



# Investor Presentation

September 2020

# Investor Presentation

## Forward-Looking Statements & Non-GAAP Measures



### *Forward-Looking Statements*

This presentation, including information incorporated by reference, contains forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. All statements other than statements of historical fact, including statements regarding guidance, industry prospects or future results of operations or financial position, expected sources of incremental margin, strategy, financing needs, future capital expenditures and the outcome or effect of ongoing litigation, are forward-looking. This Quarterly Report uses words such as "anticipate," "believe," "expect," "estimate," "forecast," "goal," "intend," "objective," "plan," "project," "seek," "strategy," "target," "will" and similar expressions to identify forward-looking statements. These forward-looking statements are based on the beliefs and assumptions of management at the time that these statements were prepared and are inherently uncertain. Forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those expressed or implied in the forward-looking statements. These risks and uncertainties include, but are not limited to, general economic conditions on an international, national, state and local level; weather conditions in SJI's marketing areas; changes in commodity costs; changes in the availability of natural gas; "non-routine" or "extraordinary" disruptions in SJI's distribution system; regulatory, legislative and court decisions; competition; the availability and cost of capital; costs and effects of legal proceedings and environmental liabilities; the failure of customers, suppliers or business partners to fulfill their contractual obligations; changes in business strategies; and public health crises and epidemics or pandemics, such as a novel coronavirus (COVID-19). These risks and uncertainties, as well as other risks and uncertainties that could cause our actual results to differ materially from those expressed in the forward-looking statements, are described in greater detail under the heading "Item 1A. Risk Factors" in this Quarterly Presentation, SJI's and SJG's Annual Report on Form 10-K for the year ended December 31, 2019 and in any other SEC filings made by SJI or SJG during 2019 and 2020 and prior to the filing of this earnings presentation. Also refer to the additional risk factor described below: Our business could be adversely affected by a public health crisis or the widespread outbreak of contagious disease, such as the recent outbreak of respiratory illness caused by a novel coronavirus (COVID-19), which has been declared a pandemic by the World Health Organization in March 2020. In recent weeks, the continued spread of COVID-19 across the world has led to disruption and volatility in the global capital markets, which increases the cost of capital and adversely impacts access to capital. Additionally, our reliance on third-party suppliers, contractors, service providers, and commodity markets exposes us to possibility of delay or interruption of our operations. For the duration of the outbreak of COVID-19, legislative and government action limits our ability to collect on overdue accounts, and prohibits us from shutting off services, which may cause a decrease in our cash flows or net income. We have been executing our business continuity plans since the outbreak of COVID-19 and are closely monitoring potential impacts due to COVID-19 pandemic responses at the state and federal level. As expected, we have incurred operating costs for emergency supplies, cleaning services, enabling technology and other specific needs during this crisis which have traditionally been recognized as prudent expenditures by our regulators. The impact to the collectability of our accounts receivable is an unknown at this time but such receivables have traditionally been included in rate recovery. Our infrastructure investment programs continue to move forward, and construction activity that was delayed in accordance with directives from the Governor of New Jersey have since continued; however, to the extent the pandemic worsens or a similar directive is put in place in the future for a long period of time, our capital projects could be significantly impacted. It is impossible to predict the effect of the continued spread of the coronavirus in the communities we service. Should the coronavirus continue to spread or not be contained, our business, financial condition and results of operations could be negatively impacted, including impairment of goodwill or access to capital markets, which in turn may have a negative effect on the market price of our common stock. No assurance can be given that any goal or plan set forth in any forward-looking statement can or will be achieved, and readers are cautioned not to place undue reliance on such statements, which speak only as of the date they are made. SJI and SJG undertake no obligation to revise or update any forward-looking statements, whether as result of new information, future events or otherwise, except as required by law.

### *Non-GAAP Measures*

Management uses the non-GAAP financial measures of Economic Earnings and Economic Earnings per share when evaluating its results of operations. These non-GAAP financial measures should not be considered as an alternative to GAAP measures, such as net income, operating income, earnings per share from continuing operations or any other GAAP measure of financial performance. We define Economic Earnings as: Income from continuing operations, (i) less the change in unrealized gains and plus the change in unrealized losses on all derivative transactions; and (ii) less the impact of transactions, contractual arrangements or other events where management believes period to period comparisons of SJI's operations could be difficult or potentially confusing. With respect to part (ii) of the definition of Economic Earnings, several items are excluded from Economic Earnings for the three and six months ended June 30, 2020 and 2019, consisting of the impact of pricing disputes with third parties, costs to acquire ETG and ELK, costs to prepare to exit the TSA, costs incurred and gains recognized on sales of solar, MTF/ACB, and ELK, costs incurred to cease operations at three landfill gas-to-energy-production facilities, severance and other employee separation costs, and a one-time tax adjustment resulting from SJG's Stipulation of Settlement with the BPU. Economic Earnings is a significant financial measure used by our management to indicate the amount and timing of income from continuing operations that we expect to earn after taking into account the impact of derivative instruments on the related transactions, as well as the impact of contractual arrangements and other events that management believes make period to period comparisons of SJI's operations difficult or potentially confusing. Management uses Economic Earnings to manage its business and to determine such items as incentive/compensation arrangements and allocation of resources. Specifically regarding derivatives, we believe that this financial measure indicates to investors the profitability of the entire derivative-related transaction and not just the portion that is subject to mark-to-market valuation under GAAP. We believe that considering only the change in market value on the derivative side of the transaction can produce a false sense as to the ultimate profitability of the total transaction as no change in value is reflected for the non-derivative portion of the transaction.



# Overview



### Significant Organizational Improvement Across The Board, Transformation to ~80% Regulated Business Profile

#### Balance Sheet Strength

- Secondary Equity Offerings to Finance Regulated Strategy and Support Credit Profile (2016, 2018, 2020)
- Asset Sale Proceeds Used to Reduce Leverage (2018-2020)
- Settled Equity Forward Agreement (2019)
- Debt Refinancing Actions to Improve Near-Term Liquidity Profile (2020)
- Incremental Equity Issuances to Enhance Capital Structure and Support Utility Investments

#### Lowered Risk Profile

- Transformation to ~80% Regulated Business Profile, Trending Toward 90% over time
- 95%+ of Long-Term Capex Anticipated in Regulated Assets
- Elizabethtown and Elkton Acquisitions (2017)
- Non-Utility Asset Sales (2016-2020)
- Established Midstream Segment with PennEast Project (2015)
- Expanded Fuel Management Activities (2015-2020)

#### Improved Earnings Quality

- Sharply Reduced Legacy Renewable Development/Investment (2016)
- Reduced On-Site Energy Business Portfolio (2016)
- Solar Assets Sold (2018)
- Retail Gas Marketing Assets Sold (2018)
- CHP Assets Sold (2020)
- ELK Sold (2020)

#### Economic Earnings Expansion

- Customer Growth Driven by Gas Conversions and New Construction
- SJG AIRP & SHARP Infrastructure Replacement Program extensions
- ETG IIP Infrastructure Investment Program Approved
- Constructive Rate Case Outcomes
  - ETG Rate Case Settled (2019)
  - SJG Rate Case Settled (2017)
  - SJG Rate Case Filed March 2020
- Pandemic Recovery Opportunities
- Clean Energy Investment Opportunities

# Overview

## Organizational Structure Today



### Utility

#### SJI Utilities

South Jersey  
Gas

Elizabethtown  
Gas

### Non-Utility

#### SJI Midstream

#### South Jersey Energy Solutions

Midstream

Energy  
Group

Energy  
Services

- PennEast Pipeline  
(20% Interest)

- Wholesale Operations
  - Fuel Management
  - Commodity Marketing

- Energy Production
- Account Services



# Overview

## Recent Successes and Future Initiatives



Category	Recent Successes	Future Initiatives
Base Rate Cases	<ul style="list-style-type: none"><li>ETG: \$34M Increase in Base Rates Effective Nov 15, 2019</li></ul>	<ul style="list-style-type: none"><li>SJG 2020 Base Rate Case Underway</li></ul>
Customer Growth	<ul style="list-style-type: none"><li>9,500+ new customers added LTM, 1.5% annualized growth rate</li></ul>	<ul style="list-style-type: none"><li>Expected 1.5% Annualized Growth Driven by Conversions and New Construction</li></ul>
Business Transformation	<ul style="list-style-type: none"><li>ETG integration of people, processes and technology (TSA Exit)</li><li>Sold Non-Core Assets (Legacy Solar/Retail Gas/CHP/ELK)</li><li>Reshaped/Reduced Wholesale Portfolio</li><li>Targeted Clean Energy Investments (Solar/Fuel Cell)</li></ul>	<ul style="list-style-type: none"><li>Complete Targeted Clean Energy Investment</li><li>Cease Operations at One Remaining Landfill</li><li>New Fuel Management Service Opportunities</li><li>Exploring RNG and Hydrogen Opportunities</li></ul>
Regulatory Initiatives	<ul style="list-style-type: none"><li>ETG: Infrastructure Investment Program Effective July 2019</li><li>SJG/ETG: Infrastructure Program True-Up Filings Q3 2020</li><li>SJG: Engineering/Route Filing for LNG Redundancy Filed Q4 2019</li></ul>	<ul style="list-style-type: none"><li>SJG/ETG Energy Efficiency Filing Q3 2020</li><li>SJG AIRP Extension Filing Q4 2020</li><li>NJ Pandemic Recovery Opportunities</li></ul>
Capital Plan/Balance Sheet	<ul style="list-style-type: none"><li>Liquidity Enhancement and Reduction of Near-Term Debt Maturities</li><li>Equity Issuance via ATM, resolving equity funding need for 2020</li><li>Enhanced Credit Through Revolver Modernization</li></ul>	<ul style="list-style-type: none"><li>Continued Improvement in Credit Metrics</li><li>Debt/Equity to Support Regulated Strategies</li><li>Maintain 55-65% Target Dividend Payout</li></ul>



# Overview

## Long Track Record of Commitment to ESG Priorities



Environmental
<ul style="list-style-type: none"><li>✓ Collaborate with DEP and our state regulators to support effective environmental, health and safety standards and regulations</li><li>✓ Infrastructure built and monitored efficiency to minimize leaks</li><li>✓ Capital investment in remediation efforts and infrastructure</li><li>✓ 200+ CNG vehicles across our fleet</li><li>✓ Anticipate over 500 tons of carbon emissions will be reduced at the current pipe replacement rate</li></ul>

Social
<ul style="list-style-type: none"><li>✓ Safety is the organization's non-negotiable top priority</li><li>✓ Commitment to supplier diversity</li><li>✓ 51% workforce diversity across 1,100+ employees</li><li>✓ Focused attention on Diversity, Equity, and Inclusion efforts and programs</li><li>✓ Investment in the Customer Experience</li><li>✓ Significant contributions to support community and local non-profit organizations</li><li>✓ Health and financial wellness programs to support employee engagement</li><li>✓ Corporate giving and employee giving and volunteerism programs</li></ul>

Governance
<ul style="list-style-type: none"><li>✓ 30% of SJI's board members are female</li><li>✓ 90% of board members are considered independent</li><li>✓ 80% of board members have tenure of 10 years or less</li><li>✓ Mandatory retirement age at 75</li><li>✓ Annual independent third-party effectiveness evaluation</li><li>✓ Annual independent board compensation evaluation</li><li>✓ In the past three years 2 Directors have retired and 2 Directors were added</li></ul>





# SJL Utilities

# SJI Utilities

## Overview



Utility

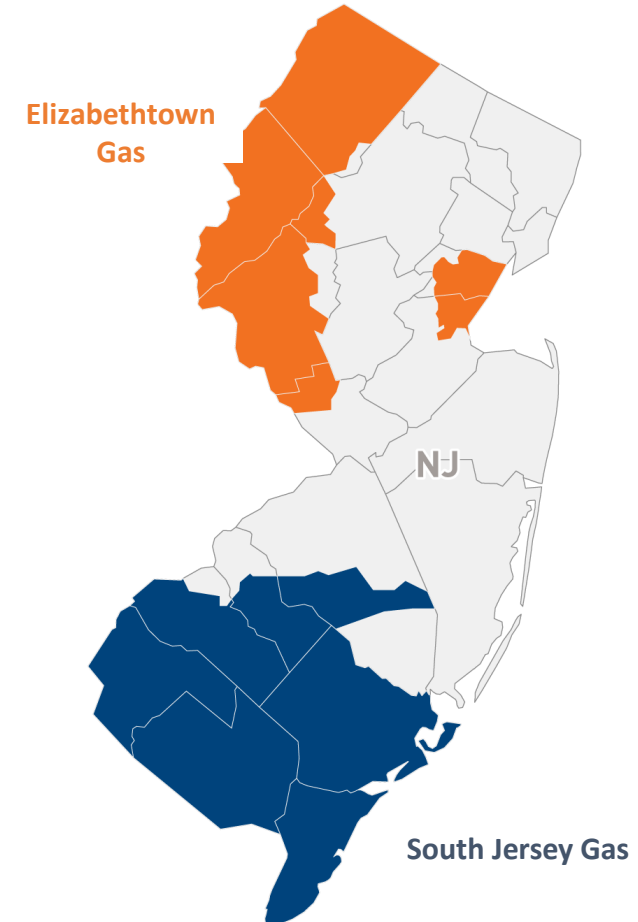
SJI Utilities

South Jersey  
Gas

Elizabethtown  
Gas

- Gas distribution utilities – South Jersey Gas (SJG) and Elizabethtown Gas (ETG)
- ~10,000 miles of distribution and transmission pipeline
- ~700,000 total customers
- ~\$2.6B combined Rate Base
- Growing customer base
- Mix of new construction and conversions
- Collaborative relationship with NJ regulators
- NJ ranks #3 in the nation in per capita income and #8 for GDP \*

### Largest Stand-Alone Natural Gas Utility in New Jersey



\* Source: Per Capita Income from U.S. Census Bureau (2018) and GDP from U.S. Bureau of Economic Analysis (2018)



### Safety Is Our Top Priority

- **Building A Strong Safety Culture**
  - Tone at the top
  - DuPont Engagement – stand-up of comprehensive safety management system
  - Enhanced communication and training
  - Improving incident metrics
  - Leverage best of best
- **Benefits of Strong Safety Culture**
  - More engaged workforce
  - Increased employee retention
  - Better recruiting
  - Improved customer experience
  - Lower claims and insurance premiums
  - Fewer lost work days

### Customer Experience Focused

- **Top JD Power Customer Satisfaction Scores**
  - ETG is #1 in peer group for 6th consecutive year
  - SJG is #4 in same peer group
- **Cultural Maturity Curves**
  - SJG Improvement Initiative
  - ETG's advanced stage journey
- **Benefits of Strong Customer Culture**
  - Enhanced customer growth
  - Self-service options lower labor costs
  - Lower un-collectibles
  - More engaged workforce
  - Increased employee retention
  - Reduced customer attrition
  - Builds trust, credibility and brand awareness



# SJI Utilities

## South Jersey Gas | Overview



### ➤ Overview

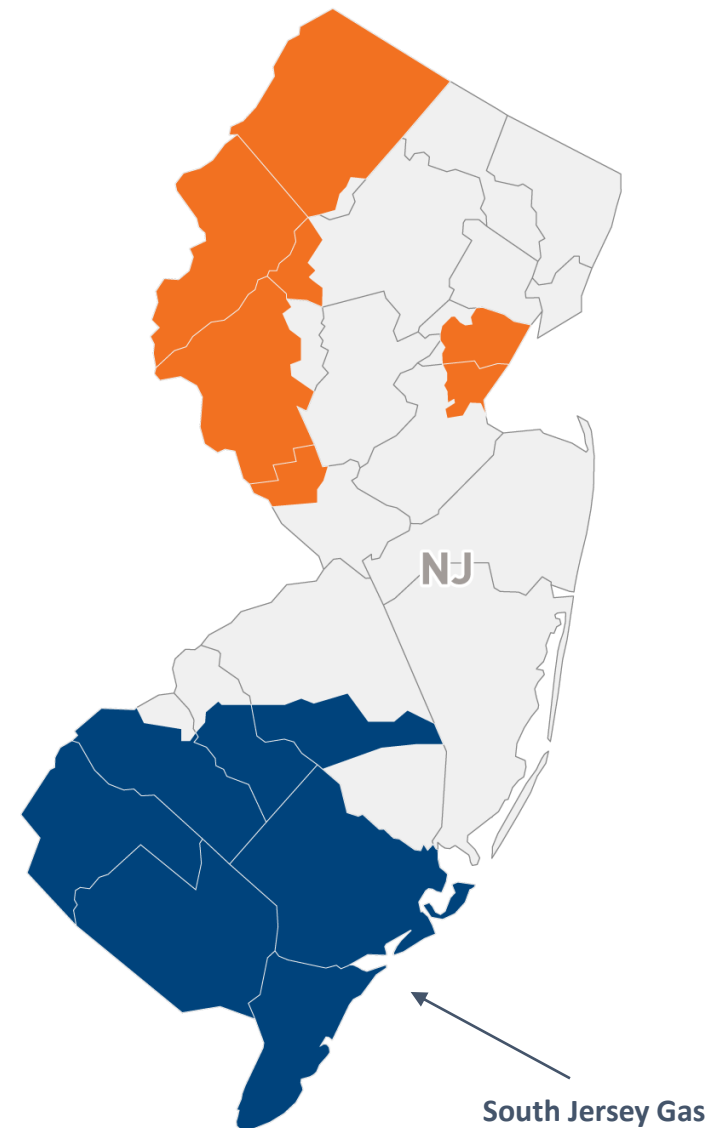
- ~400,000 customers served in southern New Jersey
- Mix of urban, suburban, rural and coastal communities
- Service territory covers more than 2,500 square miles
- ~6,600 miles of distribution pipeline
- ~70% gas saturation in service area
- Regulated by the NJ Board of Public Utilities

### ➤ Regulatory Construct

- Authorized rate base: \$1.6B
- Authorized ROE: 9.6%
- Authorized Equity Component 52.5%
- Authorized Trackers: Decoupling (CIP), Infrastructure Modernization (AIRP and SHARP), Energy Efficiency (EET), Environmental Costs (RAC)

### ➤ Growth Drivers

- Customer growth – new home construction and conversions
- Multi-year infrastructure investment programs (AIRP, SHARP)
- Periodic base rate cases
- Reliability and Redundancy Projects





### ➤ Long Track Record of Strong Customer Growth

- SJG customer base grew 1.5% annually from 2009-2019
- Above-average growth achieved despite varying local economic conditions
- Conversions from alternate fuels, including heating oil and propane, outpacing new construction adds for a decade
- 90%+ of new customers are residential, representing ~65% of utility gross margin

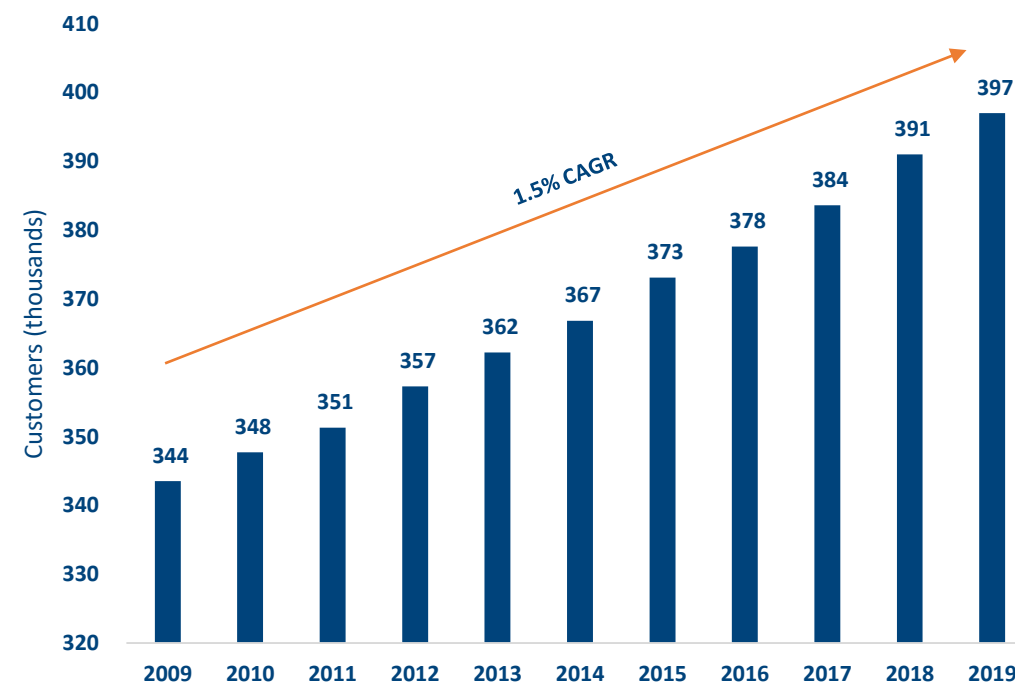
### ➤ Conversion Opportunity

- Residential Conversions (single family homes)
  - On Main – ~25,000
  - Off Main – ~35,000
- Commercial Conversions
  - On Main – ~5,000
  - Off Main – ~1,700

### ➤ Future Growth

- **Expected 1.5% annualized growth 2018-2022**
- Innovation, partnerships and strategies position us well for future growth
- Continuation of successful “off main” approach
- More robust partnerships with the HVAC contractor network

South Jersey Gas (SJG)  
Customer Growth



## Elizabethtown Gas | Overview

### ➤ Overview

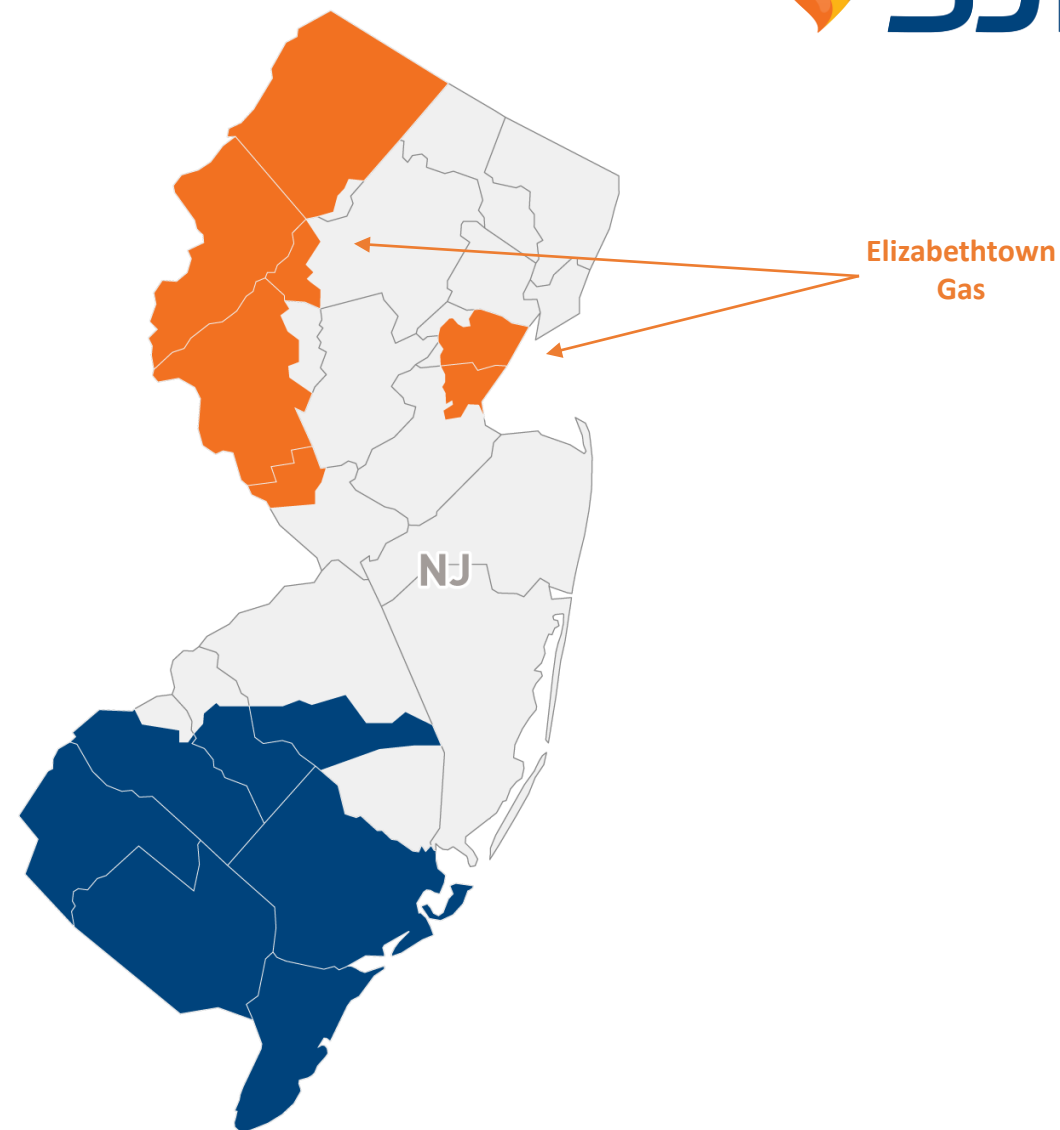
- ~300,000 customers served in northern New Jersey
- Densely populated service area in Union; Sparsely populated in Western service area
- ~3,200 miles of distribution pipeline
- Regulated by the NJ Board of Public Utilities

### ➤ Regulatory Construct

- Authorized rate base: ~\$1.0B
- Authorized ROE: 9.6%
- Authorized Equity Component: 51.5%
- Authorized Trackers: Weather Normalization, Infrastructure Modernization (IIP), Energy Efficiency (EEP), Environmental Costs (RAC)
- Last Rate Case: \$34 million revenue increase effective 11/15/19

### ➤ Growth Drivers

- Customer growth – new home construction and conversions
- Multi-year infrastructure investment program
- Periodic base rate cases
- Reliability and Redundancy Projects
- Tangible growth runway extending well beyond 5-year plan



Elizabethtown  
Gas

## Elizabethtown Gas | Customer Growth

### ➤ Track Record of Positive Customer Growth

- ETG customer base grew 0.9% annually from 2009-2019, generally in line with the peer average
- Balanced mix of new construction and conversions from alternate fuels, including heating oil and propane

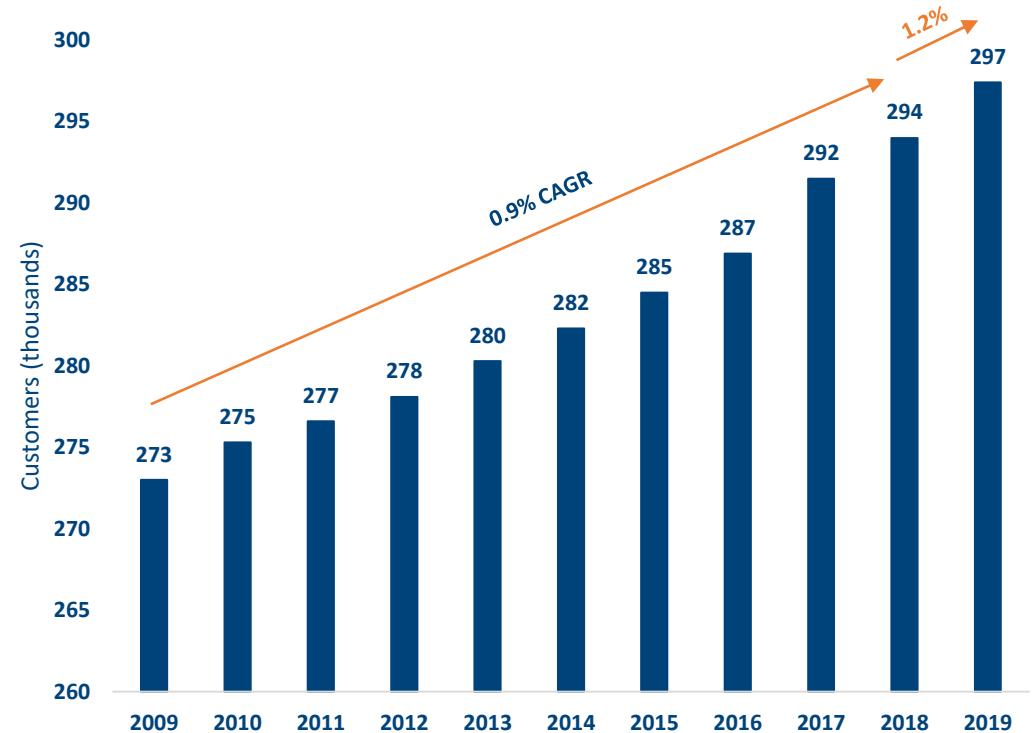
### ➤ Conversion/Additional Load Opportunity

- Residential Conversions (single family homes)
  - Primary Target: ~35,000 customers have gas service, but not currently using for heating
  - On Main:
    - Residential ~26,900
    - Commercial ~8,500

### ➤ Future Growth

- **Expected 1.3% annualized growth 2018-2022**
- Opportunity to significantly increase 5-year customer growth rate closer to SJG rate (~1.5%) driven by enhanced focus on conversion opportunities
- Identifying and pursuing opportunities to introduce natural gas for new/different applications

### Elizabethtown Gas (ETG) Customer Growth



## Regulatory Initiatives | Infrastructure Modernization Programs

### **SJG: Accelerated Infrastructure Replacement Program (AIRP; 2013-Present)**

- Authorized program by NJBPU designed to continue efforts to enhance the safety and reliability of SJG's infrastructure system
- AIRP I: \$141M from 2013-2016 replaced ~360 miles of bare steel and cast-iron mains
- AIRP II: Approved in 2016, \$302.5M from 2016-2021 to replace remaining cast iron and bare steel
- Timely recovery of investment on an annual basis through a separate rider recovery mechanism, with new rates effective on October 1
- **Status: On track to complete replacement of all remaining bare steel and cast-iron main by 2021**

### **SJG: Storm Hardening and Reliability Program (SHARP; 2014-Present)**

- Following major storms, authorized program by NJBPU to replace low pressure mains in coastal regions
- SHARP I: \$103.5M from 2014-2017 replaced 92 miles of coastal infrastructure
- SHARP II: Approved in 2018, \$100M from 2018-2021 focused on 4 targeted system enhancement projects within the barrier islands
- Timely recovery of investment on an annual basis through a separate rider recovery mechanism, with new rates effective on October 1
- **Status: On track to complete project queue by 2021**

### **ETG: Infrastructure Investment Program (IIP; 2019-2024)**

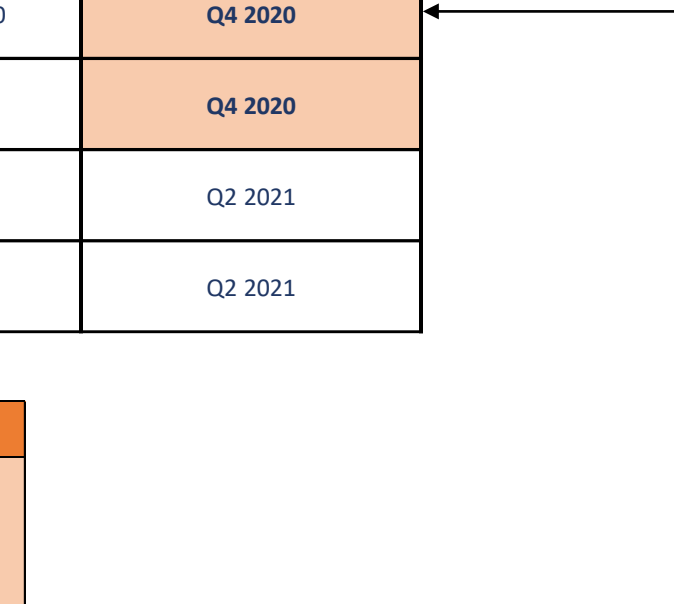
- Consistent with acquisition approval, SJI was required to develop a plan to address remaining aging infrastructure at ETG
- ETG system has more than 425 miles of aging cast iron and bare steel pipeline
- In June 2019, NJBPU authorized \$300M, five-year infrastructure replacement program effective July 1, 2019 through June 30, 2024
- Authorized IIP program includes replacement of up to 250 miles of cast iron and bare steel mains and related services in ETG system, as well as installation of excess flow valves on new service lines
- Timely recovery of investment on annual basis through separate rider recovery mechanism, with new rates effective on October 1
- **Status: On track to complete replacement of 250 miles of cast iron and bare steel main by 2024**





Company	Filing Type	Objective	Filing/Submitted Date	Expected Outcome Date
South Jersey Gas	Engineering/Route Approval For LNG Redundancy Project	Supply Redundancy	Filed December 2019	Q3 2020
South Jersey Gas	Base Rate Case	System Reliability and Growth	Filed March 2020	Q4 2020
South Jersey Gas / Elizabethtown Gas	Annual Recovery of Infrastructure Programs	Safety/Modernization/Decarbonization	Q3 2020	Q4 2020
South Jersey Gas / Elizabethtown Gas	Energy Efficiency Programs	Reduced Consumption/Decarbonization	Q3 2020	Q2 2021
South Jersey Gas	Extension of Infrastructure Replacement Program	Safety/Modernization/Decarbonization	Q4 2020	Q2 2021

South Jersey Gas (SJG)	Authorized	Requested
New Rates Requested	Jan 27, 2017	Mar 13, 2020
Rate Relief	\$39.5M	\$75.3M
Rate Base	\$1.6B	\$2.2B
Overall Rate of Return (ROR)	6.8%	7.3%
Return on Equity (ROE)	9.6%	10.4%
Equity Capital Structure	52.5%	54.2%
Test Year Ending	Aug 31, 2017	Jun 30, 2020
New Rates Effective	Nov 1, 2017	Estimated Q4 2020



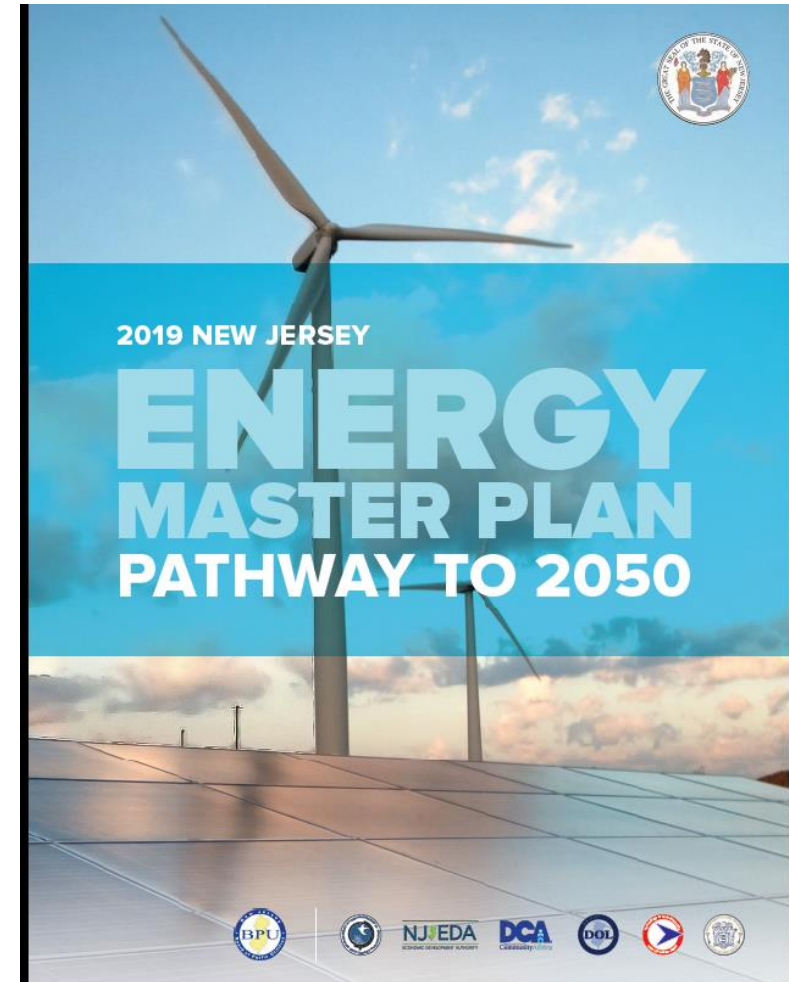
# Clean Energy and Utility Decarbonization

# Clean Energy and Utility Decarbonization



## New Jersey Energy Master Plan

- The New Jersey Energy Master Plan (EMP) is intended to set forth a strategic vision for the production, distribution, consumption, and conservation of energy in the State of New Jersey
- The EMP is updated and revised periodically -- allows for improvements to reflect changes with technology, energy, and environmental developments and demands
- The updated EMP outlines Murphy administration's goal of 100% clean energy by 2050
- The updated EMP varies dramatically from the prior EMP in 2015 which was heavily supportive of natural gas as an abundant, clean and affordable commodity meriting aggressive expansion to homes and businesses in the state



# Clean Energy and Utility Decarbonization



## Historic Track Record of Support

### ■ REDUCING ENERGY CONSUMPTION/EMISSIONS

- ✓ Replacement of aging infrastructure, improving safety and reliability for customers and reducing greenhouse gas emissions (GHG); On track for expected reduction of 500 tons of carbon emissions at current replacement rate
- ✓ SJG Conservation Incentive Program (CIP) severed the tie between volumes and margins, encouraging reductions in consumption

### ■ DEPLOYMENT OF RENEWABLE ENERGY

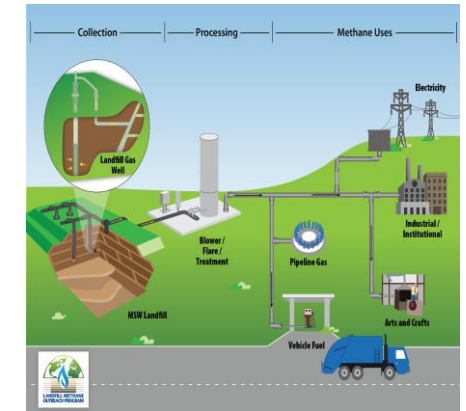
- ✓ Sizable investments in solar, combined heat-and-power (CHP), and landfill-to-electric generation

### ■ MAXIMIZING ENERGY EFFICIENCY

- ✓ Energy Efficiency program (EE) designed to reduce consumption

### ■ MODERNIZING VIA TECHNOLOGY

- ✓ Developed enterprise level environmental policy and management system



# Clean Energy and Utility Decarbonization



## Future Investment Opportunities

### ■ REDUCING ENERGY CONSUMPTION/EMISSIONS

- ✓ Extension and/or acceleration of replacement of aging infrastructure, improving safety and reliability for customers and reducing greenhouse gas emissions (GHG)
  - ETG: 5-10 years of bare-steel and cast-iron pipe remaining
  - SJG: sizable inventory of vintage plastic and coated-steel
  - Significant replacement need of vintage transmission infrastructure
- ✓ ETG Conservation Incentive Program (CIP) to encourage reduction in consumption

### ■ DEPLOYMENT OF RENEWABLE ENERGY

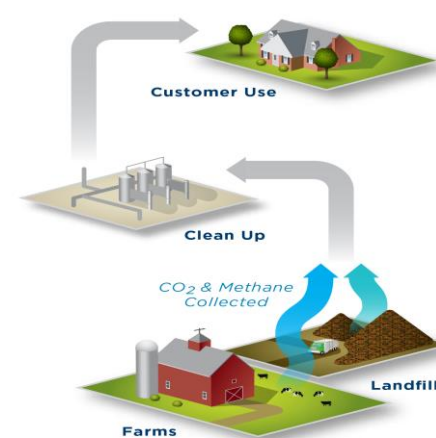
- ✓ Executing plan to invest in clean energy infrastructure; targeting solar at SJI corporate facilities, landfills, and other clean energy generation projects
- ✓ Evaluating Renewable Natural Gas (RNG) opportunities

### ■ MAXIMIZING ENERGY EFFICIENCY

- ✓ Recent BPU Order requires Energy Efficiency proposals by September 2020; Incremental opportunities at SJG/ETG for increased investments and contemporaneous rate recovery at authorized ROE

### ■ MODERNIZING VIA TECHNOLOGY

- ✓ Evaluating opportunities for Smart Meters and other new technologies (Power to Gas; Hydrogen)



# Clean Energy and Utility Decarbonization

## Catamaran Joint Venture



### OVERVIEW

- SJI is committed to investments that lower consumption and the carbon content of natural gas in support of NJEMP and regional clean energy goals
- In August, SJI formed Catamaran Renewables (Catamaran), a 50/50 joint venture between SJI subsidiary Marina Energy and renewable industry-leader Captona, to develop, own and operate renewable energy projects
- Collectively, Catamaran brings more than 1.3 GW of operational experience across all types of renewable energy and has financed more than \$1 billion in renewable energy transactions

### FUEL CELL PROJECT

- In conjunction with Catamaran launch, announced the acquisition of two fuel cell projects in Staten Island, New York totaling 7.5 MW from NineDot Energy, an experienced renewable development company based in the NYU Urban Future Lab cleantech incubator in Brooklyn, NY
- These late-stage development projects have all secured permits and interconnection rights and are supported by long-term offtake agreements with two creditworthy anchor customers
- The projects are currently under construction and scheduled to be placed into service in October 2020
- Marina will own 93% of these projects and accordingly, receive 93% of the ITC, cash flows and net income
- Projects qualify under New York's Value of Distributed Energy Resources (VDER) program, and 75% of project revenues will be fixed
- Anticipated total return in excess of authorized utility return (9.6% )

### 2020 GOALS

- **Fuel Cell project, combined with previous solar investments at our corporate facilities and other NJ projects, satisfies SJI clean energy goals for 2020**



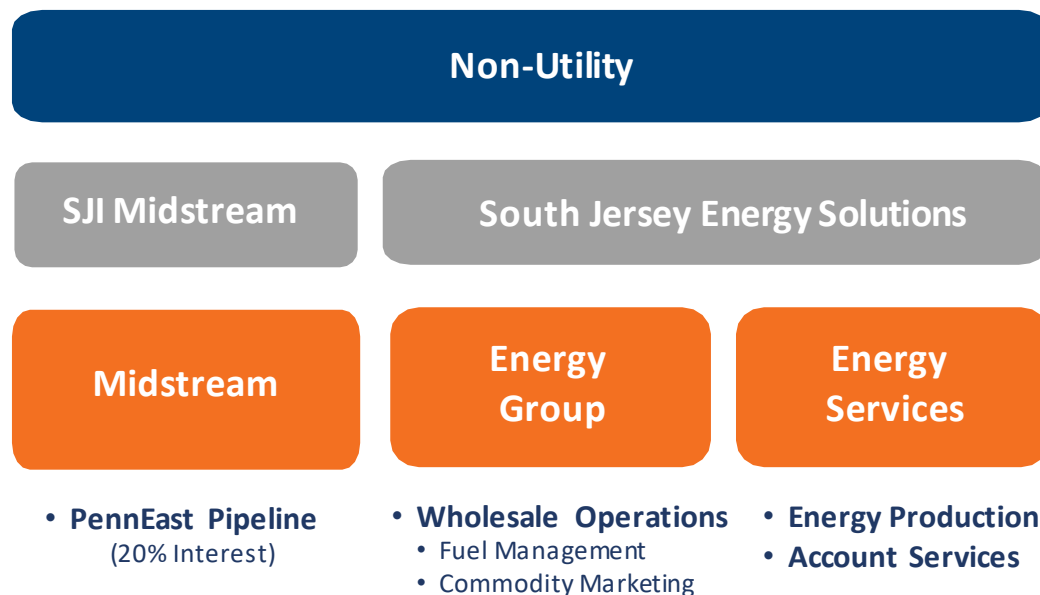
**CATAMARAN**  
**RENEWABLES**



# Non-Utility Operations

# Non-Utility Operations

## Overview



- ❖ Complementary businesses that support utility operations
- ❖ Provide positive net income while remaining modest portion of SJI overall earnings
- ❖ Historic earnings drivers include wholesale operations and AFUDC from PennEast Pipeline investment
- ❖ Energy production assets align with clean energy regional goals and produce positive earnings and ITC's





# Non-Utility Operations

## Midstream | PennEast Pipeline



### Description

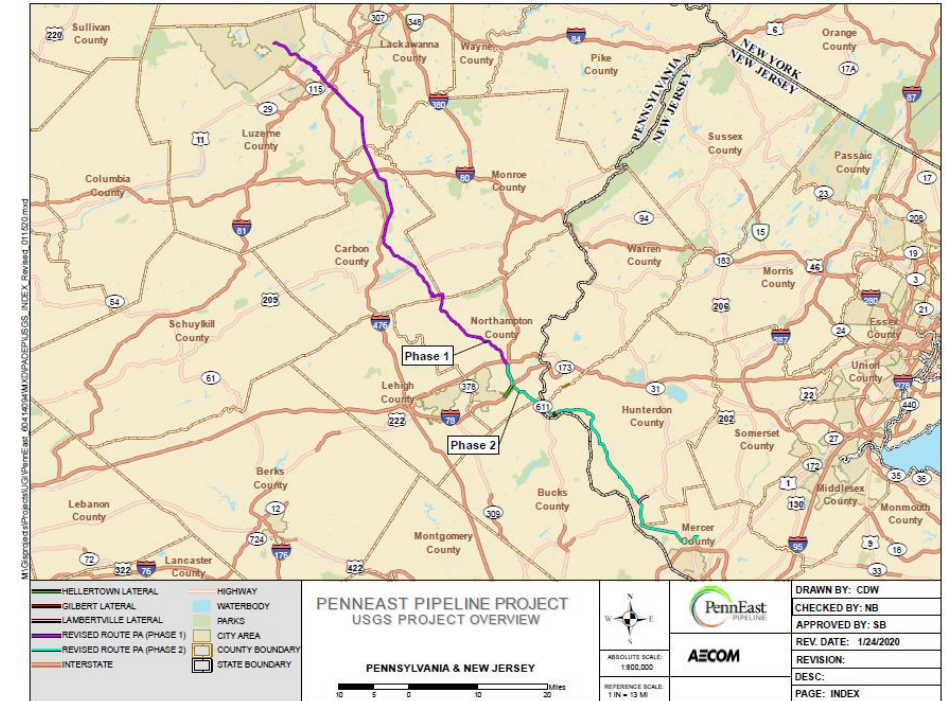
- 20% equity owner in 1.1 Bcf/d, 120-mile interstate pipeline from Marcellus region of PA into NJ
- Access to low cost supply; benefits customers and local economies
- \$200M+ expected investment with FERC level returns projected (\$86.9M invested as of June 30, 2020)
- 100% subscribed; 80%+ capacity under 15-year agreements

### Recent Actions

- In January, PennEast filed with FERC requesting an amendment of the certificate to allow the Project to proceed on a phased basis:
  - Phase One would consist of 68-miles of 36-inch pipe, constructed entirely within Pennsylvania and ready to deliver natural gas by November 2021
  - Phase Two portion would include the remaining route in Pennsylvania and New Jersey, with a targeted completion of 2023
- In February, PennEast filed a Petition for Certiorari with the Supreme Court of the United States (SCOTUS) to review the Third Circuit's decision
- In June, SCOTUS requested the views of the U.S. Solicitor General regarding the issues presented in the petition
- In August, FERC staff announced that any Commission approval of a plan to divide the project into two phases would not constitute a major federal action significantly affecting the environment

### Status

- *The PennEast member companies remain fully committed to the project and the affordable, reliable service it will bring to the region, including nine million Garden State residents*



# Non-Utility Operations

## Energy Group



### ➤ Fuel Supply Management

- Natural gas supply to new and existing merchant generation facilities on multi-year contracts
- Services offered are firm supply of fuel to the plant along with daily and intra-day swing service
- Portfolio of 10 contracts
- Contract terms range from 2 to 17 years
- Average contract value is \$1.0 to \$1.5 million

### ➤ Commodity Marketing

- Purchase of natural gas from producers and marketers for sale and delivery to merchant generators, utilities or other marketers
- Capitalize on gas demand, Shale production, changing dynamics of pipeline infrastructure, and weather volatility
- Efforts focused in Northeast and Mid-Atlantic regions
- Seek to maximize value of leased transportation assets through a combination of “index plus” margin contracts, and the ability to arbitrage (i.e. limited commodity/market risk)

Fuel Supply Management Contracts						
Counterparty	Location	Capacity	Volume	Start Date	End Date	Current Term
		(MW)	(Dth/Day)			(Yrs)
Starwood	Marcus Hook, PA	750	80,000	2004	2035	17
LS Power	West Deptford, NJ	738	76,700	2014	2029	15
Moxie - Liberty	Bradford Co, PA	825	137,655	2016	2021	5
Moxie - Patriot	Lycoming Co, PA	825	137,655	2016	2020	4
Panda - Stonewall	Leesburg, VA	750	110,000	2017	2022	5
Moxie - Freedom	Luzerne Co, PA	1,029	157,000	2018	2028	10
Lordstown	Trumbull County, OH	1,025	160,000	2018	2024	5
Invenergy	Lackawanna, PA	1,480	210,000	2018	2029	10
Sunoco Refinery	Marcus Hook, PA	NA	13,000	2020	2022	2
TYR Energy (Hickory Run)	Lawrence Co, PA	1,000	162,000	2020	2025	5



# Non-Utility Operations

## Energy Services

### ➤ Energy Production

- Committed to investments that lower consumption and the carbon content of natural gas in support of NJEMP and regional clean energy goals
- SJI develops, owns and operates renewable energy projects
- Targeting ~\$200M total investment next 2-3 years to align with clean energy regional goals
- On track for ~\$100M investment in 2020, driven by fuel cell project through Catamaran JV, as well as solar installations at corporate facilities and development projects
- Legacy operations include landfill-to-electric sites, which ceased operations in 2020, and are being evaluated for potential solar/RNG repurposing

### ➤ Account Services

- Meter Reading and Appliance Service Contracts
- Meter Reading: SJI and a joint venture partner read utility customer meters on a monthly basis for a fee
- Appliance Service Contracts: SJI receives commissions on appliance service contracts from a third party



**CATAMARAN**  
RENEWABLES



# 2020 Financial Outlook

### Business Operations Continue to Function Effectively During the Pandemic

#### Liquidity

- **LIQUIDITY:** Strengthened liquidity to ensure funding of 2020 capital program; Confident in ability to manage through impacts
- **COLLECTIONS:** To date, we have seen a manageable impact on accounts receivable; continue to monitor very closely
- **PENSION:** No near-term cash requirements

#### Financial

- **CAPEX:** While certain construction programs were temporarily halted, we are back to normal operation. Expect an uptick in construction activity for balance of the year to meet budgeted spend
- **O&M:** While we have incurred modest incremental operating costs due to the virus, NJBPU has authorized deferral for future recovery

#### Utility Operations

- **SERVICE:** Operations and delivery of natural gas to customers have not been materially impacted and have not experienced significant reductions in sales volumes
- **WORKFORCE:** Through proper planning and the innovative use of technology, all our employees have been working productively -- from employees in the field to those working from home

#### Regulatory

- **COST RECOVERY:** NJBPU has authorized deferral of incremental costs and bad debt for future recovery
- **PENDING PROCEEDINGS:** NJBPU continues to hold regular commission agenda meetings. SJG base rate case filing remains on track for resolution in Q4 2020

# 2020 Financial Outlook

## Priorities



### FINANCIAL PERFORMANCE

- Ongoing Economic Earnings guidance \$1.50 to \$1.60 per diluted share; ~75% from utility operations, excluding interest costs
- Continue to monitor operations, market conditions and business development initiatives for future impacts to financial projections
- Capital spending \$600M+, with \$500M+ for growth, safety and reliability for SJG/ETG customers

### REGULATORY INITIATIVES

- Advance SJG rate case consistent with historic precedent
- File updated energy efficiency programs for SJG/ETG in Q3 2020
- File for extension of SJG accelerated infrastructure replacement program (AIRP) in Q4 2020

### CUSTOMER GROWTH

- 10,000+ new customers, reflecting 1.5% annualized growth rate; 70%+ conversions from oil and propane

### INFRASTRUCTURE MODERNIZATION

- Execute infrastructure modernization programs for SJG/ETG, with rate true-ups on October 1

### SUPPLY/SYSTEM REDUNDANCY

- Advance critical non-pipeline supply solution for SJG
- Complete review of critical reliability solutions for ETG

### CLEAN ENERGY INVESTMENTS

- Execute targeted clean energy investments to align with EMP and regional goals
- Evaluate additional opportunities in support of NJ economic recovery from pandemic



# 2020 Financial Outlook

## Ongoing Earnings Guidance | \$1.50-\$1.60 Per Diluted Share



### Utility operations ~75% of earnings, excluding interest costs

- ~\$500 million capital spending on growth, safety and reliability for SJG/ETG customers
- 10,000+ new gas utility customers, reflecting 1.5% customer growth, driven by accelerated pace at ETG
- Lower operating costs, driven by business transformation activities
- Infrastructure modernization at SJG/ETG under existing programs
- Execution of regulatory initiatives, including recovery of utility investment

### Non-Utility operations ~25% of earnings, excluding interest costs

- Energy Services: \$100+ million in clean energy investment in support of EMP, and landfill exit
- Energy Group: Fuel management contracts, reshaped wholesale portfolio and contract expiration
- Midstream: AFUDC associated with PennEast Pipeline project

### Balance sheet strengthening, driven by asset sales and refinancing activities

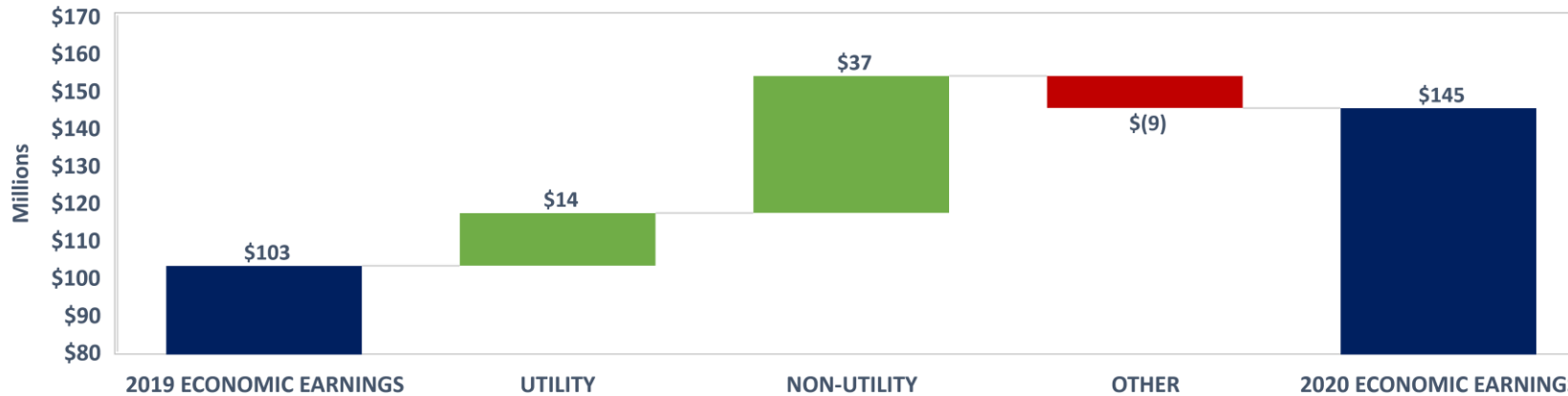
CONSOLIDATED	2020E ECONOMIC EARNINGS (\$millions, except EPS)
UTILITY	\$130 - \$140
NON-UTILITY	\$45 - \$55
OTHER	(\$35) - (\$45)
<b>Total</b>	<b>\$140 - \$150</b>
<b>Diluted EPS *</b>	<b>\$1.50 - \$1.60</b>
<b>Capital Expenditures</b>	<b>\$625 - \$655</b>

\* Changes in events or other circumstances that the Company cannot currently anticipate could materially impact earnings and could result in earnings for 2020 significantly above or below this outlook



# 2020 Financial Outlook

## Economic Earnings Bridge | 2019 to 2020 Midpoint Guidance



- **UTILITY:** ETG rate relief; 10,000+ new customers; infrastructure modernization investment; business transformation benefits and execution of SJG regulatory initiatives
- **NON-UTILITY:**
  - Energy Group \$10-15M driven by fuel management, reshaped wholesale portfolio and expiration of legacy contracts
  - Energy Services \$20-\$25M driven by solar investment in support of NJ Energy Master Plan (EMP) and legacy energy production activities
  - Midstream \$1M driven by AFUDC for PennEast Pipeline project
- **OTHER:** Interest on debt, net of debt repayments and refinancing



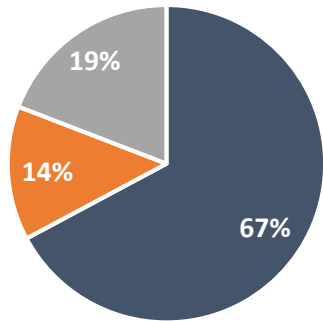


# 2020 Financial Outlook

## Capital Expenditures



**More Than 80% of Capital Expenditures Support Growth, Safety and Reliability for SJG and ETG Customers**



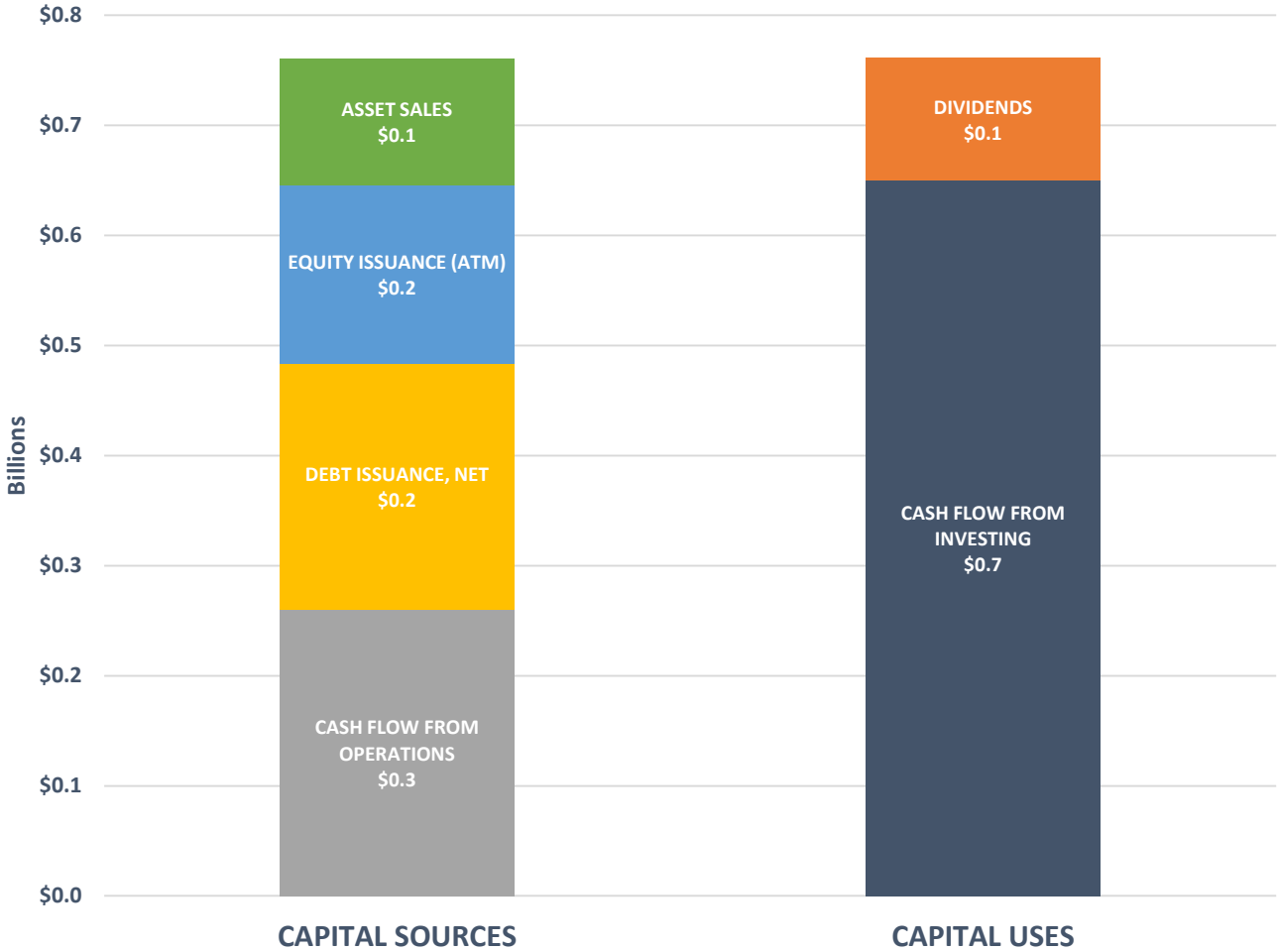
- Safety & Reliability
- New Business
- Clean Energy

Capital Expenditures	FY 2020 (\$millions)	Description
<b>UTILITY</b>	<b>\$480 - \$500</b>	
System Growth & Maintenance	\$210 - \$215	Projects to enhance the safety and reliability of SJG/ETG systems
Infrastructure Modernization	\$165 - \$170	Replacement of aging pipeline for SJG (AIRP, SHARP) and ETG (IIP)
New Business	\$85 - \$90	Addition of customers to SJG/ETG systems
Redundancy Projects	\$20 - \$25	Critical supply/system reliability investments for SJG/ETG customers
<b>NON-UTILITY</b>	<b>\$145 - \$155</b>	
Midstream	\$25 - \$30	Long-term contracted energy infrastructure projects (PennEast Pipeline)
Energy Group	\$10 - \$10	Investments supporting utilities, power generators and industrial customers
Energy Services	\$110 - \$115	Investments supporting goals of New Jersey Energy Master Plan (EMP)
<b>Total Capital Expenditures</b>	<b>\$625 - \$655</b>	



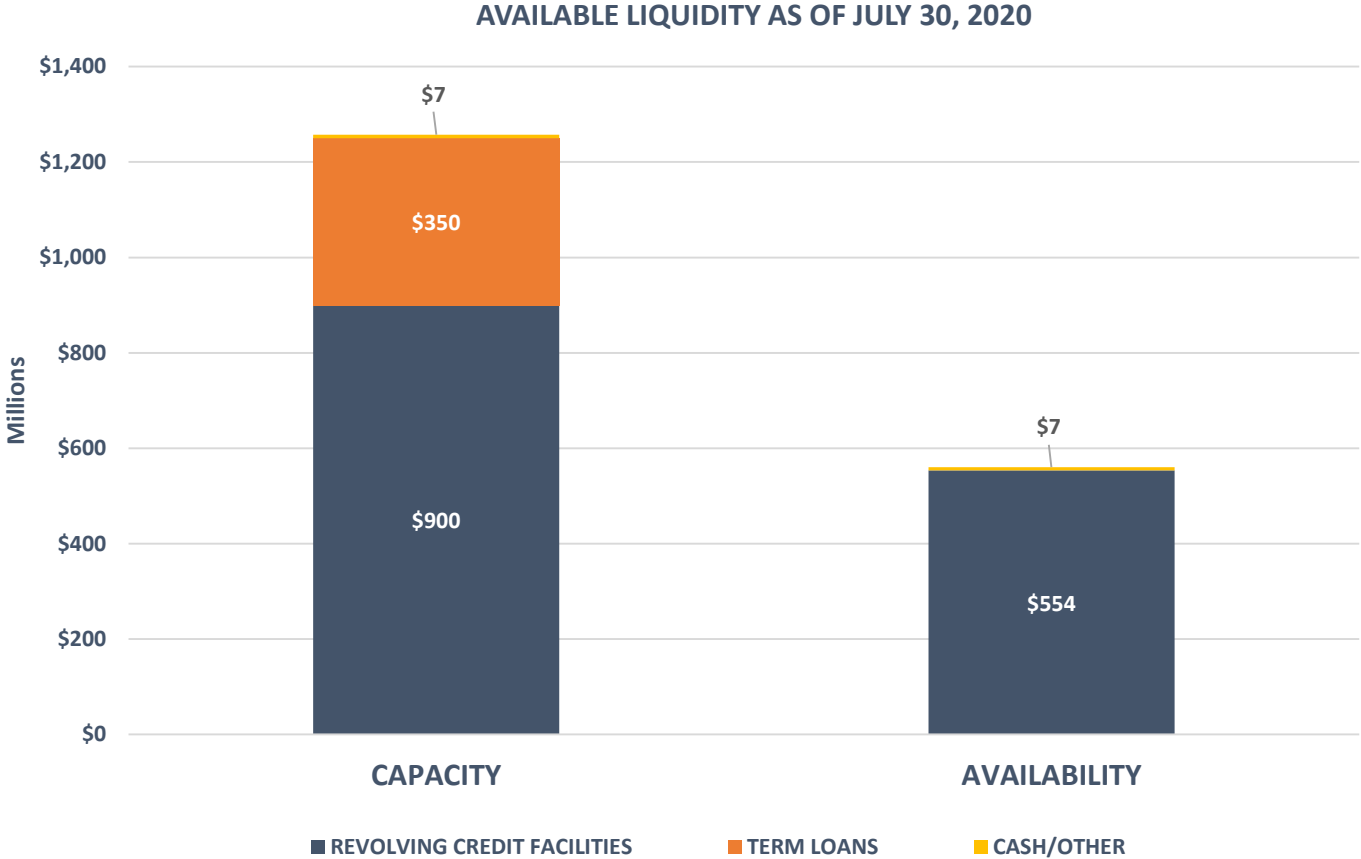
# 2020 Financial Outlook

## Capital Sources and Uses





### Solid Liquidity to Manage Through Impacts of COVID-19

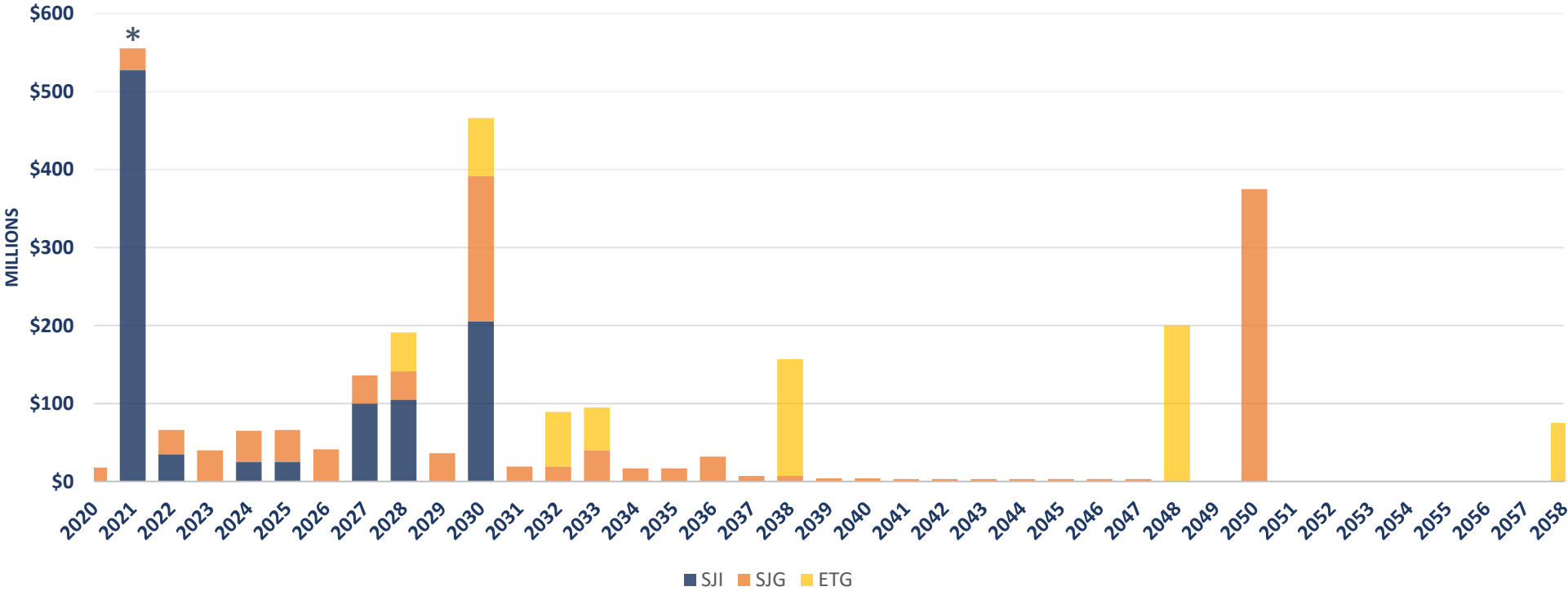


# 2020 Financial Outlook

## Debt Maturities



No Significant Debt Maturities from 2022 through 2026, Reflecting Proactive Refinancing Effort in 2020



\* Includes SJI mandatory convertible equity units due April 2021 (\$287.5 million)



# Q&A

