

SOUTH JERSEY INDUSTRIES INC

Form 10-Q

November 07, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-Q

(Mark one)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2018

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number	Exact name of registrant as specified in its charter and principal office address and telephone number	State of Incorporation	I.R.S. Employer Identification No.
1-6364	South Jersey Industries, Inc. 1 South Jersey Plaza Folsom, NJ 08037 (609) 561-9000	New Jersey	22-1901645
000-22211	South Jersey Gas Company 1 South Jersey Plaza Folsom, NJ 08037 (609) 561-9000	New Jersey	21-0398330

Indicate by check mark whether each registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that such registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether each registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that such registrant was required to submit and post such files). Yes No

Indicate by check mark whether each registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

South Jersey Industries, Inc.:

Large accelerated filer Accelerated filer Non-accelerated filer
Smaller reporting company Emerging growth company

South Jersey Gas Company:

Large accelerated filer Accelerated filer Non-accelerated filer
Smaller reporting company Emerging growth company

If an emerging growth company, indicate by check mark if either registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section

13(a) of the Exchange Act o

Indicate by check mark whether either registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes o No x

South Jersey Industries, Inc. (SJI) common stock (\$1.25 par value) outstanding as of November 1, 2018 was 85,506,217 shares. South Jersey Gas Company common stock (\$2.50 par value) outstanding as of November 1, 2018 was 2,339,139 shares. All of South Jersey Gas Company's outstanding shares of common stock are held by SJI Utilities, Inc, which is a wholly-owned subsidiary of SJI.

South Jersey Gas Company is a wholly-owned subsidiary of SJI Utilities, Inc. and meets the conditions set forth in General Instruction H(1)(a) and (b) of Form 10-Q. As such, South Jersey Gas Company files its Quarterly Report on Form 10-Q with the reduced disclosure format authorized by General Instruction H.

TABLE OF CONTENTS

PART I FINANCIAL INFORMATION	Page No.
Item 1. Financial Statements (Unaudited)	1
South Jersey Industries, Inc.	
<u>Condensed Consolidated Statements of Income</u>	1
<u>Condensed Consolidated Statements of Comprehensive Income</u>	3
<u>Condensed Consolidated Statements of Cash Flows</u>	4
<u>Condensed Consolidated Balance Sheets</u>	5
South Jersey Gas Company	
<u>Condensed Statements of Income</u>	7
<u>Condensed Statements of Comprehensive Income</u>	9
<u>Condensed Statements of Cash Flows</u>	10
<u>Condensed Balance Sheets</u>	11
<u>Notes to Unaudited Condensed Consolidated Financial Statements</u>	13
South Jersey Industries, Inc. and South Jersey Gas Company - Combined	
<u>Note 1. Summary of Significant Accounting Policies</u>	13
<u>Note 2. Stock-Based Compensation Plan</u>	19
<u>Note 3. Affiliations, Discontinued Operations and Related-Party Transactions</u>	21
<u>Note 4. Common Stock</u>	23
<u>Note 5. Financial Instruments</u>	24
<u>Note 6. Segments of Business</u>	26
<u>Note 7. Rates and Regulatory Actions</u>	31
<u>Note 8. Regulatory Assets & Regulatory Liabilities</u>	32
<u>Note 9. Pension and Other Postretirement Benefits</u>	35
<u>Note 10. Lines of Credit</u>	36
<u>Note 11. Commitments and Contingencies</u>	37
<u>Note 12. Derivative Instruments</u>	39
<u>Note 13. Fair Value of Financial Assets and Financial Liabilities</u>	43
<u>Note 14. Long-Term Debt</u>	48
<u>Note 15. Accumulated Other Comprehensive Loss</u>	48
<u>Note 16. Revenue</u>	51
<u>Note 17. Business Combination</u>	56
<u>Note 18. Subsequent Events</u>	58
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	59
<u>South Jersey Industries, Inc.</u>	61
<u>South Jersey Gas Company</u>	81
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	85
Item 4. <u>Controls and Procedures</u>	89
PART II OTHER INFORMATION	
Item 1. <u>Legal Proceedings</u>	90
Item 1A. <u>Risk Factors</u>	90
Item 6. <u>Exhibits</u>	92

INTRODUCTION

FILING FORMAT

This Quarterly Report on Form 10-Q is a combined report being filed separately by two registrants: South Jersey Industries, Inc. (SJI) and South Jersey Gas Company (SJG). Information relating to SJI or any of its subsidiaries, other than SJG, is filed by SJI on its own behalf. SJG is only responsible for information about itself.

Except where the content clearly indicates otherwise, any reference in the report to "SJI," "the Company," "we," "us" or "our" is to the holding company or SJI and all of its subsidiaries, including SJG, which is a wholly-owned subsidiary of SJI Utilities, Inc. (which is wholly-owned by SJI).

Part 1 - Financial information in this Quarterly Report on Form 10-Q includes separate financial statements (i.e., balance sheets, statements of income, statements of comprehensive income and statements of cash flows) for SJI and SJG. The Notes to Unaudited Condensed Consolidated Financial Statements are presented on a combined basis for both SJI and SJG. Management's Discussion and Analysis of Financial Condition and Results of Operations (Management's Discussion) included under Item 2 is divided into two major sections: SJI and SJG.

Table of Contents

Item 1. Unaudited Condensed Consolidated Financial Statements

SOUTH JERSEY INDUSTRIES, INC. AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)
 (In Thousands Except for Per Share Data)

	Three Months Ended	
	September 30,	
	2018	2017
Operating Revenues (See Note 16):		
Utility	\$85,478	\$65,473
Nonutility	217,002	161,654
Total Operating Revenues	302,480	227,127
Operating Expenses:		
Cost of Sales - (Excluding depreciation and amortization)		
- Utility	23,238	28,217
- Nonutility	209,874	140,598
Operations (See Note 1)	74,413	37,377
Impairment Charges (See Note 1)	—	43,966
Maintenance	8,602	4,615
Depreciation	22,350	24,914
Energy and Other Taxes	2,595	1,517
Total Operating Expenses	341,072	281,204
Operating Loss (See Note 1)	(38,592)	(54,077)
Other Income and Expense (See Note 1)	1,406	1,075
Interest Charges	(26,534)	(10,567)
Loss Before Income Taxes	(63,720)	(63,569)
Income Taxes	16,649	24,765
Equity in Earnings of Affiliated Companies	1,429	1,256
Loss from Continuing Operations	(45,642)	(37,548)
Loss from Discontinued Operations - (Net of tax benefit)	(43)	(45)
Net Loss	\$(45,685)	\$(37,593)
Basic Earnings Per Common Share:		
Continuing Operations	\$(0.53)	\$(0.47)
Discontinued Operations	—	—
Basic Earnings Per Common Share	\$(0.53)	\$(0.47)
Average Shares of Common Stock Outstanding - Basic	85,506	79,549
Diluted Earnings Per Common Share:		
Continuing Operations	\$(0.53)	\$(0.47)
Discontinued Operations	—	—
Diluted Earnings Per Common Share	\$(0.53)	\$(0.47)
Average Shares of Common Stock Outstanding - Diluted	85,506	79,549
Dividends Declared Per Common Share	\$0.28	\$0.27

The accompanying notes are an integral part of the unaudited condensed consolidated financial statements.

1

Table of Contents

Nine
Months
Ended
September
30,