

SOUTH JERSEY INDUSTRIES INC

Form DEF 14A

March 20, 2007

South Jersey Industries

1 South Jersey Plaza, Folsom, New Jersey 08037

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Notice of Annual Meeting of Shareholders

April 20, 2007

NOTICE IS HEREBY GIVEN that the **Annual Meeting of Shareholders of South Jersey Industries, Inc. will be held at the Renault Winery Restaurant, 72 N. Bremen Avenue, Egg Harbor City, New Jersey, on Friday, April 20, 2007, at 10:00 a.m., Eastern Time**, for the following purposes:

1. To elect four Class III Directors to serve on the Board of Directors until the 2010 annual meeting of shareholders.
2. To ratify the appointment of Deloitte & Touche LLP as independent registered public accounting firm for 2007.
3. To transact such other business that may properly come before the meeting.

The Board of Directors has fixed the close of business on February 23, 2007 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,

Richard H. Walker, Jr.

Vice President, General Counsel & Secretary

Folsom, NJ

March 20, 2007

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 2007 Annual Meeting of Shareholders. The meeting is scheduled for Friday, April 20, 2007, at 10:00 a.m. at the Renault Winery Restaurant, 72 N. Bremen Avenue, Egg Harbor City, New Jersey. The approximate date proxy materials will be sent to shareholders is March 20, 2007.

Proxy Solicitation

The Company bears the cost of this solicitation, which is primarily made by mail. However, the Secretary or employees of the Company may solicit proxies by phone, telegram, 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 23, 2007 may vote at the meeting. On that date, the Company had 29,340,537 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 that 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.

PROPOSAL 1

DIRECTOR ELECTIONS

At the Annual Meeting, four Class III directors are to be elected to the Board of Directors to hold office for a three-year term. The persons listed below have been nominated by the Board, and unless otherwise instructed, proxy votes will be cast for such persons as directors: Helen R. Bosley, Edward J. Graham, William J. Hughes and Herman D. James. The Board of Directors currently consists of ten members. All of the nominees previously have been elected by the Company's shareholders and are currently serving as 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 consideration of the unique experience and valuable perspective that incumbent director William J. Hughes brings to the Board, and as permitted under the Company's Corporate Governance Guidelines, the Board of Directors has decided to waive its mandatory retirement policy to permit Mr. Hughes, a Class III Director whose term is expiring at the annual meeting, to stand for election for a three-year term.

NOMINEES

Class III

Term Expires in 2010

Helen R. Bosley, CFA has been a director since 2004. Age 59. Member of the Audit Committee and Nominating & Governance Committee; Chairman of the Management Development Committee. President, Corporate Financial Management, Inc., a financial management and insurance consulting firm, Yardley, PA (1990 to date); President, TBN Agency, Inc., Yardley, PA (1995 to date); trustee, Abington Memorial Hospital, Abington, PA; member, CFA Society of Philadelphia, Philadelphia, PA; Chair, Investment Committee, Girl Scouts of Southeastern PA, Miquon, PA; 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.

Edward J. Graham has been a director since 2004. Age 49. 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, American Gas Association, Washington, DC; director, New Jersey Utilities Association, Trenton, NJ; Vice Chairman and Treasurer, Rowan University Foundation, Glassboro, NJ; member, South Jersey Health System Foundation Board, Vineland, NJ; Vice-Chairman, New Jersey Commission on Higher Education; director, South Jersey Gas Company.

Ambassador William J. Hughes has been a director since 2002. Age 74. Member of the Audit Committee, Environmental Committee and Nominating & Governance Committee. Of Counsel, law firm of Riker, Danzig, Scherer, Hyland & Perretti, LLP (2000 to date), Morristown and Trenton, NJ; Visiting Distinguished Scholar of Public Policy, The Richard Stockton College of New Jersey (1999 to date), Pomona, NJ; Visiting Professor, Rutgers, The State University of New Jersey (1999 - 2003), New Brunswick, NJ; United States Ambassador to the Republic of Panama (1995 - 1998); Member, United States House of Representatives (1975 - 1995); director, South Jersey Gas Company.

Herman D. James, Ph.D. has been a director since 1990. Age 63. Member of the Compensation/Pension Committee, the Executive Committee, the Management Development Committee and the Audit Committee. Distinguished Professor, Rowan University (1998 to date), President, Rowan University (1984 - 1998), Glassboro, NJ; director, American Association of State Colleges and Universities, (1994 - 1998), Washington, DC; director, New Jersey State Chamber of Commerce (1992 - 1998), Trenton, NJ; 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

Term Expires in 2008

Keith S. Campbell has been a director since 2000. Age 52. Member of the Compensation/Pension Committee, Environmental Committee and Nominating and Governance 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, Glassboro, NJ; director, Skytop Lodge, Inc.; 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.

W. Cary Edwards has been a director since September 1993 and was also a director from April 1990 to January 1993. Age 62. Lead Director (April 2005 to date), Member of the Executive Committee, Audit Committee and Nominating & Governance Committees, Chairman of the Compensation/Pension Committee; Chairman, New Jersey State Commission on Investigation (1997 to date); Senior Attorney, Edwards & Caldwell, LLC (1993 to date); Of Counsel (1993) and New Jersey Managing Partner (1990 - 1993), law firm of Mudge Rose Guthrie Alexander & Ferdon; Attorney General, State of New Jersey (1986 - 1989); Chief Legal Counsel - Governor of New Jersey (1982 - 1986); life trustee, Monmouth University; Chairman and Director, South Jersey Sanitation, Inc.; 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.

DIRECTORS CONTINUING IN OFFICE

Class I I

Term Expires in 2009

Shirli M. Billings, Ph.D. has been a director since 1983. Age 66. Member of the Executive Committee, Compensation/Pension Committee, and Management Development Committee; Chairman of the Nominating & 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 59. Member of Audit Committee, Environmental Committee and Compensation/Pension Committee. President and CEO of Sun Bancorp, Inc. and its wholly-owned subsidiary Sun National Bancorp, Inc., Vineland, NJ (2001 to January 22, 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); Chairman, Economic Development Corporation of Trenton, Trenton, NJ; Chairman, New Jersey Chamber of Commerce; director, New Jersey Bankers Association; director and Chairman, Finance Committee, New Jersey Cancer Institute; director, New Jersey Alliance for Action; director, New Jersey Network; member, Community Bank Council, 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.

Sheila Hartnett-Devlin, CFA has been a director since 1999. Age 48. Member of the Executive Committee, the Compensation/Pension Committee and the Management Development Committee; Chairman of the Audit Committee. Managing Director, Cohen, Klingenstein & Marks, Inc., an investment management company (September 2005 to date); 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 Program, Inc.; director, Mannington Mills, Inc.; director, South Jersey Gas Company.

Frederick R. Raring has been a director since 1995. Age 69. Member of the Executive Committee, Management Development Committee, and Nominating & Governance Committee; Chairman of the Environmental Committee. President, Seashore Supply Company, Ocean City, NJ, a distributor of plumbing and heating supplies and materials (1990 to January 1, 2007); director, South Jersey Gas Company.

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 12, 2007, 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 2006 and a 2005 Named Executive Officer who retired in 2006 (collectively, the "Named Executives") and (c) all of the directors and executive officers of the Company as a group.

	<i>Number of Shares of Common Stock (1)</i>	<i>Percent of Class</i>
Shirli M. Billings	18,945 ⁽²⁾	*
Helen R. Bosley	4,244 ⁽²⁾	*
Thomas A. Bracken	7,141 ⁽²⁾	*
Keith S. Campbell	5,834 ⁽²⁾	*
W. Cary Edwards	10,188 ⁽²⁾	*
Edward J. Graham	68,214	*
Sheila Hartnett-Devlin	16,733 ⁽²⁾	*
William J. Hughes	6,392 ⁽²⁾	*
David A. Kindlick	51,771	*
Richard J. Jackson	19,125	*
Herman D. James	14,047 ⁽²⁾	*
Frederick R. Raring	59,031 ⁽²⁾	*
Michael J. Renna	11,591	*
Albert V. Ruggiero	43,001	*
Richard H. Walker, Jr.	24,133	*
All continuing directors, nominees for director and executive officers as a group (14 persons)	360,390	1.2%

* 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.

Stock Ownership Requirements

The Board of Directors believes that 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:

n 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;

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

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

n 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

n 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. In 2006, Jeffrey E. DuBois, an executive officer of the Company, inadvertently filed an untimely report of beneficial ownership on Form 4. Based on our records and other information, the Company believes that all other Section 16(a) filing requirements were met for 2006.

Security Ownership of Certain Beneficial Owners

The following table sets forth certain information, as of February 21, 2006, 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 Common Stock. Based on filings made with the SEC, the shareholder named below has sole voting and investment power with respect to such shares.

<u>Name and Address of Beneficial Owner</u>	<u>Shares Beneficially Owned</u>	<u>Percent of Class</u>
Dimensional Fund Advisors, Inc. 1299 Ocean Avenue, 11th Floor Santa Monica, CA 90401-1005	2,430,514 ⁽¹⁾	8.3%
Barclays Global Investors Japan Trust and Banking Company Limited Ebsiu Prime Square Tower 8th Floor 1-1-39 Hiroo Shibuya - Ku Tokyo 150-0012 Japan	1,749,330 ⁽²⁾	6.0%*

(1) Dimensional Fund Advisors LP (formerly, Dimensional Fund Advisors Inc.) ("Dimensional"), an investment advisor registered under Section 203 of the Investment Advisors Act of 1940, furnishes investment advice to four investment companies registered under the Investment Company Act of 1940, and serves as investment manager to certain other commingled group trusts and separate accounts. These investment companies, trusts and accounts are the "Funds." In its role as investment advisor or manager, Dimensional possesses investment and/or voting power over the securities of the Company described above that are owned by the Funds, and may be deemed to be the beneficial owner of the shares of the Company held by the Funds. However, all securities reported in this schedule are owned by the Funds. Dimensional disclaims beneficial ownership of such securities.

(2) Barclays Global Investors Japan Trust and Banking Co. LTD has filed with the Securities and Exchange Commission Schedule 13G indicating that shares identified above are held by the company in trust accounts for Barclays Global Investors NA, Barclays Global Fund Advisors and Barclays Global Investors, LTD. Barclays Global Investors NA holds 827,080 shares representing 2.82% of the class. Barclays Global Fund Advisors holds 903,609 shares representing 3.09% of the class. Barclays Global Investors, LTD holds 18,641 shares representing 0.06% of the class. Each company in Schedule 13G disclaims being a “group” as defined under Securities and Exchange Commission Rules.

THE BOARD OF DIRECTORS _____

Corporate Governance

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.

The Board has determined that incumbent directors Billings, Bosley, Bracken, Campbell, Edwards, Hartnett-Devlin, Hughes, James and Raring, 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 2006, nine of the ten 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 under the heading “Investor Relations”. 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, NJ 08037, Attention: Corporate Secretary.

Communication with Directors

The independent directors met four times during 2006. Topics of these independent sessions included CEO performance and compensation and discussions of corporate governance. Meetings of the independent directors are chaired by the Lead Director. You may communicate with the Lead Director and chairmen of the Audit, Compensation/Pension and Nominating & Governance Committees by sending an e-mail to auditchair@sjindustries.com, compchair@sjindustries.com (for Lead Director) or nomgovchair@sjindustries.com, respectively, or you may communicate with our outside independent directors as a group by sending an e-mail to sjdirectors@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.

Meetings of the Board of Directors and its Committees

The Board of Directors met seven times in 2006. 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. 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, provided, however, that attendance shall not be required if personal circumstances affecting the Board member or director nominee make his or her attendance impracticable or inappropriate. All of our directors with the exception of Thomas A. Bracken, attended the 2006 Annual Meeting of Shareholders. During 2006, 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 six standing committees of the Board: the Audit Committee; the Compensation/Pension Committee; the Environmental Committee; the Executive Committee; the Nominating & Governance Committee; and the Management Development Committee.

Audit Committee

The Audit Committee of the Board of Directors, which met eight times during 2006, comprises six "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; W. Cary Edwards; Dr. Herman D. James and William J. Hughes. 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 January 2005, the Board of Directors designated Ms. Hartnett-Devlin, Ms. Bosley and Mr. Bracken as "audit committee financial experts" 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 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 Committee which is attached as Exhibit A and which is available on our website at www.sjindustries.com under the heading "Investor Relations" or you may obtain a copy by writing to the Secretary, South Jersey Industries Board of Directors, South Jersey Industries, Inc., 1 South Jersey Plaza, Folsom, New Jersey 08037.

Compensation/Pension Committee

The Compensation/Pension Committee of the Board of Directors, which met four times during 2006, comprises six “independent” directors: W. Cary Edwards, Chairman; Dr. Shirli M. Billings; Thomas A. Bracken; Keith S. Campbell; Sheila Hartnett-Devlin; and Dr. Herman D. James. Director Keith S. Campbell served on the Committee from April through December 2006. The Compensation/Pension 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. The Committee’s charter is available on our website at www.sjindustries.com under the heading “Investor Relations” or you may obtain a copy by writing to the Secretary, South Jersey Industries Board of Directors, South Jersey Industries, Inc., 1 South Jersey Plaza, Folsom, New Jersey 08037.

Compensation Committee Interlocks and Insider Participation

The Compensation Committee consists of W. Cary Edwards, Chairman; Dr. Shirli M. Billings; Thomas A. Bracken; Keith S. Campbell; Sheila Hartnett-Devlin; and Dr. Herman D. James. 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, one of whose executive officers served as a director of the Company.

Nominating and Governance Committee

The Nominating & Governance Committee of the Board of Directors, which met four times during 2006, comprises six directors: Dr. Shirli M. Billings, Chairman; Helen R. Bosley; Keith S. Campbell; W. Cary Edwards; William J. Hughes and Frederick R. Raring. Each member of the Committee satisfies the independence requirements of the New York Stock Exchange. Among its functions, the Nominating and 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 “Investor Relations” 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 Committee’s charter is available on our website at www.sjindustries.com under the heading “Investor Relations” or you may obtain a copy by writing to the Secretary, South Jersey Industries Board

of Directors, South Jersey Industries, Inc., 1 South Jersey Plaza, Folsom, New Jersey 08037. The Nominating & 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 Secretary of the Company. Any shareholder wishing to propose a nominee should submit a recommendation in writing to the Company's 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.

Environmental Committee

The Environmental Committee of the Board of Directors, which met one time during 2006, comprises four directors: Frederick R. Raring, Chairman; Keith S. Campbell; Thomas A. Bracken and William J. Hughes. The Environmental Committee reviews and evaluates management activities with respect to environmental remediation of the Company's and its subsidiaries' current and former properties.

Executive Committee

The Executive Committee of the Board of Directors, which met three times during 2006, is comprised of six directors: Edward J. Graham, Chairman; Dr. Shirli M. Billings; W. Cary Edwards; Sheila Hartnett-Devlin; Dr. Herman D. James and Fredrick R. Raring. The Executive Committee: (1) oversees the Company's succession planning process; and (2) 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.

Management Development Committee

The Management Development Committee of the Board of Directors, which met one time during 2006, comprises five directors: Helen R. Bosley, Chairman; Dr. Shirli M. Billings; Sheila Hartnett-Devlin; Dr. Herman D. James and Frederick R. Raring. The Management Development Committee: (1) reviews the Company's programs and practices used to develop employees identified for leadership positions in the organization; and (2) evaluates training and educational programs to assure that they reflect current and emerging workplace, industry and general business issues.

Compensation of Directors

In 2005 and 2006, studies of non-employee director compensation were conducted by Mercer Human Resource Consulting and the Hay Group consultants comparing the Company's director compensation with a relevant peer group of 12 energy utility companies. The Board approved targeting non-employee director compensation at the median of the peer group as there has been significant change in director compensation over the last three years. Accordingly, effective December 1, 2006, non-employee directors receive shares of restricted stock with a market value of \$35,000. The Company has established a plan whereby directors may elect to defer the receipt of the restricted stock until a specified date or until 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.

Non-employee directors are paid an annual cash retainer of \$30,000. The Lead Director is paid an additional annual retainer of \$10,000. In 2006, chairmen of the committees were paid a retainer as follows: Audit, \$5,000; Compensation/Pension, \$4,000; Nominating and Governance, \$4,000, Environmental, \$2,000 and Management Development, \$2,000. Effective January 1, 2007, the chairmen of certain committees are paid as follows: Audit, \$8,000; Compensation/Pension, \$5,000; Nominating and Governance, \$5,000. Chairmen of the Environmental and Management Development committees are paid an annual retainer of \$2,000. In 2006, directors received \$1,000 for each meeting of the Board of the Company or its subsidiaries attended, except that the maximum fee paid to any person for attendance at one or more meetings of these boards held on the same day is \$1,000. In 2006, non-employee directors also received \$500 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 \$1,000 if the meeting is held on any other day with the exception of Audit Committee members. In 2006, Audit Committee members were paid \$1,500 per meeting regardless of type of

meeting. Also in 2006, non-employee directors who participate telephonically in a Board or committee meeting received \$500. Beginning January 2007, directors receive \$1,500 for each meeting of the Board of the Company or its subsidiaries attended, except that 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. In 2007, non-employee directors also receive \$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. In 2007, Audit Committee members are paid \$1,500 per meeting if the meeting is telephonic on a non-board meeting day. Also, in 2007, non-employee directors who participate telephonically in a Board or committee meeting receive \$750. Directors who are also employees of the Company receive no separate compensation for serving on the Board.

Director Compensation for Fiscal 2006

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	53,500	22,333	0	0	0	580	76,413
Helen R. Bosley	57,333	22,333	0	0	0	580	80,246
Thomas A. Bracken	56,000	22,333	0	0	0		