

SOUTH JERSEY INDUSTRIES INC

Form 10-Q

August 05, 2016

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 June 30, 2016

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 1-6364

SOUTH JERSEY INDUSTRIES, INC.

(Exact name of registrant as specified in its charter)

New Jersey 22-1901645

(State of incorporation) (IRS employer identification no.)

1 South Jersey Plaza, Folsom, NJ 08037

(Address of principal executive offices, including zip code)

(609) 561-9000

(Registrant's telephone number, including area code)

Common Stock

(\$1.25 par value per share) New York Stock Exchange

(Title of each class) (Name of exchange on which registered)

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark whether the 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 the 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 the 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 the registrant was required to submit and post such files). Yes No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

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

Yes No

As of August 1, 2016 there were 79,477,822 shares of the registrant's common stock outstanding.

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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 June 30,	
	2016	2015
Operating Revenues:		
Utility	\$68,273	\$75,294
Nonutility	86,129	102,416
Total Operating Revenues	154,402	177,710
Operating Expenses:		
Cost of Sales - (Excluding depreciation)		
- Utility	19,508	24,901
- Nonutility	78,832	66,044
Operations	36,250	33,802
Maintenance	4,259	3,928
Depreciation	22,296	17,430
Energy and Other Taxes	1,243	1,265
Total Operating Expenses	162,388	147,370
Operating (Loss) Income	(7,986)	30,340
Other Income and Expense	4,361	3,040
Interest Charges	(8,229)	(7,474)
(Loss) Income Before Income Taxes	(11,854)	25,906
Income Taxes	7,189	3,279
Equity in Losses of Affiliated Companies	(133)	(15,844)
(Loss) Income from Continuing Operations	(4,798)	13,341
Loss from Discontinued Operations - (Net of tax benefit)	(29)	(74)
Net (Loss) Income	\$(4,827)	\$13,267
Basic Earnings Per Common Share:		
Continuing Operations	\$(0.06)	\$0.19
Discontinued Operations	—	—
Basic Earnings Per Common Share	\$(0.06)	\$0.19
Average Shares of Common Stock Outstanding - Basic	75,298	68,467
Diluted Earnings Per Common Share:		
Continuing Operations	\$(0.06)	\$0.19
Discontinued Operations	—	—
Diluted Earnings Per Common Share	\$(0.06)	\$0.19
Average Shares of Common Stock Outstanding - Diluted	75,298	68,653
Dividends Declared Per Common Share	\$0.26	\$0.25

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

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	Six Months Ended June 30,	
	2016	2015
Operating Revenues:		
Utility	\$251,942	\$341,824
Nonutility	235,495	218,838
Total Operating Revenues	487,437	560,662
Operating Expenses:		
Cost of Sales - (Excluding depreciation)		
- Utility	84,714	169,875
- Nonutility	166,601	162,777
Operations	75,047	75,663
Maintenance	8,643	7,926
Depreciation	42,997	34,249
Energy and Other Taxes	3,168	3,461
Total Operating Expenses	381,170	453,951
Operating Income	106,267	106,711
Other Income and Expense	6,564	5,281
Interest Charges	(17,389)	(16,075)
Income Before Income Taxes	95,442	95,917
Income Taxes	(32,078)	(13,334)
Equity in Earnings (Losses) of Affiliated Companies	25	(15,389)
Income from Continuing Operations	63,389	67,194
Loss from Discontinued Operations - (Net of tax benefit)	(147)	(350)
Net Income	\$63,242	\$66,844
Basic Earnings Per Common Share:		
Continuing Operations	\$0.86	\$0.98
Discontinued Operations	—	—
Basic Earnings Per Common Share	\$0.86	\$0.98
Average Shares of Common Stock Outstanding - Basic	73,213	68,432
Diluted Earnings Per Common Share:		
Continuing Operations	\$0.86	\$0.98
Discontinued Operations	—	—
Diluted Earnings Per Common Share	\$0.86	\$0.98
Average Shares of Common Stock Outstanding - Diluted	73,506	68,636
Dividends Declared per Common Share	\$0.52	\$0.50

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

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SOUTH JERSEY INDUSTRIES, INC. AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)
 (In Thousands)

	Three Months Ended June 30,	
	2016	2015
Net (Loss) Income	\$(4,827)	\$13,267
Other Comprehensive Income, Net of Tax:*		
Unrealized Gain (Loss) on Available-for-Sale Securities	55	(64)
Unrealized Gain on Derivatives - Other	49	111
Other Comprehensive Income of Affiliated Companies	—	59
Other Comprehensive Income - Net of Tax*	104	106
Comprehensive (Loss) Income	\$(4,723)	\$13,373

	Six Months Ended June 30,	
	2016	2015
Net Income	\$63,242	\$66,844
Other Comprehensive Income, Net of Tax:*		
Unrealized Gain on Available-for-Sale Securities	104	24
Unrealized Gain on Derivatives - Other	100	119
Other Comprehensive Loss of Affiliated Companies	—	(36)
Other Comprehensive Income - Net of Tax*	204	107
Comprehensive Income	\$63,446	\$66,951

* Determined using a combined average statutory tax rate of 40%.

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

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SOUTH JERSEY INDUSTRIES, INC. AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
 (In Thousands)

	Six Months Ended June 30,	
	2016	2015
Net Cash Provided by Operating Activities	\$ 158,099	\$ 102,059
Cash Flows from Investing Activities:		
Capital Expenditures	(118,843)	(141,585)
Purchase of Available-for-Sale Securities	—	(6,059)
Proceeds from Restricted Investments	1,738	—
Net Proceeds from Sale of Restricted Investments in Margin Account	7,781	12,581
Investment in Long-Term Receivables	(5,702)	(3,381)
Proceeds from Long-Term Receivables	5,195	2,040
Notes Receivable	(74)	(9,887)
Purchase of Company-Owned Life Insurance	(652)	(765)
Investment in Affiliate	(5,820)	(1,766)
Advances on Notes Receivable - Affiliate	—	(1,514)
Net Repayment of Notes Receivable - Affiliate	1,266	4,612
Net Cash Used in Investing Activities	(115,111)	(145,724)
Cash Flows from Financing Activities:		
Net (Repayments of) Borrowings from Short-Term Credit Facilities	(286,300)	120,300
Proceeds from Issuance of Long-Term Debt	61,000	—
Principal Repayments of Long-Term Debt	(13,078)	(64,000)
Dividends on Common Stock	(18,790)	(17,192)
Proceeds from Sale of Common Stock	214,463	3,596
Net Cash (Used in) Provided by Financing Activities	(42,705)	42,704
Net Increase (Decrease) in Cash and Cash Equivalents	283	(961)
Cash and Cash Equivalents at Beginning of Period	3,877	4,171
Cash and Cash Equivalents at End of Period	\$ 4,160	\$ 3,210

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

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CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

(In Thousands)

	June 30, 2016	December 31, 2015
Assets		
Property, Plant and Equipment:		
Utility Plant, at original cost	\$2,310,223	\$2,211,239
Accumulated Depreciation	(459,015)	(440,473)
Nonutility Property and Equipment, at cost	792,256	785,646
Accumulated Depreciation	(128,574)	(108,307)
Property, Plant and Equipment - Net	2,514,890	2,448,105
Investments:		
Available-for-Sale Securities	15,160	14,810
Restricted	38,177	48,758
Investment in Affiliates	22,168	16,983
Total Investments	75,505	80,551
Current Assets:		
Cash and Cash Equivalents	4,160	3,877
Accounts Receivable	175,341	178,359
Unbilled Revenues	29,385	40,044
Provision for Uncollectibles	(10,118)	(10,252)
Notes Receivable	11,843	11,800
Notes Receivable - Affiliate	1,868	3,134
Natural Gas in Storage, average cost	44,499	54,211
Materials and Supplies, average cost	6,815	5,088
Prepaid Taxes	27,922	21,753
Derivatives - Energy Related Assets	45,112	83,093
Other Prepayments and Current Assets	38,930	40,167
Total Current Assets	375,757	431,274
Regulatory and Other Noncurrent Assets:		
Regulatory Assets	380,364	323,434
Derivatives - Energy Related Assets	11,929	16,238
Notes Receivable - Affiliate	13,275	13,275
Contract Receivables	28,976	28,609
Notes Receivable	31,187	35,439
Goodwill	8,139	8,880
Identifiable Intangible Assets	16,209	21,553
Other	66,350	64,575
Total Regulatory and Other Noncurrent Assets	556,429	512,003
Total Assets	\$3,522,581	\$3,471,933

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

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CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

(In Thousands)

	June 30, 2016	December 31, 2015
Capitalization and Liabilities		
Equity:		
Common Stock	\$99,347	\$ 88,707
Premium on Common Stock	705,106	499,460
Treasury Stock (at par)	(259)	(296)
Accumulated Other Comprehensive Loss	(24,295)	(24,499)
Retained Earnings	497,648	474,167
Total Equity	1,277,547	1,037,539
Long-Term Debt (See Note 1)	831,089	