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SOUTH JERSEY INDUSTRIES INC

Form U-3A-2

February 28, 2005

FILE NO. \_\_\_\_\_

FORM U-3A-2  
2004

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC

STATEMENT BY HOLDING COMPANY CLAIMING EXEMPTION UNDER  
RULE U-3A-2 FROM THE PROVISIONS OF THE PUBLIC UTILITY  
HOLDING COMPANY ACT OF 1935  
TO BE FILED ANNUALLY PRIOR TO MARCH 1

SOUTH JERSEY INDUSTRIES, INC.

hereby files with the Securities and Exchange Commission, pursuant to Rule 2, its statement claiming exemption as a holding company from the provisions of the Public Utility Holding Company Act of 1935. In support of such claim for exemption, the following information is submitted:

1. Name, State of organization, location and nature of business of claimant and every subsidiary thereof other than any exempt wholesale generator (EWG) or foreign utility company in which claimant directly or indirectly holds an interest.

The claimant, South Jersey Industries, Inc. (SJI), was organized under the laws of the State of New Jersey; its principal location is 1 South Jersey Plaza, Folsom, New Jersey 08037. SJI is not a public utility company. It is primarily engaged in the business of owning and holding a majority interest in other business enterprises.

SJI owns all of the outstanding common stock of South Jersey Gas Company (SJG), which was organized under the laws of the State of New Jersey. SJG's principal location is 1 South Jersey Plaza, Folsom, New Jersey 08037. SJG is a public utility company engaged in the purchase, transmission and sale of natural and mixed gases for residential, commercial, and industrial use in an area of approximately 2,500 square miles in the southern part of New Jersey. SJG also makes off-system sales of natural gas on a wholesale basis to various customers on the interstate pipeline system and transports natural gas purchased directly from producers or suppliers for its own sales and for some of its customers. SJG also assigns or buys capacity for the purchase or transportation of natural gas.

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SJI has a 100% ownership interest in South Jersey Resources Group, LLC (SJRG) which was formed on April 1, 1996 under the laws of the State of Delaware. SJRG's principal location is 1 South Jersey Plaza, Folsom, New Jersey 08037. SJRG is not a public utility company. It provides services for the sale of natural gas to energy marketers, electric and gas utilities and other wholesale users in the mid-Atlantic and southern regions of the country.

SJI owns all of the outstanding common stock of South Jersey Energy

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Company (SJE), which was organized on January 15, 1973 under the laws of the State of New Jersey. SJE's principal location is 1 South Jersey Plaza, Folsom, New Jersey 08037. SJE is not a public utility company. SJE provides services for the acquisition, sale and transportation of natural gas and electricity for industrial, commercial and residential users and markets total energy management services. SJE also markets an air quality monitoring system that tests for hazardous airborne particulate on a real-time basis through AirLogics, LLC.

SJE owns a 50% interest in AirLogics, LLC (AirLogics), a joint venture with GZA GeoEnvironmental, Inc., formed on April 1, 2000 under the laws of the State of Delaware. AirLogics' principal location is 1 South Jersey Plaza, Folsom, New Jersey 08037. AirLogics is not a public utility company. It markets a proprietary air monitoring system designed to assist companies involved in environmental clean-up activities.

SJE owns all of the outstanding common stock of SJ EnerTrade, Inc. (EnerTrade) which was formed on October 22, 1997 under the laws of the State of New Jersey. EnerTrade's principal location is 1 South Jersey Plaza, Folsom, New Jersey 08037. EnerTrade is not a public utility company. It formerly provided services for the sale of natural gas to the casino industry in Atlantic City, New Jersey. EnerTrade is not engaged in any business activity at this time.

SJE also owns 100% of South Jersey Energy Solutions, LLC (SJES), formed June 1, 1999 under the laws of the State of Delaware. SJES's principal location is 1 South Jersey Plaza, Folsom, New Jersey 08037. SJES is not a public utility company. It sold electricity on a retail basis in the mid-Atlantic states. In May 2002, SJES ceased selling electricity. SJES is not engaged in any business activity at this time.

SJI owns a 50% interest in Millennium Account Services, LLC (Millennium), a joint venture with Conectiv Solutions, LLC formed January 4, 1999 under the laws of the State of Delaware. Millennium's principal location is 2 Regulus Drive, Suite B, Turnersville, New Jersey 08012. Millennium is not a public utility company. It provides meter reading services in southern New Jersey.

SJI has a 100% ownership interest in Marina Energy LLC (Marina) which was formed on October 1, 2000 under the laws of the State of New Jersey. Marina's principal location is 1 South Jersey Plaza, Folsom,

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New Jersey 08037. Marina develops and operates energy related projects in southern New Jersey. Marina is not a public utility company.

Marina owns a 51% interest in AC Landfill Energy, LLC (ACLE), which was formed on January 13, 2004, under the laws of the State of New Jersey. DCO Energy, LLC owns the remaining 49% interest. ACLE's principal location is 1 South Jersey Plaza, Folsom, New Jersey 08037. ACLE is developing a 1,400 kilowatt methane-to-electric power generation system at a county-owned landfill in New Jersey. The facility was not operational as of December 31, 2004. ACLE is not a public utility company.

SJI has a 100% ownership interest in South Jersey Energy Service Plus, LLC (Service Plus) which was formed on March 1, 2003 under the laws of the State of New Jersey. Service Plus's principal location is 1 South Jersey Plaza, Folsom, New Jersey 08037. Service Plus sell appliance service plans, services major household appliances, and installs

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residential heating and air conditioning systems in southern New Jersey. Service Plus is not a public utility company.

SJI owns all of the outstanding common stock of Energy & Minerals, Inc. (EMI), which was organized under the laws of the State of New Jersey. EMI's principal location is 1 South Jersey Plaza, Folsom, New Jersey 08037. EMI is not a public utility company. It principally owns real estate and the stock of an inactive nonutility subsidiary.

EMI owns all of the outstanding common stock of South Jersey Fuel, Inc. (SJF), which was organized under the laws of the State of New Jersey. SJF's principal location is 1 South Jersey Plaza, Folsom, New Jersey 08037. SJF is not a public utility company and is presently inactive.

SJI owns all of the outstanding common stock of R&T Group, Inc. (R&T), which was organized under the laws of the State of New Jersey. R&T's principal location is 1 South Jersey Plaza, Folsom, New Jersey 08037. R&T is not a public utility company. It holds the remaining assets and liabilities of certain nonutility subsidiaries of SJI which were merged into R&T in 1997. R&T is presently inactive.

Neither the claimant nor any of its subsidiaries is an EWG nor do they hold a direct or indirect interest in a foreign utility company.

2. A brief description of the properties of claimant and each of its subsidiary public utility companies used for the generation, transmission, and distribution of electric energy for sale, or for the production, transmission, and distribution of natural or manufactured gas, indicating the location of principal generating plants, transmission lines, producing fields, gas manufacturing plants, and electric and gas distribution facilities, including all such properties which are outside the State in which claimant and its subsidiaries are organized and all transmission or pipelines which deliver or

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receive electric energy or gas at the borders of such State.

SJI does not own directly any properties used for the production, transmission, and distribution of natural or manufactured gas or electric energy.

The properties of SJG used for the production, transmission, and distribution of natural or manufactured gas include mains, service connections and meters, supplemental gas storage facilities, and an LNG storage and vaporization facility, all of which are located in the State of New Jersey (except that certain gas owned by SJG is stored outside the State and transported when needed). There are 5,478 miles of distribution mains. There are 92 miles of mains in the transmission system. No pipelines of SJG deliver or receive gas at the borders of the State of New Jersey.

3. The following information for the last calendar year with respect to claimant and each of its subsidiary public utility companies:

(a) Number of Kwh of electric energy sold (at retail or wholesale) and Mcf of natural or manufactured gas distributed at retail.

During 2004, SJG distributed at retail to residential, commercial and industrial customers 21,375 MMcf of natural or manufactured gas and transported 35,593 MMcf of natural gas purchased directly by its industrial, residential and commercial customers. Retail distribution revenues were \$257.0

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million and transportation revenues were \$82.0 million. SJG also sold 7,457 MMcf, or \$50.0 million, of natural gas at wholesale for resale within the State of New Jersey.

(b) Number of Kwh of electric energy and Mcf of natural or manufactured gas distributed at retail outside the State in which each company is organized.

None

(c) Number of Kwh of electric energy and Mcf of natural or manufactured gas sold at wholesale outside the State in which each such company is organized, or at the State line.

During 2004, SJG sold 13,940 MMcf, or \$101.5 million, of natural gas at wholesale to customers outside the borders of the State of New Jersey.

Also, throughput related to capacity release amounted to 54,638 MMcf, or \$14.4 million in revenues, in 2004.

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(d) Number of Kwh of electric energy and Mcf of natural or manufactured gas purchased outside the State in which each such company is organized or at the State line.

During 2004, SJG purchased approximately 33,769 MMcf of natural gas from out-of-state sources at a total cost, including related expenses, of \$339.0 million.

During 2004 SJG purchased and had delivered to it approximately 498 MMcf of liquefied natural gas by over-the-road truck transport to SJG's LNG Storage and Vaporization facility at McKee City, Atlantic County, New Jersey, at a cost of \$5.3 million.

4. The following information for the reporting period with respect to claimant and each interest it holds directly or indirectly in an EWG or a foreign utility company, stating monetary amounts in United States dollars:

(a) Name, location, business address and description of the facilities used by the EWG or foreign utility company for the generation, transmission and distribution of electric energy for sale or for the distribution at retail of natural or manufactured gas.

The claimant has no direct or indirect interest or investment of any kind in, or has any sales, service or construction contracts of any kind with, an EWG or a foreign utility company.

(b) Name of each system company that holds an interest in such EWG or foreign utility company; and description of the interest held.

No system company holds any direct or indirect interest in an EWG or foreign utility company.

(c) Type and amount of capital invested, directly or indirectly, by the holding company claiming exemption; any direct or indirect guarantee of the security of the EWG or foreign utility company by the holding company claiming exemption; and any debt or other financial obligation for which there is recourse, directly or indirectly, to the holding

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company claiming exemption or another system company, other than the  
EWG or foreign utility company.

The claimant holding company has no capital invested, directly  
or indirectly; nor does it directly or indirectly guarantee  
any security debt of an EWG or foreign utility company; nor  
debt or other financial obligation for which there is  
recourse, directly or indirectly, to the holding company  
claiming exemption on another system company.

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(d) Capitalization and earnings of the EWG or foreign utility company  
during the reporting period.

None

(e) Identify any service, sales or construction contract(s) between the  
EWG or foreign utility company and a system company, and describe the  
services to be rendered or goods sold and fees or revenues under such  
agreement(s).

None

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EXHIBIT A

A consolidating statement of income and retained earnings of the claimant and  
its subsidiary companies for the last calendar year, together with a  
consolidating balance sheet of claimant and its subsidiary companies as of the  
close of such calendar year.

The above-named claimant has caused this statement to be duly executed on its  
behalf by its authorized officer on this 28th day of February 2005.

SOUTH JERSEY INDUSTRIES, INC.

/s/ David A. Kindlick

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DAVID A. KINDLICK  
Vice President & Chief Financial Officer

CORPORATE SEAL

ATTEST:

/s/ Richard H. Walker, Jr., Esquire

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RICHARD H. WALKER, JR., ESQUIRE  
Vice President, Corporate Secretary, & Corporate Counsel

Name, title and address of officer to whom notices and correspondence concerning  
this statement should be addressed:

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Richard H. Walker, Jr., Esquire  
 Vice President, Corporate Secretary, & Corporate Counsel  
 South Jersey Industries, Inc.  
 1 South Jersey Plaza  
 Folsom, New Jersey 08037

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EXHIBIT B

EWG ORGANIZATIONAL CHART

Not applicable. See response to Item 4.

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SOUTH JERSEY INDUSTRIES, INC.  
 CONSOLIDATING STATEMENT OF INCOME  
 FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2004  
 (In Thousands)

	South Jersey Indust. Inc.	South Jersey Gas Company	South Jersey Energy Serv Plus LLC	South Jersey Energy Company Consd.	South Jersey Resources Group LLC	South Marina Energy LLC Consd.	Energy & Minerals Inc Consd.	Gr I
Operating Revenues:								
Utility	\$0	\$508,827	\$0	\$0	\$0	\$0	\$0	\$0
Nonutility	2,491	0	6,371	284,148	18,059	20,865	0	
Total Operating Revenues	2,491	508,827	6,371	284,148	18,059	20,865	0	
Operating Expenses:								
Cost of Sales - Utility	0	340,860	0	0	0	0	0	
Cost of Sales - Nonutility	0	0	2,018	270,845	11,355	8,811	0	
Operations	4,145	56,238	3,389	4,311	1,289	4,619	48	4
Maintenance	0	5,772	0	0	0	0	0	
Depreciation	101	23,047	31	14	15	1,680	0	
Energy and Other Taxes	392	11,458	149	0	0	0	0	
Total Operating Expenses	4,638	437,375	5,587	275,170	12,659	15,110	48	4
Operating (Loss) Income	(2,147)	71,452	784	8,978	5,400	5,755	(48)	(4)
Other Income and Expense:								
Dividends from Subsidiaries Equity in Undistributed Earnings of Subs	9,123	0	0	0	0	0	0	
Other	417	886	4	27	146	599	73	4
Total Other Income and Expense	43,455	886	4	27	146	599	73	4

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Interest Charges	620	17,906	1	198	45	2,404	0	
Income (Loss) Before Income Taxes	40,688	54,432	787	8,807	5,501	3,950	25	(
Income Taxes								
Current Federal and State Income Taxes	(1,430)	8,711	132	3,498	3,020	239	(17)	(
Deferred Federal and State Income Taxes	(89)	14,259	190	154	(771)	1,157	26	
Total Income Taxes	(1,519)	22,970	322	3,652	2,249	1,396	9	
Equity in Affiliated Companies	766	0	0	135	0	0	0	
Income(Loss) from Continuing Operations	42,973	31,462	465	5,290	3,252	2,554	16	(
Equity in Undistributed Earnings of Discontinued Subsidiaries	(680)	0	0	0	0	0	0	
Discontinued Operations - Net	0	0	0	0	0	0	(680)	
Cumulative Effect of Accounting Change - Net	0	0	0	0	0	0	0	
Net Income (Loss) Applicable to Common Stock	\$42,293	\$31,462	\$465	\$5,290	\$3,252	\$2,554	(\$664)	(\$

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SOUTH JERSEY INDUSTRIES, INC.  
CONSOLIDATING STATEMENT OF RETAINED EARNINGS  
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2004  
(In Thousands)

	South Jersey Indust. Inc.	South Jersey Gas Company	South Energy Serv Plus LLC	South Energy Company Consd.	South Jersey Resources Group LLC	Marina Energy LLC Consd.	Minerals R Inc Consd.	Gr I
Retained Earnings - Beginning	\$91,638	\$108,356	\$67	\$662	\$2,454	\$1,428	(\$14,302)	(\$7,0
Net Income Applic to Common Stock	42,293	31,462	465	5,290	3,252	2,554	(664)	
	133,931	139,818	532	5,952	5,706	3,982	(14,966)	(7,0
Dividends Declared - Common Stock	22,534	9,123	0	0	0	0	0	

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Retained Earnings -										
Ending	\$111,397	\$130,695	\$532	\$5,952	\$5,706	\$3,982	(\$14,966)	(\$7,000)		

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SOUTH JERSEY INDUSTRIES, INC.  
CONSOLIDATING ELIMINATIONS AND ADJUSTMENTS  
STATEMENT OF INCOME AND RETAINED EARNINGS  
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2004  
(In Thousands)

[A] Equity in Undistributed Earnings of Subsidiaries		\$33,915	
Dividends from Subsidiaries		9,123	
Dividends Declared - Common Stock			\$9,123
Investment in Subsidiaries			33,235
Equity in Undistributed Earnings of Discontinued Subsidiaries			680
To eliminate equity in undistributed earnings recorded by South Jersey Industries, Inc.			
[B] Retained Earnings - 1/1/04		91,622	
Investment in Subsidiaries			91,622
To eliminate retained earnings of subsidiaries at 1/1/04 previously recorded by South Jersey Industries, Inc. under the equity method of accounting.			
[C] Operating Revenues - Utility		13,879	
Operating Revenues - Nonutility		7,806	
Other Income and Expense		1,215	
Cost of Sales - Utility			13,879
Cost of Sales - Nonutility Operations			5,315
Interest Charges			3,105
			601

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SOUTH JERSEY INDUSTRIES, INC.  
CONSOLIDATING BALANCE SHEET  
AS OF DECEMBER 31, 2004  
(In Thousands)

South South Energy

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	South Jersey Indust. Inc.	South Jersey Gas Company	Jersey Energy Service Plus LLC	Jersey Energy Company Consltd.	South Jersey Resources Group, LLC	Marina Energy LLC Consltd.	& Minerls, Inc. Consltd.	R & Grou Inc
<b>Assets</b>								
<b>Property, Plant and Equipment:</b>								
Utility Plant, at original cost	\$0	\$957,287	\$0	\$0	\$0	\$0	\$0	\$0
Accumulated Depreciation and Amortization	0	(224,506)	0	0	0	0	0	0
Nonutility Property and Equipment, at cost	1,338	0	183	57	71	68,129	859	492
Accum. Depreciation	(279)	0	(39)	(33)	(41)	(2,556)	(787)	(305)
<b>Property, Plant and Equipment - Net</b>	<b>1,059</b>	<b>732,781</b>	<b>144</b>	<b>24</b>	<b>30</b>	<b>65,573</b>	<b>72</b>	<b>187</b>
<b>Investments:</b>								
Investments in Subsidiaries Available-for-Sale Securities	347,857	0	0	0	0	0	0	0
Restricted Investment in Affiliates	0	5,296	0	0	13,044	553	0	0
	1,249	0	0	693	0	0	0	0
<b>Total Investments</b>	<b>349,120</b>	<b>5,296</b>	<b>0</b>	<b>693</b>	<b>13,044</b>	<b>553</b>	<b>0</b>	<b>0</b>
<b>Current Assets:</b>								
Cash and Cash Equivalnts	790	3,310	100	393	118	510	36	15
Notes Receivable - Associated Companies	33,448	0	0	970	0	0	3,320	1,630
Accounts Receivable	10	39,032	6,237	42,903	56,279	2,660	0	0
Unbilled Revenues	0	34,862	0	10,995	0	0	0	0
Provision for Uncollectibles	0	(2,871)	(87)	(537)	0	0	0	0
Accounts Receivable - Associated Companies	2,287	885	1,844	5	1	0	8	4
Natural Gas in Storage, Average Cost	0	65,691	0	0	13,590	0	0	0
Materials and Supplies, Average Cost	0	4,554	471	0	0	332	0	0
Assets of Discontinued Businesses Held for Disposal	0	0	0	0	0	0	402	0
Accumulated Deferred Income Taxes	22	0	0	171	120	2	1	0
Derivatives - Energy Related Assets	0	1,272	0	9,186	27,016	0	0	0
Derivatives - Other	0	0	0	0	1,549	0	0	0
Prepaid Taxes	0	6,104	0	0	0	0	0	0
Other Prepayments and								

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Current Assets	192	2,077	42	238	22	1,508	5	5
Total Current Assets	36,749	154,916	8,607	64,324	98,695	5,012	3,772	1,654
Regulatory and Other Noncurrent Assets:								
Regulatory Assets	0	72,635	0	0	0	0	0	0
Accumulated Deferred Income Taxes	466	0	653	6	0	767	2,144	64
Prepaid Pension	2,342	24,812	1,435	0	0	0	0	0
Derivatives - Energy Related Assets	0	0	0	1,590	5,173	0	0	0
Derivatives - Other	0	0	0	0	197	0	0	0
Unamortized Debt								
Discount and Expense	0	7,957	0	0	0	937	0	0
Contract Receivables	0	7,101	0	0	0	9,052	0	0
Other	0	2,089	1,454	0	0	3,490	13	0
Total Regulatory and Other Noncurrent Assets	2,808	114,594	3,542	1,596	5,370	14,246	2,157	64
Total Assets	\$389,736	\$1,007,587	\$12,293	\$66,637	\$117,139	\$85,384	\$6,001	\$1,905

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SOUTH JERSEY INDUSTRIES, INC.  
CONSOLIDATING BALANCE SHEET  
AS OF DECEMBER 31, 2004  
(In Thousands)

	South Jersey Indust. Inc.	South Jersey Gas Company	South Jersey Energy Service Plus LLC	South Jersey Energy Company Consld.	South Jersey Resources Group, LLC	Energy & Marina Energy LLC Consld.	Energy & Minerls, R & Inc. Consld.	R & Grou Inc.
Capitalization and Liabilities								
Common Equity:								
Common Stock SJI								
Par Value \$1.25 a share								
Authorized - 20,000,000 shares								
Outstanding -								
13,879,968 shares	\$17,350	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Common Stock -								
Subsidiaries	0	5,848	0	50	0	0	13,283	1,000
Premium on Common Stock	213,045	170,317	4,200	3,500	2,918	12,500	1,584	7,800
Capital Stock Expense	(833)	0	0	0	0	0	0	0
Accumulated Other								

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Comprehen. (Loss) Income	0	(112)	0	0	4,462	(897)	0	0
Retained Earnings	111,397	130,695	532	5,952	5,706	3,982	(14,966)	(7,044)
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Total Common Equity	340,959	306,748	4,732	9,502	13,086	15,585	(99)	1,756
Minority Interest	0	0	0	0	0	227	0	0
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Preferred Stock of Subsidiary	0	1,690	0	0	0	0	0	0
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Long-Term Debt (less current maturities & sinking fund requirements)	0	282,008	0	0	0	46,906	0	0
<hr/>								
Current Liabilities:								
Notes Payable - Banks	39,300	53,000	0	0	0	0	0	0
Notes Payable - Affiliate	0	0	0	195	0	0	0	0
Current Maturities of Long-Term Debt	0	5,273	0	0	0	75	0	0
Notes Payable - Associated Companies	5,920	0	140	9,100	14,320	9,377	511	0
Accounts Payable	1,535	55,193	136	33,685	57,932	2,246	30	0
Accounts Payable to Associated Companies	511	3,834	334	561	227	962	26	1
Customer Deposits	0	8,846	0	0	0	0	0	0
Accumulated Deferred Income Taxes	68	2,627	5	562	4,139	0	(6)	3
Taxes Accrued	(1,580)	1,228	53	3,183	2,459	(61)	124	13
Environmental Remediation Costs	2	13,531	0	0	0	0	277	0
Interest Accrued	0	6,448	0	0	0	199	0	0
Derivatives - Energy Related Liabilities	0	1,799	0	8,046	20,185	0	0	0
Derivatives - Other	0	344	0	0	1,049	0	0	0
Other Current Liabilities	589	5,938	395	117	46	79	23	23
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Total Current Liabilities	46,345	158,061	1,063	55,449	100,357	12,877	985	40
<hr/>								
Deferred Credits and Other Noncurrent Liabilities:								
Pension and Other Postretirement Benefits	1,348	11,039	622	0	0	0	0	94
Accumulated Deferred Income Taxes - Net	616	138,209	578	188	0	7,118	444	15
Investment Tax Credits	0	3,129	0	0	0	0	0	0
Environmental Remediation Costs	12	37,515	0	0	0	0	3,654	0
Derivatives - Energy Related Liabilities	0	0	0	1,498	3,672	0	0	0
Derivatives - Other	0	0	0	0	24	1,516	0	0
Regulatory Liabilities	0	63,836	0	0	0	0	0	0
Other	456	5,352	5,298	0	0	1,155	1,017	0
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Total Def. Credits and Other Noncurrent Liabilities	2,432	259,080	6,498	1,686	3,696	9,789	5,115	109
Total Capitalization and Liabilities	\$389,736	\$1,007,587	\$12,293	\$66,637	\$117,139	\$85,384	\$6,001	\$1,905

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SOUTH JERSEY INDUSTRIES, INC.  
CONSOLIDATING ELIMINATIONS AND ADJUSTMENTS  
AS OF DECEMBER 31, 2004  
(In Thousands)

1] Common Stock - Subsidiaries	\$20,181	
Premium on Common Stock	202,819	
Retained Earnings	124,857	
Investment in Subsidiaries		\$347,857
To eliminate South Jersey Industries, Inc. investment in subsidiaries which is maintained on the equity method of accounting.		
[2] Accounts Payable - Associated Companies	6,456	
Accounts Payable	131	
Accounts Receivable - Associated Companies		5,034
Accounts Receivable		1,553
To eliminate intercompany accounts receivable and payable.		
[3] Notes Payable - Associated Companies	39,368	
Notes Receivable - Associated Companies		39,368
To eliminate intercompany short-term notes between South Jersey Industries, Inc. and Subsidiaries		
[4] Accumulated Deferred Income Taxes - Current Liability	316	
Accumulated Deferred Income Taxes - Current Asset		316
To net current accumulated DFIT asset and liability		
[5] Accumulated Deferred Income Taxes - Noncurrent Liability	4,100	
Accumulated Deferred Income Taxes - Noncurrent Asset		4,100
To net noncurrent accumulated DFIT asset and liability		
[6] Accounts Payable	31,790	

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Accounts Receivable		31,790
To eliminate intercompany gas receivable and payable.		
[7] Derivatives - Energy Related Liabilities - Current	11,797	
Derivatives - Energy Related Liabilities - Non-Current	1,533	
Derivatives - Energy Related Assets - Current		11,797
Derivatives - Energy Related Assets - Non-Current		1,533
To eliminate intercompany mark-to-market of gas contracts.		

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SOUTH JERSEY ENERGY COMPANY  
CONSOLIDATING STATEMENT OF INCOME  
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2004  
(In Thousands)

	South Jersey Energy Company	SJ EnerTrade Inc.	South Jersey Energy Solutions LLC	Total
	-----	-----	-----	-----
Operating Revenues:				
Utility	\$0	\$0	\$0	
Nonutility	284,148	0	0	284,
	-----	-----	-----	-----
Total Operating Revenues	284,148	0	0	284,
	-----	-----	-----	-----
Operating Expenses:				
Cost of Sales - Utility	0	0	0	
Cost of Sales - Nonutility	270,884	(39)	0	270,
Operations	4,310	1	0	4,
Maintenance	0	0	0	
Depreciation	14	0	0	
Energy and Other Taxes	0	0	0	
	-----	-----	-----	-----
Total Operating Expenses	275,208	(38)	0	275,
	-----	-----	-----	-----
Operating Income	8,940	38	0	8,
	-----	-----	-----	-----
Other Income and Expense:				
Dividends from Subsidiaries	0	0	0	
Equity in Undistributed Earnings of Subs	35	0	0	
Other	7	20	0	
	-----	-----	-----	-----

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Total Other Income and Expense	42	20	0	
Interest Charges	198	0	0	
Income Before Income Taxes	8,784	58	0	8,
Income Taxes				
Current Federal and State Income Taxes	3,474	24	0	3,
Deferred Federal and State Income Taxes	155	(1)		
Total Income Taxes	3,629	23	0	3,
Equity in Affiliated Companies	135	0	0	
Income from Continuing Operations	5,290	35	0	5,
Equity in Undistributed Earnings of				
Discontinued Subsidiaries	0	0	0	
Discontinued Operations - Net	0	0	0	
Cumulative Effect of Accounting Change - Net	0	0	0	
Net Income Applicable to Common Stock	\$5,290	\$35	\$0	\$5,

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SOUTH JERSEY ENERGY COMPANY, INC.  
CONSOLIDATING STATEMENT OF RETAINED EARNINGS  
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2004  
(In Thousands)

	South Jersey Energy Company	SJ EnerTrade Inc.	South Jersey Energy Solutions LLC	Total
Retained Earnings - Beginning	\$662	(\$841)	\$7	(\$1,
Net Income Applicable to Common Stock	5,290	35	0	5,3
	5,952	(806)	7	5,1
Dividends Declared - Common Stock	0	0	0	
Retained Earnings - Ending	\$5,952	(\$806)	\$7	\$5,1

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SOUTH JERSEY ENERGY COMPANY  
CONSOLIDATING ELIMINATIONS AND ADJUSTMENTS  
STATEMENT OF INCOME AND RETAINED EARNINGS  
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2004  
(In Thousands)

[A] Investment in Subsidiary	\$35
Equity in Undistributed Earnings of Subsidiary	\$35
To eliminate and equity in undistributed earnings recorded by South Jersey Energy Company, Inc.	
[B] Retained Earnings - 1/1/2004	834
Investment in Subsidiary	834
To eliminate retained earnings of subsidiary at 1/1/2004 previously recorded by South Jersey Energy Company, Inc. under the equity method of accounting.	

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SOUTH JERSEY ENERGY COMPANY  
CONSOLIDATING BALANCE SHEET  
AS OF DECEMBER 31, 2004  
(In Thousands)

	South Jersey Energy Company	South Jersey EnerTrade, Inc.	South Jersey Energy Solutions LLC
	-----	-----	-----
Assets			
Property, Plant and Equipment:			
Utility Plant, at original cost	\$0	\$0	\$0
Accumulated Depreciation and Amortization	0	0	0
Nonutility Property and Equipment, at cost	57	0	0
Accumulated Depreciation	(33)	0	0
	-----	-----	-----
Property, Plant and Equipment - Net	24	0	0
	-----	-----	-----
Investments:			

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Investments in Subsidiaries	808	0	0
Available-for-Sale Securities	0	0	0
Restricted	0	0	0
Investment in Affiliates	693	0	0
	-----	-----	-----
Total Investments	1,501	0	0
	-----	-----	-----
Current Assets:			
Cash and Cash Equivalents	369	5	19
Notes Receivable - Associated Companies	0	970	0
Accounts Receivable	42,903	0	0
Unbilled Revenues	10,995	0	0
Provision for Uncollectibles	(537)	0	0
Accounts Receivable - Associated Companies	2	3	0
Natural Gas in Storage, Average Cost	0	0	0
Materials and Supplies, Average Cost	0	0	0
Assets of Discontinued Businesses Held for Disposal	0	0	0
Accumulated Deferred Income Taxes	171	0	0
Derivatives - Energy Related Assets	9,186	0	0
Derivatives - Other	0	0	0
Prepaid Taxes	0	0	0
Other Prepayments and Current Assets	238	0	0
	-----	-----	-----
Total Current Assets	63,327	978	19
	-----	-----	-----
Regulatory and Other Noncurrent Assets:			
Regulatory Assets	0	0	0
Accumulated Deferred Income Taxes	11	(5)	0
Prepaid Pension	0	0	0
Derivatives - Energy Related Assets	1,590	0	0
Derivatives - Other	0	0	0
Unamortized Debt Discount and Expense	0	0	0
Contract Receivables	0	0	0
Other	0	0	0
	-----	-----	-----
Total Regulatory and Other Noncurrent Assets	1,601	(5)	0
	-----	-----	-----
Total Assets	\$66,453	\$973	\$19
	=====	=====	=====

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SOUTH JERSEY ENERGY COMPANY  
CONSOLIDATING BALANCE SHEET  
AS OF DECEMBER 31, 2004  
(In Thousands)

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	South Jersey Energy Company	South Jersey EnerTrade, Inc.	South Jersey Energy Solutions LLC
	-----	-----	-----
Capitalization and Liabilities			
Common Equity:			
Common Stock SJE			
No Par Value			
Authorized - 2,500 shares			
Outstanding - 500 shares	\$50	\$0	\$0
Common Stock - Subsidiaries	0	1	0
Premium on Common Stock	3,500	1,599	7
Capital Stock Expense	0	0	0
Accumulated Other Comprehensive (Loss) Income	0	0	0
Retained Earnings	5,952	(806)	7
	-----	-----	-----
Total Common Equity	9,502	794	14
	-----	-----	-----
Minority Interest	0	0	0
	-----	-----	-----
Preferred Stock of Subsidiary	0	0	0
	-----	-----	-----
Long-Term Debt (less current maturities & sinking fund requirements)	0	0	0
	-----	-----	-----
Current Liabilities:			
Notes Payable - Banks	0	0	0
Notes Payable - Affiliate	195	0	0
Current Maturities of Long-Term Debt	0	0	0
Notes Payable - Associated Companies	9,100	0	0
Accounts Payable	33,685	0	0
Accounts Payable to Associated Companies	560	1	0
Customer Deposits	0	0	0
Accumulated Deferred Income Taxes	549	13	0
Taxes Accrued	3,008	170	5
Environmental Remediation Costs	0	0	0
Interest Accrued	0	0	0
Derivatives - Energy Related Liabilities	8,046	0	0
Derivatives - Other	0	0	0
Other Current Liabilities	117	0	0
	-----	-----	-----
Total Current Liabilities	55,260	184	5
	-----	-----	-----
Deferred Credits and Other Noncurrent Liabilities:			
Pension and Other Postretirement Benefits	0	0	0
Accumulated Deferred Income Taxes - Net	193	(5)	0
Investment Tax Credits	0	0	0
Environmental Remediation Costs	0	0	0
Derivatives - Energy Related Liabilities	1,498	0	0
Derivatives - Other	0	0	0

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Regulatory Liabilities	0	0	0
Other	0	0	0
	-----	-----	-----
Total Def. Credits and Other Noncurrent liabilities	1,691	(5)	0
	-----	-----	-----
Total Capitalization and Liabilities	\$66,453	\$973	\$19
	=====	=====	=====

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SOUTH JERSEY ENERGY COMPANY  
CONSOLIDATING ELIMINATIONS AND ADJUSTMENTS  
AS OF DECEMBER 31, 2004  
(In Thousands)

[1] Common Stock-Subsidiary	\$1
Premium on Common Stock	1,606
Retained Earnings	\$799
Investment in Subsidiary	808

To eliminate South Jersey Energy Company, Inc. investment in subsidiary which is maintained on the equity method of accounting.

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MARINA ENERGY LLC  
CONSOLIDATING STATEMENT OF INCOME  
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2004  
(In Thousands)

	Marina Energy LLC	AC Landfill Energy LLC	Total
	-----	-----	-----
Operating Revenues:			
Utility	\$0	\$0	\$0
Nonutility	20,865	0	20,865
	-----	-----	-----
Total Operating Revenues	20,865	0	20,865
	-----	-----	-----
Operating Expenses:			
Cost of Sales - Utility	0	0	0
Cost of Sales - Nonutility	8,811	0	8,811
Operations	4,619	0	4,619
Maintenance	0	0	0
Depreciation	1,680	0	1,680
Energy and Other Taxes	0	0	0

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Total Operating Expenses	15,110	0	15,110
Operating Income	5,755	0	5,755
Other Income and Expense:			
Dividends from Subsidiaries	0	0	0
Equity in Undistributed Earnings of Subs	0	0	0
Other	599	0	599
Total Other Income and Expense	599	0	599
Interest Charges	2,404	0	2,404
Income Before Income Taxes	3,950	0	3,950
Income Taxes			
Current Federal and State Income Taxes	239	0	239
Deferred Federal and State Income Taxes	1,157	0	1,157
Total Income Taxes	1,396	0	1,396
Equity in Affiliated Companies	0	0	0
Income from Continuing Operations	2,554	0	2,554
Equity in Undistributed Earnings of			
Discontinued Subsidiaries	0	0	0
Discontinued Operations - Net	0	0	0
Cumulative Effect of Accounting Change - Net	0	0	0
Net Income Applicable to Common Stock	\$2,554	\$0	\$2,554

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MARINA ENERGY LLC  
CONSOLIDATING STATEMENT OF RETAINED EARNINGS  
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2004  
(In Thousands)

	Marina Energy LLC	AC Landfill Energy LLC	Total	Eli Ad
Retained Earnings - Beginning	\$1,428	\$0	\$1,428	

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Net Income Applicable to Common Stock	2,554	0	0
	-----	-----	-----
	3,982	0	1,428
Dividends Declared - Common Stock	0	0	0
	-----	-----	-----
Retained Earnings - Ending	\$3,982	\$0	\$1,428
	=====	=====	=====

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MARINA ENERGY LLC  
CONSOLIDATING BALANCE SHEET  
AS OF DECEMBER 31, 2004  
(In Thousands)

	Marina Energy LLC	AC Landfill Energy LLC	Total	Eliminations & Adjustments
	-----	-----	-----	-----
<b>Assets</b>				
<b>Property, Plant and Equipment:</b>				
Utility Plant, at original cost	\$0	\$0	\$0	\$0
Accumulated Depreciation and Amortization	0	0	0	0
Nonutility Property and Equipment, at cost	66,023	2,106	68,129	0
Accumulated Depreciation	(2,556)	0	(2,556)	0
	-----	-----	-----	-----
Property, Plant and Equipment - Net	63,467	2,106	65,573	0
	-----	-----	-----	-----
<b>Investments:</b>				
Investments in Subsidiaries	236	0	236	(236)
Available-for-Sale Securities	0	0	0	0
Restricted	0	553	553	0
Investment in Affiliates	0	0	0	0
	-----	-----	-----	-----
Total Investments	236	553	789	(236)
	-----	-----	-----	-----
<b>Current Assets:</b>				
Cash and Cash Equivalents	474	36	510	0
Notes Receivable - Associated Companies	0	0	0	0
Accounts Receivable	2,660	0	2,660	0
Unbilled Revenues	0	0	0	0
Provision for Uncollectibles	0	0	0	0
Accounts Receivable - Associated Companies	0	0	0	0
Natural Gas in Storage, Average Cost	0	0	0	0
Materials and Supplies, Average Cost	332	0	332	0
Assets of Discontinued Businesses Held for				

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Disposal	0	0	0	0
Accumulated Deferred Income Taxes	0	2	2	0
Derivatives - Energy Related Assets	0	0	0	0
Derivatives - Other	0	0	0	0
Prepaid Taxes	0	0	0	0
Other Prepayments and Current Assets	1,490	18	1,508	0
	-----	-----	-----	-----
Total Current Assets	4,956	56	5,012	0
	-----	-----	-----	-----
Regulatory and Other Noncurrent Assets:				
Regulatory Assets	0	0	0	0
Accumulated Deferred Income Taxes	767	0	767	0
Prepaid Pension	0	0	0	0
Derivatives - Energy Related Assets	0	0	0	0
Derivatives - Other	0	0	0	0
Unamortized Debt Discount and Expense	872	65	937	0
Contract Receivables	9,052	0	9,052	0
Other	3,251	239	3,490	0
	-----	-----	-----	-----
Total Regulatory and Other Noncurrent Assets	13,942	304	14,246	0
	-----	-----	-----	-----
Total Assets	\$82,601	\$3,019	\$85,620	(\$236)
	=====	=====	=====	=====

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MARINA ENERGY LLC  
CONSOLIDATING BALANCE SHEET  
AS OF DECEMBER 31, 2004  
(In Thousands)

	Marina Energy LLC	AC Landfill Energy LLC	Total	Eliminations & Adjustments
	-----	-----	-----	-----
Capitalization and Liabilities				
Common Equity:				
Common Stock Marina No Par Value Authorized - 0 shares Outstanding - 0 shares	\$0	\$0	\$0	\$0
Common Stock - Subsidiaries	0	0	0	0
Premium on Common Stock	12,500	236	12,736	(236)
Capital Stock Expense	0	0	0	0
Accumulated Other Comprehensive Loss	(897)	0	(897)	0
Retained Earnings	3,982	0	3,982	0
	-----	-----	-----	-----

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Total Common Equity	15,585	236	15,821	(236)
Minority Interest	0	227	227	0
Preferred Stock of Subsidiary	0	0	0	0
Long-Term Debt (less current maturities & sinking fund requirements)	45,000	1,906	46,906	0
Current Liabilities:				
Notes Payable - Banks	0	75	0	0
Notes Payable - Affiliate	0	0	0	0
Current Maturities of Long-Term Debt	0	0	75	0
Notes Payable - Associated Companies	9,377	0	9,377	0
Accounts Payable	1,673	573	2,246	0
Accounts Payable to Associated Companies	962	0	962	0
Customer Deposits	0	0	0	0
Accumulated Deferred Income Taxes	0	0	0	0
Taxes Accrued	65	(126)	(61)	0
Environmental Remediation Costs	0	0	0	0
Interest Accrued	199	0	199	0
Derivatives - Energy Related Liabilities	0	0	0	0
Derivatives - Other	0	0	0	0
Other Current Liabilities	79	0	79	0
Total Current Liabilities	12,355	522	12,877	0
Deferred Credits and Other Noncurrent Liabilities:				
Pension and Other Postretirement Benefits	0	0	0	0
Accumulated Deferred Income Taxes - Net	6,990	128	7,118	0
Investment Tax Credits	0	0	0	0
Environmental Remediation Costs	0	0	0	0
Derivatives - Energy Related Liabilities	0	0	0	0
Derivatives - Other	1,516	0	1,516	0
Regulatory Liabilities	0	0	0	0
Other	1,155	0	1,155	0
Total Def. Credits and Other Noncurrent Liabilities	9,661	128	9,789	0
Total Capitalization and Liabilities	\$82,601	\$3,019	\$85,620	(\$236)

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MARINA ENERGY LLC  
CONSOLIDATING ELIMINATIONS AND ADJUSTMENTS  
AS OF DECEMBER 31, 2004  
(In Thousands)

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[1] Premium on Common Stock	\$236
Investment in Subsidiary	\$236

To eliminate Marina Energy LLC's investment in subsidiary which is maintained on the equity method of accounting.

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ENERGY & MINERALS, INC.  
CONSOLIDATING STATEMENT OF INCOME  
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2004  
(In Thousands)

	Energy & Minerals, Inc	South Jersey Fuel Company, Inc.	Total
	-----	-----	-----
Operating Revenues:			
Utility	\$0	\$0	\$
Nonutility	0	0	
	-----	-----	-----
Total Operating Revenues	0	0	
	-----	-----	-----
Operating Expenses:			
Cost of Sales - Utility	0	0	
Cost of Sales - Nonutility	0	0	
Operations	48	0	4
Maintenance	0	0	
Depreciation	0	0	
Energy and Other Taxes	0	0	
	-----	-----	-----
Total Operating Expenses	48	0	4
	-----	-----	-----
Operating Loss	(48)	0	(4)
	-----	-----	-----
Other Income and Expense:			
Dividends from Subsidiaries	0	0	
Equity in Undistributed Earnings of Subs	0	0	
Other	73	0	7
	-----	-----	-----
Total Other Income and Expense	73	0	7
	-----	-----	-----

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Interest Charges	0	0	
	-----	-----	-----
Income Before Income Taxes	25	0	2
	-----	-----	-----
Income Taxes			
Current Federal and State Income Taxes	(17)	0	(1)
Deferred Federal and State Income Taxes	26	0	2
	-----	-----	-----
Total Income Taxes	9	0	
Equity in Affiliated Companies	0	0	
	-----	-----	-----
Income from Continuing Operations	16	0	1
	-----	-----	-----
Equity in Undistributed Earnings of			
Discontinued Subsidiaries	(119)	0	(11)
Discontinued Operations - Net	(561)	(119)	(68)
Cumulative Effect of Accounting Change - Net	0	0	
	-----	-----	-----
Net Loss Applicable to Common Stock	(\$664)	(\$119)	(\$78)
	=====	=====	=====

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ENERGY & MINERALS, INC.  
CONSOLIDATING STATEMENT OF RETAINED EARNINGS  
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2004  
(In Thousands)

	Energy & Minerals, Inc.	South Jersey Fuel Company, Inc.	Total
	-----	-----	-----
Retained Earnings - Beginning	(\$14,302)	(\$1,811)	(\$16,113)
Net Loss Applicable to Common Stock	(664)	(119)	(783)
	-----	-----	-----
	(14,966)	(1,930)	(16,896)
Dividends Declared - Common Stock	0	0	
	-----	-----	-----
Retained Earnings - Ending	(\$14,966)	(\$1,930)	(\$16,896)
	=====	=====	=====

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ENERGY & MINERALS, INC.  
CONSOLIDATING ELIMINATIONS AND ADJUSTMENTS  
STATEMENT OF INCOME AND RETAINED EARNINGS  
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2004  
(In Thousands)

[A]	Equity in Undistributed Earnings of Subsidiary	\$119	
	Investment in Subsidiary		\$119
	To eliminate equity in undistributed earnings recorded by Energy & Minerals, Inc.		
[B]	Retained Earnings - 1/1/2004	1,811	
	Investment in Subsidiaries		1,811
	To eliminate retained earnings of subsidiary at 1/1/2004 previously recorded by Energy & Minerals, Inc. under the equity method of accounting.		

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ENERGY & MINERALS, INC.  
CONSOLIDATING BALANCE SHEET  
AS OF DECEMBER 31, 2004  
(In Thousands)

	Energy & Minerals, Inc.	South Jersey Fuel Company Inc.	Total	Elimina & Adjust
	-----	-----	-----	-----
<b>Assets</b>				
<b>Property, Plant and Equipment:</b>				
Utility Plant, at original cost	\$0	\$0	\$0	
Accumulated Depreciation and Amortization	0	0	0	
Nonutility Property and Equipment, at cost	859	0	859	
Accumulated Depreciation	(787)	0	(787)	
	-----	-----	-----	-----
Property, Plant and Equipment - Net	72	0	72	
	-----	-----	-----	-----
<b>Investments:</b>				
Investments in Subsidiaries	(872)	0	(872)	
Available-for-Sale Securities	0	0	0	
Restricted	0	0	0	

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Investment in Affiliates	0	0	0	
	-----	-----	-----	-----
Total Investments	(872)	0	(872)	
	-----	-----	-----	-----
Current Assets:				
Cash and Cash Equivalents	26	10	36	
Notes Receivable - Associated Companies	3,320	0	3,320	
Notes Receivable - Affiliate	0	0	0	
Accounts Receivable	0	0	0	
Unbilled Revenues	0	0	0	
Provision for Uncollectibles	0	0	0	
Accounts Receivable - Associated Companies	8	0	8	
Natural Gas in Storage, Average Cost	0	0	0	
Materials and Supplies, Average Cost	0	0	0	
Assets of Discontinued Businesses Held for Disposal	0	402	402	
Accumulated Deferred Income Taxes	1	0	1	
Derivatives - Energy Related Assets	0	0	0	
Derivatives - Other	0	0	0	
Prepaid Taxes	0	0	0	
Other Prepayments and Current Assets	4	1	5	
	-----	-----	-----	-----
Total Current Assets	3,359	413	3,772	
	-----	-----	-----	-----
Regulatory and Other Noncurrent Assets:				
Regulatory Assets	0	0	0	
Accumulated Deferred Income Taxes	1,679	465	2,144	
Prepaid Pension	0	0	0	
Derivatives - Energy Related Assets	0	0	0	
Derivatives - Other	0	0	0	
Unamortized Debt Discount and Expense	0	0	0	
Contract Receivables	0	0	0	
Other	13	0	13	
	-----	-----	-----	-----
Total Regulatory and Other Noncurrent Assets	1,692	465	2,157	
	-----	-----	-----	-----
Total Assets	\$4,251	\$878	\$5,129	\$
	=====	=====	=====	=====

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ENERGY & MINERALS, INC.  
CONSOLIDATING BALANCE SHEET  
AS OF DECEMBER 31, 2004  
(In Thousands)

Energy & Minerals, Inc.	South Jersey Fuel Company Inc.	Total	Elimin & Adjus
-----	-----	-----	-----

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Capitalization and Liabilities

Common Equity:

Common Stock EMI				
No Par Value				
Authorized - 500,000 shares				
Outstanding - 98,341 share	\$13,283	\$0	\$13,283	
Common Stock - Subsidiaries	0	0	0	
Premium on Common Stock	1,584	1,058	2,642	(1,
Capital Stock Expense	0	0	0	
Accumulated Other Comprehensive (Loss) Income	0	0	0	
Retained Earnings	(14,966)	(1,930)	(16,896)	1,
	-----	-----	-----	-----
Total Common Equity	(99)	(872)	(971)	
	-----	-----	-----	-----

Minority Interest

Preferred Stock of Subsidiary	0	0	0	
	-----	-----	-----	-----

Long-Term Debt (less current maturities  
& sinking fund requirements)

	0	0	0	
	-----	-----	-----	-----

Current Liabilities:

Notes Payable - Banks	0	0	0	
Notes Payable - Affiliate	0	0	0	
Current Maturities of Long-Term Debt	0	0	0	
Notes Payable - Associated Companies	0	511	511	
Accounts Payable	3	27	30	
Accounts Payable to Associated Companies	24	2	26	
Customer Deposits	0	0	0	
Accumulated Deferred Income Taxes	(6)	0	(6)	
Taxes Accrued	164	(40)	124	
Environmental Remediation Costs	39	238	277	
Interest Accrued	0	0	0	
Derivatives - Energy Related Liabilities	0	0	0	
Derivatives - Other	0	0	0	
Other Current Liabilities	6	17	23	
	-----	-----	-----	-----
Total Current Liabilities	230	755	985	
	-----	-----	-----	-----

Deferred Credits and Other Noncurrent Liabilities:

Pension and Other Postretirement Benefits	0	0	0	
Accumulated Deferred Income Taxes - Net	395	49	444	
Investment Tax Credits	0	0	0	
Environmental Remediation Costs	2,708	946	3,654	
Derivatives - Energy Related Liabilities	0	0	0	
Derivatives - Other	0	0	0	
Regulatory Liabilities	0	0	0	
Other	1,017	0	1,017	
	-----	-----	-----	-----
Total Def. Credits and Other Noncurrent Liabilities	4,120	995	5,115	
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Total Capitalization and Liabilities	\$4,251	\$878	\$5,129	\$
	=====	=====	=====	=====

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ENERGY & MINERALS, INC.  
CONSOLIDATING ELIMINATIONS AND ADJUSTMENTS  
AS OF DECEMBER 31, 2004  
(In Thousands)

[1] Premium on Common Stock	\$1,058	
Investment in Subsidiary	872	
Retained Earnings		\$1,930

To eliminate Energy & Minerals, Inc. investment in subsidiary which is maintained on the equity method of accounting.

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Notes to Consolidated Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

CONSOLIDATION -- The consolidated financial statements include the accounts of South Jersey Industries, Inc. (SJI), its wholly owned subsidiaries and a subsidiary in which we have a controlling interest. We eliminated all significant intercompany accounts and transactions.

RESTATEMENT -- Subsequent to the issuance of the consolidated financial statements for the year December 31, 2003, SJI determined that its prepaid pension asset of \$19,690,000 classified as a current asset should have been classified as a noncurrent asset. As a result, the December 31, 2003 consolidated balance sheet was restated to reclassify the \$19,690,000 from current assets to noncurrent assets. This restatement had no impact on total assets, common equity, the statements of consolidated income, or the statements of consolidated cash flows.

EQUITY INVESTMENTS -- We classify equity investments purchased as long-term investments as Available-for-Sale Securities on our consolidated balance sheets and carry them at their fair value with any unrealized gains or losses included in Accumulated Other Comprehensive Income. SJI, either directly or through its wholly owned subsidiaries, currently holds a 50% non-controlling interest in two affiliated companies and accounts for the investments under the equity method. We include the operations of these affiliated companies on a pre-tax basis in the statements of consolidated income under Equity in Affiliated Companies (See Note 3).

ESTIMATES AND ASSUMPTIONS -- We prepare our financial statements to conform with generally accepted accounting principles. Management makes estimates and assumptions that affect the amounts reported in the financial statements and related disclosures. Therefore, actual results could differ from those estimates. Significant estimates include amounts related to regulatory accounting, energy derivatives, environmental remediation costs, pension and other postretirement benefit costs, and revenue recognition.

REGULATION -- South Jersey Gas Company (SJG) is subject to the rules and regulations of the New Jersey Board of Public Utilities (BPU). We maintain our

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accounts according to the BPU's prescribed Uniform System of Accounts (See Note 9). SJG follows the accounting for regulated enterprises prescribed by the Financial Accounting Standards Board (FASB) Statement No. 71, "Accounting for the Effects of Certain Types of Regulation." In general, Statement No. 71 allows deferral of certain costs and creation of certain obligations when it is probable that these items will be recovered from or refunded to customers in future periods.

REVENUES -- Gas and electric revenues are recognized in the period the commodity is delivered and customers are billed monthly. For SJG and SJE retail customers not billed at the end of each month, we record an estimate to recognize unbilled revenues for gas and electricity delivered from the date of the last meter reading to the end of the month.

We defer and recognize revenues related to South Jersey Energy Service Plus, LLC (SJESP) appliance service contracts seasonally over the full 12-month term of the contract.

Marina Energy LLC (Marina) recognizes revenue on a monthly basis as services are provided and for on-site energy production that is delivered to its customers.

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The BPU allows SJG to recover gas costs through the Basic Gas Supply Service (BGSS) clause. We collect these costs on a forecasted basis upon BPU order. SJG defers over/under-recoveries of gas costs and includes them in the following year's BGSS or other similar recovery mechanism. We pay interest on overcollected BGSS balances at the rate of return on rate base utilized by the BPU to set rates in its last base rate proceeding (See Note 9).

SJG's tariff also includes a Temperature Adjustment Clause (TAC), a Remediation Adjustment Clause (RAC), a New Jersey Clean Energy Program (NJCEP) and a Universal Service Fund (USF) program. Our TAC reduces the impact of temperature fluctuations on SJG and its customers. The RAC recovers environmental remediation costs of former gas manufacturing plants and the NJCEP recovers costs associated with our energy efficiency and renewable energy programs. The USF is a statewide customer assistance program that utilizes utilities as a collection agent. TAC adjustments affect revenue, income and cash flows since colder-than-normal weather can generate credits to customers, while warmer-than-normal weather can result in additional billings. RAC adjustments do not directly affect earnings because we defer and recover related costs through rates over 7-year amortization periods (See Notes 9 & 13). NJCEP and USF adjustments are also deferred and do not affect earnings, as related costs and customer credits are recovered through rates on an ongoing basis (See Note 9).

ACCOUNTS RECEIVABLE AND PROVISION FOR UNCOLLECTIBLE ACCOUNTS -- Accounts receivable are carried at the amount owed by customers. A provision for uncollectible accounts was established based on our collection experience and an assessment of the collectibility of specific accounts.

PROPERTY, PLANT AND EQUIPMENT -- For regulatory purposes, utility plant is stated at original cost, which may be different than SJG's cost if the assets were acquired from another regulated entity. Nonutility plant is stated at cost. The cost of adding, replacing and renewing property is charged to the appropriate plant account.

DEPRECIATION -- We depreciate utility plant on a straight-line basis over the estimated remaining lives of the various property classes. These estimates are periodically reviewed and adjusted as required after BPU approval. The composite annual rate for all depreciable utility property was approximately 2.9% in both 2003 and 2002. As a result of SJG's recent rate case settlement, its composite depreciation rate was reduced from 2.9 to 2.4% effective July 8, 2004 (See Note

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9). Except for extraordinary retirements, accumulated depreciation is charged with the cost of depreciable utility property retired less salvage (See Asset Retirement Costs). Nonutility property depreciation is computed on a straight-line basis over the estimated useful lives of the property, ranging up to 50 years. Gain or loss on the disposition of nonutility property is recognized in net income.

CAPITALIZED INTEREST -- SJG capitalizes interest on construction at the rate of return on rate base utilized by the BPU to set rates in its last base rate

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proceeding (See Note 9). SJG capitalized interest of \$0.7 million in 2004, \$0.6 million in 2003 and \$0.4 million in 2002. Marina also capitalized interest during the construction of its thermal energy facility based on the actual cost of borrowed funds. Marina capitalized interest of \$1.8 million in 2003 and \$1.6 million in 2002. Marina did not capitalize any interest during 2004. SJG's amounts are included in Utility Plant and Marina's amounts are included in Nonutility Property and Equipment on the consolidated balance sheets. All capitalized interest is reflected on the statements of consolidated income as a reduction of Interest Charges.

IMPAIRMENT OF LONG-LIVED ASSETS -- We review the carrying amount of an asset for possible impairment whenever events or changes in circumstances indicate that such amount may not be recoverable. For the years ended 2004, 2003 and 2002, we did not identify any significant impairments.

ENERGY TRADING ACTIVITIES AND DERIVATIVE INSTRUMENTS -- Certain SJI subsidiaries are involved in buying, selling, transporting and storing natural gas and buying and selling of retail electricity for their own accounts as well as managing these activities for others. These subsidiaries are subject to market risk due to price fluctuations. To manage this risk, our companies enter into a variety of physical and financial transactions including forward contracts, swap agreements, option contracts and futures contracts.

SJI structured its subsidiaries so that SJG and SJE transact commodities on a physical basis and typically do not directly enter into positions that financially settle. SJRG performs this risk management function for these entities and enters into the types of financial transactions noted above. As part of its gas purchasing strategy, SJG occasionally uses financial contracts to hedge against forward price risk. The costs of these short-term contracts are recoverable through SJG's BGSS, subject to BPU approval. As of December 31, 2004 and 2003, SJG had \$0.5 million and \$(1.8) million of cost (cost reductions), respectively, included in its BGSS related to these short-term contracts (See Regulatory Assets & Regulatory Liabilities). Management takes an active role in the risk management process and has developed policies and procedures that require specific administrative and business functions to assist in identifying, assessing and controlling various risks. Management reviews any open positions in accordance with strict policies to limit exposure to market risk.

SJI accounts for derivative instruments in accordance with FASB Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended. We record all derivatives, whether designated in hedging relationships or not, on the consolidated balance sheets at fair value unless the derivative contracts qualify for the normal purchase and sale exemption. If the derivative is designated as a fair value hedge, we recognize the changes in the fair value of the derivative and of the hedged item attributable to the hedged risk in earnings. We currently have no fair value hedges. If the derivative is designated as a cash flow hedge, we record the effective portion of the hedge in Accumulated Other Comprehensive Income and recognize it in the income statement

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when the hedged item affects earnings. We recognize ineffective portions of the cash flow hedges immediately in earnings. For the years ended December 31, 2004, 2003 and 2002, the ineffective portions of the derivatives designated as cash flow hedges were not material. We formally document all relationships between hedging instruments and hedged items, as well as our risk management objectives, strategies for undertaking various hedge transactions and our methods for assessing and testing correlation and hedge ineffectiveness. All hedging instruments are linked to the hedged asset, liability, firm commitment or forecasted transaction. We also assess whether these derivatives are highly effective in offsetting changes in cash flows or fair values of the hedged items. We discontinue hedge accounting prospectively if we decide to discontinue the hedging relationship; determine that the anticipated transaction is no longer likely to occur; or if we determine that a derivative is no longer highly effective as a hedge. In the event that hedge accounting is discontinued, we will continue to carry the derivative on the balance sheet at its current fair value and recognize subsequent changes in fair value in current period earnings. Unrealized gains and losses on the discontinued hedges that were previously included in Accumulated Other Comprehensive Income will be reclassified into earnings. During 2004, \$0.7 million of unrealized gain on derivatives previously designated as cash flow hedges was reclassified into Operating Revenues - Nonutility because we determined that the anticipated hedged transaction was no longer likely to occur. As permitted under Statement No. 133, SJI has elected to designate certain energy-related derivative instruments as cash flow hedges which protect against the price variability of our forecasted sales and purchases of natural gas. Based on the amount recorded in Accumulated Other Comprehensive Income at December 31, 2004, we expect \$6.4 million to be recorded as an increase in revenues in 2005. As of December 31, 2004, hedges for future forecasted transactions exist into 2006.

SJRG manages its portfolio of purchases and sales, as well as natural gas in storage, using a variety of instruments that include forward contracts, swap agreements, option contracts and futures contracts. SJI measures the fair value of the contracts and records these as Derivatives -- Energy Related Assets or Derivatives -- Energy Related Liabilities on our consolidated balance sheets. For those derivatives not designated as hedges, we recorded the net unrealized pre-tax (loss) gain of \$(1.0) million, \$2.3 million and \$(0.5) million in earnings during the years ended December 31, 2004, 2003 and 2002, respectively, which are included with realized gains and losses in Operating Revenues -- Nonutility.

SJI presents revenues and expenses related to its trading derivatives on a net basis in Operating Revenues -- Nonutility in our consolidated statements of income consistent with Emerging Issues Task Force (EITF) Issue No. 02-03, "Issues Involved in Accounting for Derivative Contracts Held for Trading Purposes and Contracts Involved in Energy Trading and Risk Management Activities." There is no effect on operating income or net income from the above presentation.

On October 25, 2002, the EITF reached a consensus on Issue No. 02-03 that rescinded EITF Issue No. 98-10, "Accounting for Contracts Involved in Energy Trading and Risk Management Activities", and changed the accounting for certain energy contracts effective for transactions entered into after that date, with a

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cumulative effect adjustment for previously existing transactions to be recognized in the quarter beginning January 1, 2003. As a result of EITF Issue No. 02-03, SJI only marks-to-market those energy-related contracts that meet the definition of a derivative in Statement No. 133. Energy-related contracts that do not meet the definition of a derivative are accounted for using the accrual basis of accounting. The effect of this change in accounting resulted in the net

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charge of \$426,338 shown as a Cumulative Effect of a Change in Accounting Principle -- Net in 2003.

In November 2001, we entered into two interest rate swap contracts. The first swap effectively provides us with a fixed interest rate of 4.08% on Marina's tax-exempt Series A variable rate bonds for a 10-year period. The second swap effectively fixed the interest rate of Marina's taxable Series B variable rate bonds at 4.55% for a 6-year period. The notional amount of this second swap decreases by \$3.0 million per year beginning in December 2005.

In January 2002, Marina issued an additional \$10.0 million of taxable Series B variable rate bonds through the New Jersey Economic Development Authority. In April 2002, we entered into an interest rate swap contract that effectively fixed the interest rate on these bonds at 4.62% for a 4-year period. The notional amount of this swap decreased to \$8.0 million in December 2003, then decreased to \$3.9 million in December 2004, and terminates in December 2005.

In November 2004, we entered into two additional interest rate swap contracts against Marina's taxable Series B variable rate bonds for a 10-year period. The swaps effectively provide us with a fixed interest rate of 4.80% on \$3.9 million and 4.78% on \$8.0 million of the bonds, respectively.

Also in November 2004, we entered into a derivative transaction known as a "Treasury Lock" to hedge against the impact of possible interest rate increases on a \$10.0 million, 30-year debt issuance by SJG planned for July 2005.

We entered into interest rate swap agreements to hedge the exposure to increasing rates with respect to our variable rate debt. The differential to be

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paid or received as a result of these swap agreements is accrued as interest rates change and is recognized as an adjustment to interest expense. We account for these interest rate swaps as cash flow hedges. At inception, and as of December 31, 2004 and 2003, the market value of these swaps was \$(1.9) million and \$(1.8) million, respectively, which represents the amount we would have to pay the counterparty to terminate these contracts as of those dates. We include these balances on the consolidated balance sheets under Derivatives -- Other. As of December 31, 2004 and 2003, we calculated the swaps to be highly effective; therefore, we record the changes in fair value of the swaps, net of taxes, in Accumulated Other Comprehensive Income.

We determined the fair value of derivative instruments by reference to quoted market prices of listed contracts, published quotations or quotations from  
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