



An Entrepreneurial Approach

An Interview with Edward J. Graham,
Chairman, President, and Chief Executive Officer, South Jersey Industries

EDITORS' NOTE Edward Graham also holds the titles of Director, President, and Chief Executive Officer of South Jersey Gas Company and President of South Jersey Resources Group, LLC and Marina Energy LLC, all subsidiaries of South Jersey Industries. Graham joined the company in 1981 and held various professional and managerial positions prior to his election as an officer of South Jersey Gas in 1988. His previous employers include the Golden Nugget, Inc. and Midlantic Banks Inc. An alumnus of Rider University for his undergraduate degree, Graham holds a Master of Business Administration degree in finance and investment from Drexel University. In addition, he is Vice-Chairman of the New Jersey Commission on Higher Education. Graham is also Chairman of the Rowan University Foundation Board.



Edward J. Graham

COMPANY BRIEF An energy services holding company, South Jersey Industries (www.sjindustries.com; SJI) offers solutions to global warming through renewable energy, clean technology, and efficiency. South Jersey Gas strongly advocates energy efficiency while safely and reliably delivering natural gas in southern New Jersey. The parent of SJI's non-regulated businesses, South Jersey Energy Solutions, provides innovative, environmentally friendly energy solutions that help customers control energy costs. South Jersey Energy acquires and markets natural gas and electricity for retail customers and offers energy-related services. Marina Energy develops and operates on-site energy projects. South Jersey Resources Group provides wholesale commodity marketing and risk management services. South Jersey Energy Service Plus installs, maintains, and services residential and commercial heating, air-conditioning, and water heating systems; services appliances; installs solar systems; provides plumbing services; and performs energy audits.

What are the different business segments in which South Jersey Industries works?

Under South Jersey Industries, we have two primary business lines: South Jersey Gas is our utility and South Jersey Energy Solutions is parent of a host of non-regulated businesses.

The central theme of our business in contrast to a traditional utility approach is a more entrepreneurial approach involving how we can

create either conservation or energy efficiency solutions. That plays itself out in the utility in that we profit today by how many customers we serve, not how much gas we sell.

On the non-utility side, we build renewable projects or energy-efficient gas fired projects or, in some cases, we are involved in transporting or moving gas from shale gas sites in Pennsylvania.

With regard to the economic crisis, did you see an impact especially on the non-regulated side of your business?

We saw an impact on the utility side in terms of customer growth. However, because of how attractively priced gas is, conversions from other fuels actually increased significantly.

On the non-utility side, we saw an increase in our business because many businesses were looking for ways to reduce their costs, and we had solutions, whether it was through building an energy plant for them where we caused their costs to go down in terms of fuel costs or, in some cases, through renewable projects.

But we have seen an uptick on our non-regulated side in the past six to eight years and it has continued to grow.

How have you been able to differentiate and show what makes your brand unique?

We have been fortunate as we have had a few things happen: competitors that were probably stronger in brand recognition have fallen away and we have built up a reputation on our non-regulated side. We're also finding that competitors seem to be specialists only on the energy side, whereas we have the ability to offer multiple complimentary services.

As an example, if you wanted to build a CHP or co-generation plant, there are people who do aspects of it, but we actually have the wherewithal to build the plant, fuel it, and buy the commodity on the marketplace with our trading group.

So we can offer turnkey solutions that competitors can't today.

In terms of needing a long-term energy policy, has the dialogue been constructive and are you optimistic we can create that energy policy?

I am optimistic and the dialogue is starting to change. We are very supportive of renewables and involved in those, and they need to be a part of a portfolio of energy solutions. But until recently, they were represented as the

sole solution and as much as we're advocates of solar and wind, it's not sunny and windy every day.

Because of unfortunate events in Japan, it will be challenging for nuclear to be an ongoing growth answer, although it will be part of the portfolio.

As you look at the other components, the price of oil and the environmental issues with aging coal facilities, the obvious centerpiece is natural gas. Now, even at the Presidential level, natural gas has entered the conversation as the most reliable, most friendly solution for the environment.

So we're in a fortunate place because the dialogue is going in the right direction now.

How critical is corporate responsibility to the culture of South Jersey Industries and how important is it to drive that through the organization?

Corporate responsibility has always been important to South Jersey Gas. But it's climbed to an even higher level, particularly as we've gone through this recession, because impacts on our communities have been so great.

Our employees are involved in more than 200 different organizations and we contribute money as well as time.

Has it been difficult to get the message regarding South Jersey Industries across, especially to Wall Street and the analysts?

Initially it was because you can call yourself whatever you'd like but performance demonstrates whether that is a reality. As our performance has continued to grow, both in our utility and non-utility businesses, they have become believers.

Last year's performance gives us credibility. We were the number-one ranked energy utility in the country on total shareholder value; we grew our market value by 42 percent last year.

Is there a strong awareness and understanding both nationally and internationally of the opportunities for foreign companies to invest in this sector?

The message is getting stronger and the Governor has helped bring a great deal of attention to the fact that the state is becoming more business friendly, and that job creation and ultimately reducing taxes are very positive things. So we are starting to get on the radar screen of other businesses around the country. Of course, New Jersey's location has always been great. But whether it was always viewed as a business friendly state is a different issue. ●