective in furthering these objectives. We have outperformed the S&P 500 index in four of the last five years and compare favorably to the S&P Utility index. We have also outperformed our peer group in terms of total shareholder return in seven of the last nine years.

For 2010, the executive compensation policies and procedures for our named executive officers consisted of three parts, two of which were again directly linked to the achievement of predefined short-term and long-term performance as follows:

- Annual cash awards paid to our named executive officers were tied to Company performance, based on earnings per share targets and an individual balanced scorecard approach that measured both financial and non-financial goals.

- Long-term incentive compensation consisted of restricted stock grants that are earned based on the Company's relative shareholder return measured against our peer group over a three-year period.

We believe these components of compensation for our named executive officers provide the proper incentives to align compensation with the Company's performance while enhancing shareholder value. Our performance over the last several years confirms that our pay for performance philosophy is successful. Specifically, if the Company's performance results meet or exceed pre-established performance targets or if our relative shareholder return over a three-year period exceeds our peer group, named executive officers have an opportunity to realize significant additional compensation through annual cash awards and long-term equity awards. In addition, the Company's stock ownership guidelines require our named executive officers to own shares of Company stock which align with shareholder interests. We believe this pay for performance philosophy is integral to the Company's performance and shareholder value over the long term.

Please see the "Compensation Discussion and Analysis" beginning on page 18 of this Proxy statement for a more detailed discussion of executive compensation policies and procedures for our named executive officers.

Pursuant to the proxy rules under the Exchange Act and as required by the recently enacted Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the"Dodd-Frank Act"), we are required to provide shareholders with a separate non-binding shareholder vote to approve the compensation of our named executive officers, including the "Compensation Discussion and Analysis", the compensation tables, and any other narrative disclosure in this Proxy statement. Such a proposal, commonly known as a "say-on-pay" proposal, gives shareholders the opportunity to endorse or not endorse our executive compensation policies and procedures as described in this Proxy statement. Shareholders may also abstain from voting. Accordingly, shareholders are being asked to approve the following resolution:

RESOLVED, that the shareholders approve the overall executive compensation policies and procedures employed by the Company, as described in the "Compensation Discussion & Analysis" and the tabular

disclosure regarding compensation paid to the executives named in the Summary Compensation Table (together with the accompanying narrative disclosure) in this Proxy statement for its 2011 annual meeting.

Because your vote is advisory, it will not be binding on the Board and may not be construed as overruling any decision by the Board. However, the Compensation Committee values the opinions expressed by shareholders and expects to take into account the outcome of the vote when considering future executive compensation arrangements.

The Board of Directors recommends a vote "FOR" approval of the overall executive compensation policies and procedures employed by the Company, as described in the "Compensation Discussion & Analysis" and the tabular disclosure regarding compensation paid to the executives named in the Summary Compensation Table (together with the accompanying narrative disclosure) in this Proxy statement for its 2011 annual meeting.

PROPOSAL 3

NONBINDING ADVISORY VOTE ON THE FREQUENCY OF NONBINDING ADVISORY VOTE ON EXECUTIVE COMPENSATION

This proposal gives you as a shareholder the opportunity to indicate your preference as to whether, in the future, the Company holds an advisory vote on executive compensation every one, two or three years. You may also abstain from voting on this matter.

RESOLVED, that the shareholders approve that the nonbinding advisory vote to approve executive compensation be held:

o every year
o every two years
o every three years
o abstain from voting on this matter

Because your vote is advisory, it will not be binding on the Board and may not be construed as overruling any decision by the Board. However, the Compensation Committee values the opinions expressed by shareholders and expects to take into account the outcome of the vote when considering the frequency with which future votes will be held regarding the Company's executive compensation. Because we make compensation decisions on an annual basis, we think that our shareholders should have an annual opportunity to approve these decisions.

The Board of Directors recommends a vote "FOR" approval of an annual advisory vote to approve the compensation paid to the executives named in the Summary Compensation Table.

SECURITY OWNERSHIP

Directors and Management

The following table sets forth certain information with respect to the beneficial ownership of our common stock, as of February 28, 2011, of (a) each continuing director and nominee for director, (b) our principal executive officer, principal financial officer, the three other most highly compensated executive officers during 2010 (collectively, the "Named Executives") and (c) all of the directors and executive officers of the Company as a group.

	Number of Shares of Common Stock (1)		Percent of Class	
Shirli M. Billings	11,077	(2)	*	
Helen R. Bosley	9,630	(2)	*	
Thomas A. Bracken	14,582	(2)	*	
Keith S. Campbell	11,315	(2)	*	
Jeffrey E. DuBois	18,968		*	
Victor A. Fortkiewicz	1,222	(2)	*	
Edward J. Graham	55,704		*	
Sheila Hartnett-Devlin	6,952	(2)	*	
Walter M. Higgins, III	4,511	(2)	*	
David A. Kindlick	50,576		*	
Shahid Malik	0	(3)		
Kevin D. Patrick	0			
Joseph H. Petrowski	4,761	(2)	*	
Michael J. Renna	24,614		*	
All continuing directors, nominees for director and executive officers as a group (14 persons)	213,912		1	%

* Less than 1%.

Notes:

(1) Based on information furnished by the Company's directors and executive officers. Unless otherwise indicated, each person has sole voting and dispositive power with respect to the Common Stock shown as owned by him or her.

(2) Includes shares awarded to each director under a Restricted Stock Program for Directors. Restricted stock owners have the power to vote shares but no investment power with respect to the shares until the restrictions lapse.

(3) Mr. Malik joined the Board in January 2011 and his award of Restricted Stock was effective subsequent to February 28, 2011.

Stock Ownership Requirements

The Board of Directors believes significant ownership of Company Common Stock better aligns the interests of management of the Company and its principal subsidiaries with that of the Company's shareholders. Therefore, in 2001 the Board of Directors enacted the following stock ownership requirements for officers and directors:

The Chief Executive Officer is required to own shares of Company Common Stock with a market value equal to a minimum of three times his or her annual base salary;

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Other executive officers are required to own shares of Company Common Stock with a market value equal to a minimum of one and one-half times their annual base salary;

Other officers are required to own shares of Company Common Stock with a market value equal to a minimum of their annual base salary;

Shares owned outright will be combined with vested restricted shares awarded under the Stock-Based Compensation Plan and vested shares beneficially owned through any employee benefit plan for purposes of determining compliance with the stock ownership requirement for officers. Current officers will have a period of six years from the original date of adoption and newly elected or promoted officers will have a period of six years following their election or promotion to a new position to meet these minimum stock ownership requirements; and

Members of the Board of Directors are required, within six years of becoming a director of the Company or any of its principal subsidiaries, to own shares of Company Common Stock with a market value equal to a minimum of five times the current value of a Director’s annual cash retainer. Shares owned outright will be combined with restricted shares awarded as part of the annual stock retainer for the purpose of meeting these requirements.

Section 16(a) Beneficial Ownership Reporting Compliance

Pursuant to Section 16(a) of the Securities Exchange Act of 1934, the Company’s directors and executive officers are required to file reports with the Securities and Exchange Commission relating to their ownership of, and transactions in, the Company’s Common Stock. Based on our records and other information, the Company believes that all Section 16(a) filing requirements were met for 2010.

Security Ownership of Certain Beneficial Owners

The following table sets forth certain information, as of February 28, 2011, as to each person known to the Company, based on filings with the Securities and Exchange Commission, who beneficially owns 5% or more of the Company’s Common Stock. Based on filings made with the SEC, each shareholder named below has sole voting and investment power with respect to such shares.

Name and Address of Beneficial Owner	Shares Beneficially Owned	Percent of Class
Black Rock Inc. 40 East 52nd Street New York, NY 10022	2,489,064	8.33%
The Vanguard Group Inc. 100 Vanguard Blvd. Malvern, PA 19355	1,591,329	5.32%
Neuberger Berman Group LLC 605 Third Avenue New York, NY 10158	1,903,418	6.372%
EARNEST Partners, LLC 1180 Peachtree Street NE, Suite 2300 Atlanta, GA 30309	1,994,677	6.7%

THE BOARD OF DIRECTORS

Corporate Governance

Leadership Structure

The Chairman of the Board, Edward J. Graham, also serves as the Company's CEO. The Company has determined that this leadership structure is appropriate based on Mr. Graham's tenure with the Company, his knowledge of the Company and the energy and utility industries, and his excellent relationship with the Board.

Mr. Graham joined the Company as an Internal Auditor in 1981 and since that time has held various significant positions, including positions in accounting and gas management. He has also served as Vice President and President of the Company and its subsidiaries. As a result of his tenure and broad base of expertise, Mr. Graham successfully directs the Board as it advises management and monitors performance.

To ensure sustained leadership when it is inappropriate for Mr. Graham to act as Chairman, the Board has elected a Lead Independent Director. W. Cary Edwards served as Lead Independent Director from 2005 until his passing in October 2010. Director Higgins was elected to serve as Lead Independent Director in November 2010 to fill the unexpired 2010-2011 term.

The Lead Independent Director is an independent member of the Board elected annually by a majority of the independent directors. The Lead Independent Director presides over all meetings of the Board's independent directors and non-management directors. The Board convenes an executive session of the independent directors at each meeting. The Lead Independent Director consults with the Chairman on agenda matters for the Board, and aids and assists the Chair and the remainder of the Board in assuring effective corporate governance in managing the affairs of the Board and the Company. The Lead Independent Director functions in an advisory capacity to, and works closely with, the Chair on issues related to the Board.

Independence of Directors

The Board has adopted Corporate Governance Guidelines that require the Board to be composed of a majority of directors who are "independent directors" as defined by the rules of the New York Stock Exchange. No director will be considered "independent" unless the Board of Directors affirmatively determines that the director has no material relationship with the Company. When making "independence" determinations, the Board considers all relevant facts and circumstances, as well as any other facts and considerations specified by the New York Stock Exchange, by law or by any rule or regulation of any other regulatory body or self-regulatory body applicable to the Company. As a part of its Corporate Governance Guidelines, the Board established a policy that Board members may not serve on more than four other boards of publicly traded companies. SJI's Corporate Governance Guidelines are available on our website at www.sjindustries.com under the heading "Investors".

The Board has determined that directors Billings, Bosley, Bracken, Campbell, Fortkiewicz, Hartnett-Devlin, Higgins, Hughes, Malik and Petrowski, constituting all of the non-employee directors, meet the New York Stock Exchange standards and our own standards set forth above for independence and are, therefore, considered to be independent directors. Accordingly, during 2010, all but one of the directors of the Company were considered to be "independent." Mr. Graham is not considered independent by virtue of his employment with the Company.

Codes of Conduct

The Company has adopted codes of conduct for all employees, officers and directors, which include the code of ethics for our principal executive, our principal financial officer and principal accounting officer within the meaning of the SEC regulations adopted pursuant to the Sarbanes-Oxley Act of 2002. Additionally, the Company has established a hotline and website for employees to anonymously report suspected violations.

A copy of the codes of ethics are available on the Company's website at www.sjindustries.com/108/corporate_governance.html. Copies of our codes of conduct are also available at no cost to any shareholder who requests them in writing at South Jersey Industries, Inc., 1 South Jersey Plaza, Folsom, New Jersey 08037, Attention: Corporate Secretary.

Communication with Directors

The independent directors met four times during 2010. Topics of these independent sessions included CEO performance and compensation and discussions of corporate governance. Meetings of the independent directors were chaired by Mr. Edwards, the Lead Independent Director through October 2010 and Director Higgins, the Lead Independent Director for the remainder of 2010. You may communicate with the Lead Independent Director and chairmen of the Audit, Compensation, Corporate Responsibility and Governance Committees by sending an e-mail to leadindependentdirector@sjindustries.com, auditchair@sjindustries.com, compchair@sjindustries.com, govchair@sjindustries.com, or corpresp@sjindustries.com, respectively, or you may communicate with our outside independent directors as a group by sending an e-mail to sjidirectors@sjindustries.com. The charters and scope of responsibility for each of the Company's committees can be found on the Company's website at www.sjindustries.com. You may also address any correspondence to the chairmen of the committees or to the independent directors at South Jersey Industries, Inc., 1 South Jersey Plaza, Folsom, New Jersey 08037.

Corporate Governance Materials

Shareholders can see the Company's Principles of Corporate Governance, Charters of the Audit Committee, Compensation Committee and Governance Committee, and Board of Directors Code of Ethics on the Company's website at www.sjindustries.com/108/corporate_governance.html. Copies of these documents, as well as additional copies of this Proxy Statement, are available to shareholders without charge upon request to the Corporate Secretary at South Jersey Industries, Inc., 1 South Jersey Plaza, Folsom, New Jersey 08037.

Meetings of the Board of Directors and its Committees

The Board of Directors met eight times in 2010. With the exception of Director James, each director attended 75% or more of the total number of meetings of the Board of Directors and the meetings of the committees of the Board on which he or she served. Dr. James attended less than 75% of the meetings due to illness and ultimate passing in October 2010. All current Board members and all nominees for election to the Company's Board of Directors are required to attend the Company's annual meetings of stockholders. Attendance shall not be required if personal circumstances affecting the Board member or director nominee make his or her attendance impracticable or inappropriate. With the exception of Dr. Herman D. James, all of the directors attended the 2010 Annual Meeting of Shareholders. During 2010, each of the directors of the Company also served on the Boards or Executive Committees of one or more of South Jersey Gas Company, South Jersey Energy Company, South Jersey Energy Solutions, LLC, Marina Energy, LLC, South Jersey Resources Group, LLC, South Jersey Energy Service Plus, LLC, Energy & Minerals, Inc. and R&T Group, Inc., all of which are subsidiaries of the Company.

There are five standing committees of the Board: the Audit Committee; the Compensation Committee; the Corporate Responsibility Committee; the Executive Committee; and the Governance Committee. Director James served on the Corporate Responsibility and Governance Committees until his death in October 2010. Director Edwards served on the Compensation and Governance Committees until his death in October 2010.

Audit Committee

The Audit Committee of the Board of Directors, which met nine times during 2010, comprised five "independent" directors as that term is defined in the rules and regulations of the Securities and Exchange Commission and the listing standards of the New York Stock Exchange: Sheila Hartnett-Devlin, Chairman; Helen R. Bosley; Thomas A. Bracken; Walter M. Higgins III; and Joseph H. Petrowski. The Board has determined that no member of the Audit Committee has a material relationship that would jeopardize such member's ability to exercise independent judgment. In September 2009, the Board of Directors designated each member of the Audit Committee as an "audit committee financial expert" as such term is defined by applicable rules and regulations of the Securities and Exchange Commission. The Audit Committee: (1) annually engages an independent registered public accounting firm for appointment, subject to Board and shareholder approval, as auditors of the Company and has the authority to unilaterally retain, compensate and terminate the Company's independent registered public accounting firm; (2) reviews with the independent registered public accounting firm the scope and results of each annual audit; (3) reviews with the independent registered public accounting firm, the Company's internal auditors and management, the quality and adequacy of the Company's internal controls and the internal audit function's organization, responsibilities, budget, and staffing; and (4) considers the possible effect on the objectivity and independence of the independent registered public accounting firm of any non-audit services to be rendered to the Company.

The Audit Committee is also responsible for overseeing the Company's Risk Management process. At each meeting, the Committee analyzes the guidelines and policies that management uses to assess and manage exposure to risk, and analyzes major financial risk exposures and the steps management has taken to monitor and control such exposure. The Committee's findings are presented to the full Board, which is charged with approving the Company's risk appetite.

At each meeting of the Audit Committee, management presents an update of the Company's risk management activities. The Company has two internal Risk Committees that report to the Audit Committee at least quarterly. The SJI Risk Management Committee (RMC) was established by the SJI Audit Committee in 1998 and is responsible for the oversight of the energy transactions and the related risks for all of the SJI companies. Annually, the Board approves the members of the RMC. Committee members include management from key Company areas such as finance, risk management, legal and business operations. The RMC establishes a general framework for measuring and monitoring business risks related to both financial and physical energy transactions, approves all methodologies used in risk measurement, ensures that objective and independent controls are in place, and presents reports to the Audit Committee reflecting risk management activity, including an annual evaluation of risk on an enterprise-wide basis.

A South Jersey Gas Company RMC is responsible for gas supply risk management. Annually, the Board approves the members of the RMC. Committee members include management from key Company areas such as finance, risk management, legal and gas supply. This RMC meets at least quarterly.

The Audit Committee has established policies and procedures for the engagement of the independent registered public accounting firm to provide audit and permitted non-audit services. The Audit Committee evaluates itself on an annual basis. The Board of Directors has adopted a written charter for the Audit

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Committee, which is available on our website at www.sjindustries.com, under the heading "Investors". You may obtain a copy by writing to the Corporate Secretary, South Jersey Industries Board of Directors, South Jersey Industries, Inc., 1 South Jersey Plaza, Folsom, New Jersey 08037.

Compensation Committee

The Compensation Committee of the Board of Directors, which met four times during 2010, comprised five "independent" directors until October 2010, and four "independent" directors for the remainder of 2010: W. Cary Edwards, Chairman (January – October 2010); Dr. Shirli M. Billings; Keith S. Campbell; Walter M. Higgins III; and Joseph H. Petrowski. Director Campbell served as Chairman in November and December 2010. The Compensation Committee: (1) is responsible for making grants under and otherwise administering the Company's Stock-Based Compensation Plan; (2) reviews and makes recommendations to the Board of Directors on the operation, performance and administration of the retirement plans, other employee benefit plans and employment policies; and (3) reviews and makes recommendations to the Board of Directors on forms of compensation, including the performance and levels of compensation of the officers of the Company.

Compensation Committee Interlocks and Insider Participation

No member of the Compensation Committee has ever been an officer or employee of the Company, or any of its subsidiaries or affiliates. During the last fiscal year, none of the Company's executive officers has served on a compensation committee or as a director for any other company.

Corporate Responsibility Committee

The Corporate Responsibility Committee of the Board of Directors, which met two times during 2010, comprised five "independent" directors: William J. Hughes, Chairman; Helen R. Bosley; Thomas A. Bracken; Keith S. Campbell; Dr. Herman D. James (January – October 2010) and Victor A. Fortkiewicz (November – December 2010). The Committee provides oversight, monitoring and guidance of matters related to corporate and social citizenship, public and legal policy, environmental stewardship and compliance, political activities, sustainability, quality of work life, and economic and social vitality in the communities and markets in which the Company operates. The Committee's charter is available on our website at www.sjindustries.com under the heading "Investors" or you may obtain a copy by writing to the Corporate Secretary, South Jersey Industries Board of Directors, South Jersey Industries, Inc., 1 South Jersey Plaza, Folsom, New Jersey 08037.

The Committee also oversees the production of the Company's annual Corporate Sustainability Report, which conveys how the Company links the business with sustainable practices. The 2010 report is available on our website at www.sjindustries.com or you may obtain a copy by writing to the Corporate Secretary, South Jersey Industries Board of Directors, South Jersey Industries, Inc., 1 South Jersey Plaza, Folsom, New Jersey 08037.

Governance Committee

The Governance Committee of the Board of Directors, which met five times during 2010, comprised five "independent" directors until October 2010 and four independent directors in November – December 2010: Dr. Shirli M. Billings, Chairman; W. Cary Edwards (January – October 2010); Sheila Hartnett-Devlin; Victor A. Fortkiewicz (November – December 2010); William J. Hughes; and Dr. Herman D. James (January – October 2010). Each member of the Committee satisfies the independence requirements of the New York Stock Exchange. Among its functions, the Governance Committee: (1) maintains a list of prospective candidates for director, including those recommended by shareholders; (2) reviews the qualifications of candidates for director (minimum qualifications for director candidates are provided in the Company's

Corporate Guidelines available on the Company's website at www.sjindustries.com under the heading "Investors" and include consideration of education, experience, judgment, diversity and other applicable and relevant skills as determined by an assessment of the needs of the Board at the time an opening exists); (3) makes recommendations to the Board of Directors to fill vacancies and for nominees for election to be voted on by the shareholders; and (4) is responsible for monitoring the implementation of the Company's Corporate Governance Policy.

The Governance Committee reviews with the Board on an annual basis the appropriate skills and characteristics required of Board members in the context of the current make-up of the Board and the strategic forecast of the Company. This assessment includes issues of industry experience, education, general business and leadership experience, judgment, diversity, age, and other applicable and relevant skills as determined by an assessment of the needs of the Board. The assessment of diversity includes a review of Board composition with regard to race, gender, age and geography.

The Governance Committee will consider nominees for the Board of Directors recommended by shareholders and submitted in compliance with the Company's bylaws, in writing to the Corporate Secretary of the Company. Any shareholder wishing to propose a nominee should submit a recommendation in writing to the Company's Corporate Secretary at 1 South Jersey Plaza, Folsom, New Jersey 08037, indicating the nominee's qualifications and other relevant biographical information and providing confirmation of the nominee's consent to serve as a director.

Executive Committee

The Executive Committee of the Board of Directors comprises the Chairman of the Board, Committee Chairs and the Lead Independent Director, and is chaired by the Chairman of the Board. The Committee currently comprises six directors: Edward J. Graham, Chairman; Dr. Shirli M. Billings; Keith S. Campbell; Sheila Hartnett-Devlin, Walter M. Higgins, III and William J. Hughes. The Executive Committee may act on behalf of the Board of Directors during intervals between meetings of the Board in managing the business and affairs of the Company. The Executive Committee did not meet in 2010, as all Company business was managed by the full Board.

Compensation of Directors

In 2010, SJI's Director Compensation Program comprised the following components:

1) An annual cash retainer payable monthly;
2) Meeting fees;
3) Annual restricted stock grant and;
4) Additional retainers for the Lead Independent Director and Committee Chairs

In 2008, the Board engaged Towers Perrin (Towers) as its consultant to review the Company's Director Compensation Program to ensure that the Board attracts and retains highly qualified directors. For that study, the reference points were the director compensation of the Company's peer companies - AGL Resources Inc., Atmos Energy Corp., Black Hills Corp., CH Energy Group Inc., Chesapeake Utilities Corp., Energen Corp., Laclede Group Inc., New Jersey Resources Corp., Nicor Inc., Northwest Natural Gas Co., Piedmont Natural Gas Co., Southern Union Co., Southwest Gas Corp., Vectren Corp. and WGL Holdings Inc.

Towers focused on data from two peer groups of publicly traded companies – a utility industry peer group comprising the 15 companies named above, which are primarily gas utilities, and a general industry peer group. The general industry peer group was based on a sample of 153 companies in Towers' outside director compensation database. Based on this methodology, Towers determined that the directors' total

compensation fell between the 25th and 50th percentile of both the utility industry peer group and the general industry peer group.

Using the peer companies outlined above, Towers found that the Directors' total cash compensation (cash retainers plus meeting fees) were $3,500 below the 50th percentile of the peer group. Towers also found that the Directors' total stock based compensation was below the 25th percentile of the peer group.

Towers substantiated their findings with regard to Director compensation with the following information:

	Board		Committee		Chairperson Extra		Actual
Company	Cash Retainer	Cash Meeting Fee	Cash Retainer	Cash Meeting Fee	Cash Retainer	Cash Meeting Fee	Total Cash Comp (1)
AGL Resources Inc	$35,000	$2,000	---	$2,000	$6,000	---	$75,021
Atmos Energy Corp	37,500	1,500	---	1,500	5,000	---	65,515
Black Hills Corp	36,000	1,250	---	1,250	6,000	---	64,750
CH Energy Group Inc	55,000	---	---	---	7,500	---	55,000
Chesapeake Utilities Corp	18,500	1,200	---	1,000	---	---	34,800
Energen Corp	51,000	1,500	---	1,500	3,000	---	70,500
Laclede Group Inc	35,000	2,000	---	1,000	6,000	---	51,000
New Jersey Resources Corp	30,000	1,500	---	1,500	5,000	---	64,122
Nicor Inc	50,000	1,500	---	1,500	15,000	---	64,500
Northwest Natural Gas Co	65,000	1,500	---	1,500	5,000	---	65,000
Piedmont Natural Gas Co	28,000	1,500	---	1,500	5,000	---	50,500
Southern Union Co	90,000	---	---	---	10,000	---	90,000
Southwest Gas Corp	40,000	1,650	---	1,650	5,000	---	65,175
Vectren Corp	30,000	1,250	---	1,250	5,000	---	44,013
WGL Holdings Inc	35,000	1,200	---	1,200	5,000	---	56,500
Percent Using	100%	87%	0%	87%	93%	0%	100%
25th Percentile	$32,500	$1,250	---	$1,250	$5,000	---	$53,000
50th Percentile	36,000	1,500	---	1,500	5,000	---	64,500
Mean	42,400	1,504	---	1,412	6,321	---	61,093
75TH Percentile	50,500	1,500	---	1,500	6,000	---	65,345
South Jersey Industries, Inc.	$30,000	$1,500	---	$1,500	$2,000/$5,000	---	$61,000

Notes:

(1) Actual total cash compensation is based on the median reported value of "Fees Earned or Paid in Cash" from the Director Compensation Table but excludes lead directors, board chairpersons, mid-year appointees or retirees, and zero values. For companies that have disclosed forward-looking changes to their director compensation plan, the actual total cash compensation was adjusted to reflect these changes.

		Fair Value of Annual Stock-Based Compensation				
Company	Actual Total Cash Comp	Stock Options	Restricted Shares	Common Shares/ Deferred Stock Units	Total Fair Value of Stock Awards (1)	Total Direct Comp (2)
AGL Resources Inc	$75,021	---	---	$70,028	$75,509	$150,530
Atmos Energy Corp	65,515	---	---	62,690	62,690	128,205
Black Hills Corp	64,750	---	---	50,000	50,000	114,750
CH Energy Group Inc	55,000	---	---	52,657	52,657	107,657
Chesapeake Utilities Corp	34,800	---	---	18,828	18,828	53,628
Energen Corp	70,500	---	---	55,392	55,392	125,892
Laclede Group Inc	51,000	---	$52,384	---	52,384	103,384
New Jersey Resources Corp	64,122	---	---	38,328	38,328	102,450
Nicor Inc	64,500	---	---	50,496	50,496	114,996
Northwest Natural Gas Co	65,000	---	---	---	---	65,000
Piedmont Natural Gas Co	50,500	---	---	30,000	33,938	82,438
Southern Union Co	90,000	---	152,300	---	152,300	242,300
Southwest Gas Corp	65,175	---	19,285	---	19,285	84,460
Vectren Corp	44,013	---	40,000	---	40,000	84,013
WGL Holdings Inc	56,500	---	---	58,896	58,896	115,396
Percent Using	100 %	0 %	27 %	67 %	93 %	100 %
25th Percentile	$53,000	---	---	$41,246	$38,746	$84,237
50th Percentile	64,500	---	$46,192	51,577	51,440	107,657
Mean	61,093	---	65,992	48,732	54,193	111,673
75TH Percentile	65,345	---	---	58,020	58,020	120,644
South Jersey Industries, Inc.	$61,000	---	$35,000	---	$35,000	$96,000

Notes:

(1) Includes the annualized value of one-time awards granted at initial election to the board (annualized over 8 years).

(2) Total direct compensation reflects actual total cash compensation plus total stock-based compensation.

Based on the study, in 2010, non-employee directors were paid an annual cash retainer of $40,000. The Lead Independent Director received an additional annual retainer of $12,500. The chairmen of the Company's Board committees were paid annual retainers as follows: Audit, $10,000; Compensation, $8,000; Corporate Responsibility, $5,000; and, Governance, $5,000. The Directors received $1,500 for each meeting of the Board of the Company or its subsidiaries attended; however, the maximum fee paid to any person for attendance at one or more meetings of these boards held on the same day is $1,500. Non-employee directors also received $750 for each meeting of a committee of the Board of the Company or of a subsidiary that they attended if the meeting is held on the same day as a Board meeting, or $1,500 if the meeting is held on any other day. Audit Committee members were paid $1,500 per meeting if the meeting was telephonic and took place on a non-board meeting day. Directors who are also employees of the Company receive no separate compensation for serving on the Board.

The Directors also received shares of restricted stock with a market value of $60,000. The Company has established a plan whereby directors may elect to defer the receipt of the restricted stock until a specified date or upon leaving the Board. The deferred amount, together with dividends, may be paid in a lump sum distribution or in equal annual installments as the director elects.

Director Compensation for Fiscal Year 2010

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($) (1) (2)	Option Awards ($)	Non-Equity Incentive Plan Compensation ($)	Change in Pension Value And Nonqualified Deferred Compensation Earnings ($)	All Other Compensation ($) (3)	Total ($)
Shirli M. Billings	69,000	63,000	-	-	-	366	132,366
Helen R. Bosley	66,250	63,000	-	-	-	366	129,616
Thomas A. Bracken	67,750	63,000	-	-	-	366	131,116
Keith S. Campbell	60,917	63,000	-	-	-	366	124,283
W. Cary Edwards (5)	69,917	63,000	-	-	-	366	133,283
Victor A. Fortkiewicz (4)	3,333	-0-	-	-	-	31	3,364
Sheila Hartnett-Devlin	80,000	63,000	-	-	-	366	143,366
Walter M. Higgins III	68,792	63,000	-	-	-	366	132,158
William J. Hughes	66,000	63,000	-	-	-	366	129,366
Herman D. James (5)	41,250	63,000	-	-	-	366	104,616
Joseph H. Petrowski	67,000	63,000	-	-	-	366	130,366

Footnotes

(1) Represents the aggregate grant date fair value of restricted common stock awards granted in the respective fiscal year, calculated in accordance with FASB Accounting Standards Codification Topic 718, Compensation— Stock Compensation. Restricted stock grants were made to each director in January 2010 of 1,670 shares using the average of the daily closing prices for the last two quarters of 2009.

(2) In January 2011, each Director listed above received shares of the Company's Common Stock with a value of $65,438. As of January 2011, each Director with the exception of Director Fortkiewicz, has three outstanding restricted stock grants as follows:

Grant Date	Stock Grant Cash Allocation	# of Shares	Value as of January 3, 2011
2009	$35,000	869	$46,535

2010	$60,000	1,670	$89,429
2011	$60,000	1,222	$65,438

(3) Represents group life insurance payments.

(4) Director Fortkiewicz joined the Board in November 2010 and received his first stock award in January 2011.

(5) Directors Edwards' and James' service as Directors terminated upon their passing in October 2010.

Certain Relationships

Mr. Campbell is Chairman of Mannington Mills, Inc., which purchases natural gas from subsidiaries of the Company. Commencing January 2004, as a result of winning a competitive bid, another subsidiary of the Company owns and operates a cogeneration facility that provides electricity to Mannington Mills, Inc.

Review and Approval Policies and Procedures for Related Party Transactions

Pursuant to a policy adopted by the Company's Governance Committee, the Company's executive officers and directors, and principal stockholders, including their immediate family members and affiliates, are not permitted to enter into a related party transaction with the Company without the prior consent of the Governance Committee, or other independent committee of the Company's Board of Directors in the case it is inappropriate for the Governance Committee to review such transaction due to a conflict of interest. Any request for the Company to enter into a transaction with an executive officer, director, principal stockholder, or any of such persons' immediate family members or affiliates, in which the amount involved exceeds $120,000 must first be presented to the Governance Committee for review, consideration and approval. All of the Company's directors, executive officers and employees are required to report to the Governance Committee any such related party transaction. In approving or rejecting the proposed agreement, the Governance Committee shall consider the facts and circumstances available and deemed relevant to the Committee. The Governance Committee shall approve only those agreements that, in light of known circumstances, are in, or are not inconsistent with, the Company's best interests, as the Governance Committee determines in the good faith exercise of its discretion.

COMPENSATION DISCUSSION & ANALYSIS

Compensation Committee Report

We have reviewed the following Compensation Discussion and Analysis with management. Based on our review and discussion, we recommended to the Board of Directors that the Compensation Discussion and Analysis be included in the Company's proxy statement, Form 10-K and Annual Report for the year ended December 31, 2010.

Compensation Committee

Keith S. Campbell, Chairman
Dr. Shirli M. Billings
Walter M. Higgins III
Shahid Malik
Joseph H. Petrowski

The following is a discussion and analysis of our executive compensation programs as they apply to our Chairman/President/Chief Executive Officer (CEO), Chief Financial Officer (CFO) and the next three most highly compensated executive officers who were serving as executive officers in fiscal year 2010 (our "Named Executives"). Our Named Executives for 2010 were Edward J. Graham, David A. Kindlick, Michael J. Renna, Jeffrey E. DuBois and Kevin D. Patrick.

General Description of Executive Compensation Program and Key Objectives

SJI, as a provider of energy-related products and services, has designed its executive compensation program to advance the Company's strategic plan and corporate mission, which are rooted in enhancing shareholder value while attracting and retaining qualified executive management to carry out the work and

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goals of the organization. In order to achieve the objectives of the Company's strategic plan and increase shareholder value, the executive compensation program incorporates a mix of short-term and long-term, performance-based incentives. SJI's performance over the last five years provides evidence that the executive compensation program has been effective in furthering the Company's business objectives. SJI has outperformed the S&P 500 index in four of the last five years and compares favorably to the returns of the S&P Utility index over the same period. SJI has outperformed the Company's peer group utilized to benchmark long-term incentive compensation in terms of total shareholder return in seven of the last nine years. By focusing executive compensation on achievement of annual corporate goals, annual and long-term earnings per share targets and three-year compound annual total shareholder returns, SJI's executive compensation program is an integral part of SJI's corporate strategy for improving shareholder value.

Oversight of the Executive Compensation Program

The SJI executive compensation program is administered by the Compensation Committee ("Committee") of the Board of Directors. The Committee is comprised of four independent directors. These directors meet the independence standards of the New York Stock Exchange. In accordance with its charter, the Committee sets the principles and strategies that serve to guide the design of our employee compensation and benefit programs for our Named Executives.

The Committee annually evaluates the performance of the CEO. The Committee also reviews the recommendations from the CEO regarding the CEO's evaluation of the CFO and the other Named Executives. Taking these performance evaluations into consideration, along with recommendations from our compensation consultant (discussed below), the Committee then establishes and approves compensation levels for our Named Executives, including annual base salaries, performance-based annual cash awards and long-term stock incentive awards. All performance goals for our Named Executives' annual cash compensation are established at the beginning of each year for use in the performance evaluation process.

To assist the Committee in its evaluation of the executive compensation program, the Committee retains an independent compensation consultant. Since 2008, the Committee has retained the Hay Group to assist in evaluating the executive compensation program.

The Committee meets regularly in executive sessions without members of management present to evaluate the executive compensation program and reports regularly to the Board of Directors on its actions and recommendations.

Executive Compensation Principles

The Company's key compensation objective is to advance the Company's strategic plan and corporate mission, which is rooted in enhancing shareholder value while attracting and retaining highly qualified executive management to carry out the work and goals of the Company. The executive compensation program for our Named Executives is based on the following principles and aimed at achieving the objectives of the Company's strategic plan while increasing shareholder value:

Executive compensation should be directly and measurably linked to business and individual performance with a significant portion of the compensation designed to create incentives for superior performance and meaningful consequences for below target performance.

An executive's total compensation should be competitive with peer companies in order to attract, retain and motivate high performing business leaders.

Executive compensation should align the interests of executives with shareholders so that compensation levels are commensurate with relative shareholder returns and financial performance through the use of performance-based restricted stock.

Executive compensation incentive plans should balance short-term and long-term financial and strategic objectives whereby executives are rewarded for the businesses for which they are responsible and for overall Company performance.

The process for designing, determining and monitoring executive compensation should be independent of management and utilize the assistance of independent compensation consultants reporting directly to the Committee.

Compensation Practices

The Company's current executive compensation structure has been in place since 1998 and applies to all officers of the Company, including our Named Executives. At that time, a comprehensive study of executive compensation alternatives was undertaken, a primary objective being the creation of a system which aligns the interest of Company shareholders with the financial incentives for executives on a short-term and long-term basis. Subsequently, on a three-year cycle, a compensation structure and market competitiveness study has been completed to ensure that executive compensation structure remained consistent with contemporary compensation methods and tools.

The most current study was conducted in 2008, when the Committee engaged its consultant, Hay Group, to provide a market-based study of its executive compensation program, in anticipation of future compensation adjustments. The study was completed and presented to the Committee in July 2008. Hay Group presented a detailed report which examined the component parts of the executive compensation program as currently applied. Further, the report provided a competitive analysis of how the Company's Named Executives' base salaries, annual cash and long-term incentive compensation compare with peer companies in the energy industry and the general business community. The Committee then evaluated and assessed those findings in the context of the Company's performance over the years and the growth predicted going forward. Based on input from Hay Group, the Committee refined and further articulated its goals on Named Executive compensation by deciding to target compensation at the 50th percentile of the competitive market targets managed by the Committee within a range of 20% above or below this actual benchmark. This aligns Named Executive compensation with the stated executive compensation principles set forth above.

The purpose of the Committee targeting the 50th percentile of the competitive market is to provide a level of compensation that is adequate for the Company to be able to attract and retain qualified executives while at the same time protecting shareholder interests. This "middle of the road" compensation philosophy allows that one half of all companies in the competitive market target higher levels of pay than SJI. It also acts to protect shareholders from the risk of overpayments that might result from a higher target pay position (e.g. 75th percentile).

Although pay is targeted at the 50th percentile, actual levels of pay depend on a variety of factors such as tenure and individual and company performance. The Committee uses a working range of 20% above or below this benchmark to identify any "red flags" that represent outliers in need of special attention and refinement.

In line with our three-year cycle discussed above, the Committee will engage a new full compensation study in 2011. This study will assess the ongoing viability of the existing compensation structure as currently established.

Along with reviewing pay structure, the Committee reviews and determines the appropriate peer groups for benchmarking purposes. Consistent with our goal of providing competitive compensation, we compare our executive compensation programs to those in place at the identified peer companies. The Committee, in consultation with Hay Group, selects peers for the three components of executive compensation - base salary, annual performance-based cash awards and long-term, performance-based equity awards. As a part of the 2008 compensation review, the Hay Group provided an assessment of the applicable peer groups for the Committee. The Committee adopted the 15 energy companies for its peer group. In addition to this peer group, for the Named Executives other than the CEO, the Committee also relies on two or more industry specific executive compensation studies (discussed below). Only the peer group of 15 similarly sized energy utility companies is used for market comparison for base, total cash compensation and total direct compensation for the CEO. The peer group includes:

AGL Resources	Atmos Energy Corporation	Black Hills Corporation
CH Energy Group, Inc.	Chesapeake Utilities Corp.	Energen Corporation
Laclede Group, Inc.	New Jersey Resources Corp.	Nicor, Inc.
Northwest Natural Gas Co.	Piedmont Natural Gas Co.	Southern Union Co.
Southwest Gas Corporation	Vectren Corp.	WGL Holdings, Inc.

For purposes of benchmarking the long-term incentive program performance and equity awards, the Committee identified an additional peer group of 41 energy companies against whose performance total shareholder return is gauged. The peer group includes:

AGL Resources, Inc.	Ameren Corporation	Amerigas Partners LP
Atmos Energy Corp.	Black Hills Corp.	CH Energy Group Inc.
Chesapeake Utilities Corp.	Cleco Corp.	Consolidated Edison, Inc.
Delta Natural Gas Company	Dominion Resources, Inc.	DPL Inc.
DTE Energy Company	Empire District Electric Co.	Energen Corp.
Gas Natural, Inc., formerly	Equitable Resources, Inc.	Exelon Corporation
Energy West Incorporated	Ferrellgas Partners, L.P.	Great Plains Energy Inc.
Laclede Group, Inc.	MGE Energy, Inc.	National Fuel Gas Co.
New Jersey Resources Corp.	NICOR Inc.	Nisource, Inc.
Northwest Natural Gas Co.	NSTAR	Pepco Holdings, Inc.
Piedmont Natural Gas Co.	Pinnacle West Capital Corp.	Questar Corp.
RGC Resources, Inc.	Southern Union Co.	Southwest Gas Corp.
Star Gas Partners, LP	Suburban Propane Partners, LP	UGI Corp.
UIL Holdings Corp.	Vectren Corp.	WGL Holdings, Inc.

In addition to the two peer group comparisons discussed above, the Committee uses industry specific compensation studies in evaluating compensation for our Named Executives, other than the CEO. They include the following three studies:

- The Hay Group Energy Industry Database (based on size, position or revenues as appropriate)
- The Hay Group General Industry Database (based on size, position or revenues as appropriate)
- American Gas Association (AGA) survey data for selected positions.

The Committee believes that the peer group data and industry compensation studies give the Committee an independent and accurate view of the market "value" of each position on a comparative basis. Based on this information and the performance evaluations discussed above the Committee sets base salary, Total Cash Compensation (TCC = base + annual incentive compensation) and Total Direct Compensation (TDC = TCC + the value of long-term incentives/equity). In general, long-term incentives are

valued based on amounts reported either in the peer group data or in survey data submissions. In most cases, stock options are valued based on the Black Scholes "fair market" calculation. Full value equity plans (restricted shares, restricted share units and outright stock awards) are valued at fair value. Performance-based plans are valued assuming 100% performance is achieved. On a job-by-job basis this market benchmark information is compared to actual SJI levels of pay.

Compensation Components

The Company's executive compensation structure consists of three parts, two of which are directly linked to achieving predefined short-term and long-term performance goals. These three components were fully implemented with respect to compensation and performance for fiscal year 2000 and each year thereafter including fiscal year 2010. A description of the three components for our Named Executives is set forth below:

Base Salary - Base Salary is targeted at the 50th percentile or median of the relevant peer group and/or competitive market. For 2010, the CEO's base salary was 36% of the targeted TDC and all other Named Executives' base salary was at an average of 49% of targeted TDC. For 2011, the CEO's base salary is targeted at 36% of the targeted TDC and our other Named Executives' base salary is targeted at an average of 49% of the targeted TDC. The Committee utilizes both the industry compensation studies and peer group data from Hay Group when establishing the base salaries set forth in the Summary Compensation Table on page 28.

Annual Cash Awards - For 2010 annual cash award amounts are based on a percentage of each Named Executives' base salary as set forth in the chart below.

2010 Annual Cash Awards
Metrics

CEO CFO	75% SJI Economic Earnings Per Share	-	25% Specific, measurable, and predefined performance objectives
Subsidiary COO's	25% SJI Economic Earnings Per Share	50% Financial Performance of relevant subsidiary company	25% Specific, measurable, and predefined performance objectives
Other Named Executives	50% SJI Economic Earnings Per Share	-	50% Specific, measurable, and predefined performance objectives

Each Named Executive has a pre-established annual cash target, which is set forth in the Summary Compensation Table. Annually, the Committee develops a schedule to determine the actual amount of the annual cash award for the economic earnings per share metric. The schedule includes a minimum, a target and a maximum performance level. The amount of annual cash awards related to this metric is capped at this maximum level. The range for any payout to a Named Executive is plus or minus 50% of the targeted annual cash amount. The Company must achieve minimum earnings per share for any payout of any annual cash award to any Named Executive. The minimum earnings per share level is the amount of the Company's prior year's actual economic earnings per share result, or $2.38 for 2010. As a result, for the Company's Named Executives to achieve any annual cash award payout for 2010, the Company had to outperform the 2009 earnings.

Annual cash is awarded based on company performance which for 2010 was set at $2.54 earnings per share. If earnings per share of $2.54 were achieved, annual cash of 100% of target would have been

earned. At an earnings per share amount of $2.73 per share, 150 percent of target would have been earned. Actual earnings for 2010 were $2.70. Resulting in 142% of annual cash being awarded.

In addition to the company performance components utilized to determine annual cash awards, the Company bases Named Executive awards on individual balanced scorecard performance. An individual balanced scorecard ("bsc") is a strategic performance management tool that has four quadrants that are used to measure financial and non financial goals. The four perspectives that the bsc measures against are financial, customer, process and learning and growth.

	Goal	Target	Performance
Graham, E.,	Execution of key regulatory actions	Base rate case submitted and extension of CIP	Achieved
CEO	Strategic Plan	Completion of Business line strategic plans	Achieved
	Organizational Development	Develop organization and ensure talent future	Achieved
	Enhanced communication with Key Stakeholders	Expand and enhance communication with customers and shareholders	Achieved as evidenced by JD Power scores and over 75 investor relations meetings
Kindlick, D.,	Financial modeling	Create and utilize model, share results	Achieved
CFO	Rate Case - submit case	Achieve targets from case	Case filed and finalized ahead of schedule
	Enterprise Risk Management Process - consolidate Co. wide plan	Study complete and present to BOD	Achieved
DuBois, J., COO, SJG	Customer service	Improved customer service	Improved call center wait times, reduced customer connect time, achieved #1 rating in JD Power survey
	CIRT	Complete incremental projects	Achieved
	Customer Conversions	Increase conversions	Record number completed
	Rate Case - submit case	Achieve income targets from case	Case filed and finalized ahead of schedule
Renna, M.,	Budget	100% of budget	