

RECEIVED
CASE MANAGEMENT

JUL 05 2018



July 5, 2018

BOARD OF PUBLIC UTILITIES
TRENTON, NJ

Ira G. Megdal

Direct Phone 856-910-5007
Direct Fax 877-259-7984
imegdal@cozen.com

HAND DELIVERY

Aida Camacho-Welch
Board Secretary
Board of Public Utilities
44 South Clinton Ave.
3rd Floor, Suite 314
PO Box 350
Trenton, NJ 08625-0350

RECEIVED
MAIL ROOM
JUL 05 2018
BOARD OF PUBLIC UTILITIES
TRENTON, NJ

Re: In the Matter of the Petition of South Jersey Gas Company for Authorization through September 30, 2021, *inter alia*, to Make, Execute and Deliver a Second Supplemental Mortgage Indenture
Docket No: GF18070696

Dear Secretary Camacho-Welch:

This firm represents the Petitioner, South Jersey Gas Company (the "Company") in the referenced matter.

On behalf of the Company, we hereby transmit for filing the original and ten (10) copies of a Petition in the referenced matter. Also enclosed are two additional copies marked "File Copy". Please stamp each File Copy as "Received" and return them to our messenger.

Thank you in advance for your cooperation in this matter.

Respectfully,

COZEN O'CONNOR, PC

By:  Ira G. Megdal

IGM:kn
Enclosure

cc: Dr. Ben Witherell (via Hand Delivery)
Christine Lin (via Hand Delivery)
Stefanie Brand (via Hand Delivery)
Brian Lipman (via Hand Delivery)
Felicia Thomas-Friel (via Hand Delivery)
Service List (via email)

CMS
LEGAL
DAG
RPA
S. Peterson
ECONOMIST
ENERGY(4)TOC

LEGAL\37093853\1

RECEIVED
CASE MANAGEMENT

JUL 05 2018

BOARD OF PUBLIC UTILITIES
TRENTON, NJ

STATE OF NEW JERSEY
BOARD OF PUBLIC UTILITIES

IN THE MATTER OF THE PETITION OF SOUTH
JERSEY GAS COMPANY FOR AUTHORIZATION
THROUGH SEPTEMBER 30, 2021: (i) TO MAKE,
EXECUTE AND DELIVER PURSUANT TO N.J.S.A.
48:3-7 A SECOND SUPPLEMENTAL MORTGAGE
INDENTURE AND ADDITIONAL SUPPLEMENTAL
MORTGAGE INDENTURES PROVIDING FOR THE
ISSUANCE OF A FIRST MORTGAGE BOND OR
BONDS WITH A MATURITY OR MATURITIES OF
NOT MORE THAN FORTY (40) YEARS IN
AGGREGATE PRINCIPAL AMOUNT OF NOT MORE
THAN \$1,200,000,000, LESS THE AGGREGATE
PRINCIPAL AMOUNT OF ANY OTHER EVIDENCE
OF INDEBTEDNESS PAYABLE IN MORE THAN
TWELVE (12) MONTHS FROM THE DATE OR DATES
THEREOF THAT IS ISSUED PURSUANT TO (iii)
BELOW; (ii) TO MAKE, EXECUTE AND DELIVER
PURSUANT TO N.J.S.A. 48:3-7 SUCH OTHER
SUPPLEMENTAL INDENTURES, AND TO ISSUE
SUCH FIRST MORTGAGE BONDS THEREUNDER, AS
SHALL BE NECESSARY TO COMPLETE THE
TRANSACTIONS CONTEMPLATED IN THIS
PETITION; (iii) TO ISSUE OTHER EVIDENCE OF
INDEBTEDNESS PAYABLE MORE THAN TWELVE
(12) MONTHS FROM THE DATE OR DATES
THEREOF; (iv) TO ISSUE AND SELL MEDIUM TERM
NOTES WITH A MATURITY OF NOT MORE THAN
FORTY (40) YEARS IN AN AGGREGATE PRINCIPAL
AMOUNT OF NOT MORE THAN \$1,200,000,000, LESS
THE AGGREGATE PRINCIPAL AMOUNT OF ANY
OTHER EVIDENCE OF INDEBTEDNESS PAYABLE IN
MORE THAN TWELVE (12) MONTHS FROM THE
DATE OR DATES THEREOF THAT IS ISSUED
PURSUANT TO (iii) ABOVE, (v) TO MAKE, EXECUTE
AND DELIVER A TRUST INDENTURE, TRUST
INDENTURES OR SUPPLEMENTS THERETO
PROVIDING FOR THE ISSUANCE OF MEDIUM
TERM NOTES; AND (vi) TO REDEEM, REFINANCE
OR DEFEASE ANY OR ALL OF ITS OUTSTANDING
LONG-TERM DEBT SECURITIES AS LONG AS THE
REDEMPTION, REFINANCING OR DEFEASANCE IS
ACCOMPLISHED ON A COST- SAVING BASIS.

RECEIVED
MAIL ROOM

JUL 05 2018

BOARD OF PUBLIC UTILITIES
TRENTON, NJ

PETITION

DOCKET NO.

TO THE HONORABLE COMMISSIONERS OF THE BOARD OF PUBLIC UTILITIES:
LEGAL\37092045\1

Petitioner, South Jersey Gas Company (sometimes hereinafter referred to as "South Jersey," "Petitioner" or the "Company"), a public utility corporation of the State of New Jersey, with its principal office at One South Jersey Plaza, Folsom, New Jersey 08037, hereby petitions this Honorable Board (sometimes hereinafter referred to as the "Board") for authorization through September 30, 2021:

(i) to make, execute and deliver pursuant to N.J.S.A. 48:3-7 a Second Supplemental Mortgage Indenture and any additional supplemental mortgage indentures providing for the issuance of a first mortgage bond or bonds, with a maturity or maturities of not more than forty (40) years from the respective dates of issuance, in an aggregate principal amount of not more than \$1,200,000,000, less the aggregate principal amount of any other indebtedness payable in more than twelve (12) months from the date or dates thereof that is issued pursuant to (iii) below;

(ii) to make, execute and deliver pursuant to N.J.S.A. 48:3-7 such other supplemental indentures, and to issue such first mortgage bonds thereunder, as shall be necessary to complete the transactions contemplated in this Petition;

(iii) to issue other evidence of indebtedness payable more than twelve (12) months from the date or dates thereof;

(iv) to issue and sell medium term notes, with a maturity of not more than forty (40) years from the respective dates of issuance, in an aggregate principal amount of not more than \$1,200,000,000, less the aggregate principal amount of any other indebtedness payable in more than twelve (12) months from the date of dates thereof that is issued pursuant to (iii) above;

(v) to make, execute and deliver a trust indenture, trust indentures or supplements thereto or to previous trust indentures providing for the issuance of any such medium term notes; and

(vi) to redeem, refinance or defease any or all of its outstanding long-term indebtedness

or long-term debt securities as long as the redemption, refinancing or defeasance is financially advantageous to Petitioner.

In support thereof, Petitioner states as follows:

1. South Jersey is engaged in the transmission, distribution, transportation, and sale of natural gas within its defined service territory within the State of New Jersey. Said service territory includes all or portions of the following Counties: Atlantic; Burlington; Camden; Cape May; Cumberland; Gloucester; and Salem. Within its service territory, South Jersey serves more than 381,000 customers.

2. By this Petition, South Jersey seeks authorization to engage in a transaction or series of transactions, the net result of which will be the issuance of up to \$1,200,000,000 aggregate principal amount of Medium Term Notes ("MTNs") plus any other evidence of indebtedness payable more than twelve (12) months from the date or dates thereof. The net proceeds of this transaction or series of transactions will be utilized to retire short-term debt; to fund capital expenditure requirements; to fund gas supply acquisitions; other general corporate purposes; and, potentially, to redeem, refinance or defease any or all of the Company's indebtedness or debt securities as long as such redemption, refinancing or defeasance is financially advantageous to Petitioner. South Jersey's construction program has been financed, in part, by short-term debt, and periodically Petitioner is required to retire such debt.

3. Petitioner requests authority to issue and sell, in one or more series, at any time through September 30, 2021, not more than \$1,200,000,000 aggregate principal amount of its

MTNs and other evidence of indebtedness payable more than twelve (12) months from the date or dates thereof.

4. The MTNs may be issued as part of one series, or as part of several series, and may be issued on a secured or on an unsecured basis. MTNs will be issued with maturities from one to forty years and with various specified conditions, including redemption provisions. The MTNs will be limited to an aggregate principal amount of \$1,200,000,000, less the aggregate principal amount of any other indebtedness payable in more than twelve (12) months from the date of dates thereof that is issued in accordance with this Petition. The MTNs will be sold at 100% of principal amount, at a discount, or at a premium.

5. Petitioner may elect to issue some or all of the MTNs under an Indenture of Trust or under various note indentures (any of the foregoing, or any supplement to any of the foregoing, a “Note Indenture”) between Petitioner and The Bank of New York Mellon, or another financial institution, as trustee (the “Note Trustee” or “Note Trustees”). MTNs may be issued under a Note Indenture in one or more series from time to time without limit. MTNs issued under a Note Indenture may be secured by the Pledged Bonds, discussed *infra*. Alternatively, Petitioner may elect to issue MTNs secured by other assets or unsecured MTNs pursuant to a Note Indenture.

6. The Company may also issue MTNs as mortgage bonds under its Supplemental Indenture Amending and Restating First Mortgage Indenture dated as of January 23, 2017 (as amended and supplemented from time to time, the “Mortgage Indenture”) from Petitioner to The Bank of New York Mellon as Mortgage Trustee (the “Mortgage Trustee”). MTNs issued under

the Mortgage Indenture will be issued pursuant to one or more supplemental indentures under the Mortgage Indenture. As a result, it may be necessary for Petitioner to make, execute and deliver multiple supplemental indentures to the Mortgage Indenture in addition to a Second Supplemental Indenture to the Mortgage Indenture (the "Second Supplemental Indenture"). Petitioner may choose to issue MTNs under a Note Indenture or the Mortgage Indenture, under a separate indenture or indentures or under both a Note Indenture and the Mortgage Indenture depending upon which structure, in Petitioner's judgment, allows it to issue MTNs in a financially advantageous manner.

7. Whether the MTNs are issued under a Note Indenture or Note Indentures, under a separate indenture on a secured basis, or under the Mortgage Indenture as mortgage bonds, the total aggregate principal amount of MTNs to be issued pursuant to this Petition will not exceed \$1,200,000,000, less the aggregate principal amount of any other indebtedness payable in more than twelve (12) months from the date or dates thereof that is issued in accordance with this Petition.

8. In addition to being issued in various series, Petitioner proposes that MTNs may be issued at various times, and have differing maturity dates and may bear interest at different rates, and may contain other terms that vary from series to series. Any series of MTNs may be issued in one or more offerings that will be registered under the Securities Act of 1933 ("Securities Act") or in one or more offerings that will be exempt from registration under the Securities Act. If an MTN offering is registered under the Securities Act, the sale will be made in a manner which, in the judgment of the Company, yields a financially advantageous result for

the Company. If an MTN offering is not registered under the Securities Act, South Jersey intends to sell the MTNs either to or through one to three agents, in either case to purchasers that will be accredited investors, as defined in rules adopted by the Securities and Exchange Commission ("SEC"), or to other purchasers as may be permitted under applicable SEC rules with respect to the exemption from registration on which the Company relies for such issuance. The successful bidder or bidders may, in turn, resell the MTNs to qualified institutional buyers, pursuant to Rule 144A under the Securities Act, or to any eligible purchasers under an applicable exemption from the Securities Act. This type of sale, in an unregistered offering, will be made to or through the agent or agents whose bid or bids will, in the judgment of the Company, yield a financially advantageous result for the Company. The agent or agents to be utilized by the Company may change from offering to offering.

9. It is anticipated that the interest rates to be borne by the MTNs will not exceed ten percent (10%); provided, however, that if market conditions require an interest rate greater than ten percent (10%), Petitioner will notify the Office of the Economist of the Board at least fourteen (14) days prior to the issuance of any MTNs.

10. Petitioner proposes to issue MTNs within the following yield spreads over U.S. Treasury securities; provided, however, that if market conditions require a yield spread over U.S. Treasury securities greater than as set forth below, Petitioner will notify the Office of the Economist of the Board at least seven (7) days prior to pricing of the MTNs and if Petitioner does not receive any objection in writing from the Office of the Economist of the Board within

seven (7) days of receipt of such notice, the Maturity Yield Spread Table shall be deemed amended as set forth in such notice:

MARKET YIELD SPREAD TABLE

<u>Range of Maturities</u>	<u>Maximum Coupon Spread Over U.S. Treasury Securities (Basis Points)</u>
1 Yr. to less than 18 Mos.	199
18 Mos. to less than 2 Yrs.	207
2 Yrs. to less than 3 Yrs.	223
3 Yrs. to less than 4 Yrs.	242
4 Yrs. to less than 5 Yrs.	262
5 Yrs. to less than 7 Yrs.	292
7 Yrs. to less than 10 Yrs.	326
10 Yrs. to less than 15 Yrs.	360
15 Yrs. to less than 20 Yrs.	376
20 Yrs. to 40 Yrs.	451

11. In order to provide Petitioner with the opportunity to take advantage of changing money market conditions and advantageously manage its cost of capital and meet competitive conditions, Petitioner requests authority, as appropriate market opportunities arise, to issue and sell MTNs in one or more offerings. The terms of the proposed MTNs cannot be determined at this time, as they will be dependent upon market and other conditions at the time of issuance and sale. However, Petitioner will select the form of instrument which in the judgment of Petitioner would allow the issuance and sale of MTNs in a financially advantageous manner.

12. The timing of each transaction with respect to each issuance of MTNs, the price to be paid to Petitioner, the rate of interest, maturity, redemption provisions and prices, and the

type, terms and conditions of the MTNs will be determined from time to time for each issuance of MTNs. Such determinations will depend upon the market conditions at the time of issuance and sale. Depending upon the then prevailing market conditions, the MTNs will have maturities of up to forty (40) years from their respective dates of issuances. MTNs may include conventional, floating rate, put, call, remarketed, swaps, options or other terms and conditions. Petitioner requests that all MTNs be sold without further approval by this Board in accordance with procedures set forth in this Petition.

13. If secured MTNs are issued under a Note Indenture, they may be secured by one or more bonds (each, a “Pledged Bond” and collectively, the “Pledged Bonds”) that will be issued under the Mortgage Indenture. The Pledged Bond or Pledged Bonds, if any, issued to service and secure MTNs, will be issued under the Mortgage Indenture, as it may be supplemented and amended by the Second Supplemental Mortgage Indenture or further supplemental mortgage indentures providing for the issuance of one or more Pledged Bonds. The Mortgage Indenture creates a first lien on substantially all of the property and franchises of Petitioner, now owned or hereafter acquired, with certain delineated exceptions. The terms and conditions for the Second Supplemental Indenture and other supplemental mortgage indentures will be determined prior to the issuance of the respective Pledged Bond or Pledged Bonds. Petitioner may also issue additional supplemental indentures and additional mortgage bonds providing for the issuance of a Pledged Bond or Pledged Bonds or providing for the issuance of MTNs as mortgage bonds.

14. Each MTN shall bear interest from its date of issue at a rate to be later determined; provided, however, that the interest rate on any MTN issued under a Note Indenture that is secured by a Pledged Bond shall not exceed the interest rate on the corresponding Pledged Bond.

15. The Pledged Bond or Pledged Bonds shall be issued in an aggregate principal amount up to \$1,200,000,000, less the aggregate principal amount of any other indebtedness payable in more than twelve (12) months from the date of dates thereof that is issued in accordance with this Petition. If a Pledged Bond or Pledged Bonds are issued to secure MTNs issued under a Note Indenture, such Pledged Bond or Pledged Bonds shall be issued and pledged by the Company and delivered to the Note Trustee in accordance with a Note Indenture. The Pledged Bond or Pledged Bonds will service and secure the payment of the principal of, and interest on, secured MTNs issued under a Note Indenture. The principal amount of the Pledged Bond or Pledged Bonds deemed outstanding that have been issued to the Note Trustee to secure MTNs issued under a Note Indenture will at all times be equal to the outstanding principal amount of the MTNs issued under a Note Indenture that are secured by such Pledged Bond or Pledged Bonds.

16. If an offering of MTNs is registered under the Securities Act, the Pledged Bond or Pledged Bonds may also be registered under the Securities Act, if required. Interest on the Pledged Bond or Pledged Bonds shall accrue at a rate to be determined. Relative to the Pledged Bonds that are issued to the Note Trustee to secure MTNs issued under a Note Indenture, the Company shall be entitled to credits equal to the amount by which the principal of and interest

due on the Pledged Bonds exceeds principal of and interest due on the MTNs secured thereby from time to time. As a result, the amount of interest due and payable on the Pledged Bonds from time to time will equal the amount of interest due under all outstanding secured MTNs issued under a Note Indenture to which such Pledged Bond or Pledged Bonds relate.

17. Petitioner also intends to, if market conditions dictate, take advantage of the opportunity to issue evidence of indebtedness in forms other than MTNs. It may do so through a one or more credit facilities not yet negotiated, which would allow for the issuance of evidence of indebtedness payable more than twelve (12) months after the date or dates of each such respective evidence of indebtedness. By way of example, and not exclusion, Petitioner may enter into credit agreements providing for notes payable in two, three or four years from the dates of such notes. Petitioner will only do so if market conditions are favorable, leading to a beneficial cost of embedded debt to the Petitioner.

18. By Order dated March 18, 2016 in Docket No. GF15121424, the Board approved a \$400,000,000 MTN program for Petitioner. Authorization for that program expires December 31, 2018. However South Jersey has issued an aggregate of \$400,000,000 of evidence of indebtedness under that program consisting of a combination of a term loan agreement and MTNs. Accordingly, the current program has been fully utilized.

19. Additionally, Petitioner requests authority to engage in redemptions, refinancings or defeasances of any of its outstanding long-term indebtedness or long-term debt securities, at any time through September 30, 2021, that, in the judgment of the Company, are financially advantageous to the Company. Specifically, Petitioner requests authority to redeem, refinance or

defease at its option, all or any of the outstanding principal balance of any of its remaining outstanding long-term indebtedness or long-term debt securities which are eligible to be redeemed at their previously approved redemption prices, including any premium, plus interest thereon to the date of redemption, if doing so is financially advantageous to the Company.

20. Petitioner anticipates that during the second half of 2018 it will make, execute and deliver a new term loan agreement or amend an existing term loan agreement , in an amount of \$400 million, payable more than twelve months from the date thereof.

21. Petitioner proposes to amortize the issuance cost of the term loan agreement by monthly charges to account number 428, Amortization of Debt Discount and Expense. The projected cost for such issuance is \$325,000. A schedule of issuance costs for such loan agreement is attached hereto as Exhibit A.

22. South Jersey's service territory continues to grow, and, in recent years, to meet the needs of its service territory and ensure pipeline integrity and safety, Petitioner has been making large construction expenditures. For the years 2015, 2016 and 2017, construction expenditures amounted to \$207.8 million, \$225.3 million, and \$248.9 million, respectively. The level of construction expenditures anticipated for 2018 is \$271.8 million.

23. By virtue of the Board's Order dated October 31, 2016 in Docket No. GR16020175, the Board authorized South Jersey Gas to Extend its "Accelerated Infrastructure Replacement Program" ("AIRP I") for a period of five (5) years beginning on October 1, 2016 and ending September 30, 2021 ("AIRP II"). Under the October 31, 2016 Order, the Company is

permitted to invest an additional \$302.5 million to replace cast iron and unprotected steel mains and associated services and recover the costs related to AIRP II through future base rate adjustments. In addition, the Company must maintain a base level of capital spending that is not recoverable through the AIRP II by installing and placing into service no less than 30 miles of main per year or 150 miles of main over the five (5) year period.

24. On November 2, 2017, after the expiration of the Company's Board approved Storm Hardening and Reliability Program ("SHARP I"), the Company filed a Petition for approval of a second phase to its SHARP ("SHARP II") and an associated recovery mechanism. In the Petition, South Jersey Gas has proposed a three (3) year program, with a total investment level of approximately \$110.25 million. The Company proposed to include in SHARP II four system enhancement projects within the coastal regions, including: (1) EFV; (2) the Absecon Island Loop Project; (3) the Ocean City Loop Project; and (4) the Brigantine Beach Project. The matter was resolved by a Stipulation and Board Order pursuant to which expenditures eligible for cost recovery will be capped at \$100.25 million excluding AFUDC.

25. The above programs are initially funded through internally generated funds or short-term debt, which is then typically replaced by long-term debt.

26. It is also the Company's policy to initially finance its general construction program with internally generated funds and short-term debt. Periodically, South Jersey pays down its short-term debt, to prevent balances from becoming too high, with the proceeds from the sale of long-term debt, MTNs or from equity infusions. At March 31, 2018, South Jersey's short-term debt balance was \$63.1 million.

27. South Jersey projects that its short-term debt as of December 31, 2018, on a pro forma basis after giving effect to the proposed initial issuance of \$400,000,000 of term debt under a term loan agreement, and taking into account the expected use of the net proceeds of such transactions, would total \$129.2 million or 6.1% of total capitalization, long-term debt would total \$984.1 million or 46.4.4% of total capitalization, and equity (common stock) would represent 47.5% of total capitalization. A proforma capital structure as of December 31, 2018, giving effect to the currently contemplated term loan transaction and the expected use of proceeds thereof, is attached hereto as Exhibit C.

28. Petitioner hereby incorporates herein by reference thereto and makes a part hereof, the following information contained in Petitioner's Annual Report to the Board of Public Utilities for the year ended December 31, 2017 (referenced to herein as Exhibit D-1 but not attached):

- (a) Balance Sheets as of the beginning and the end of 2017, pages 110-113
- (b) Gas Plant in Service by accounts as of the beginning and the end of 2017, pages 204-209.
- (c) Additions to and retirements from Gas Plant in Service for the year 2017, pages 204-209.
- (d) Statement of Cash Flows for the year 2017, pages 120-120a.
- (e) As to each class of capital stock of Petitioner, authorized, issued and outstanding shares at December 31, 2017, pages 250-251.
- (f) As to each issue or series of long-term indebtedness of Petitioner outstanding as of December 31, 2017, the principal amount authorized to be issued, date of issue, date of maturity, rate of interest and principal amount outstanding as of December 31, 2017, page 256.

Since December 31, 2017 there have been no bonds redeemed.

- (g) The amount of interest charged to income and the rates thereof during the year ended December 31, 2017, page 257.
- (h) The amount of dividends paid upon each class of stock during the year ended December 31, 2017, page 252-252A.
- (i) A detailed statement of income for the year ended December 31, 2017, pages 114-116.

29. Information relating to the current financial condition of Petitioner, as required by N.J.A.C. 14:1-5.9(a)(9), is as follows (as of March 31, 2018):

i. CAPITAL STOCK

Common stock, \$2.50 par value;	<u>AMOUNT (000's)</u>
4,000,000 shares authorized;	
2,339,139 issued and outstanding	\$ 5,848
Premium on capital stock	\$ 27,267
Miscellaneous Paid in Capital	<u>\$ 328,477</u>
Total Common Equity:	\$ 988,188

ii. MEDIUM TERM NOTES AND TERM LOAN OUTSTANDING
MARCH 31, 2018 *

	SERIES	ISSUE DATE	MATURITY DATE	AUTHORIZED	OUTSTANDING (000'S)
7.97%	MTN	7/05/00	8/01/18	10,000,000	10,000
7.125%	MTN	10/21/98	10/22/18	20,000,000	20,000
3.74%	MTN	4/2012	4/2032	35,000,000	35,000
5.45%	MTN	9/13/05	9/14/35	10,000,000	10,000
5.55%	MTN	7/16/03	7/15/33	32,000,000	32,000

	SERIES	ISSUE DATE	MATURITY DATE	AUTHORIZED	OUTSTANDING (000'S)
5.587%	MTN	7/16/04	8/1/19	10,000,000	10,000
6.213%	MTN	7/16/04	8/1/34	10,000,000	10,000
3.63%	MTN	12/30/10	12/30/25	10,000,000	7,273
4.84%	MTN	3/1/10	3/1/26	15,000,000	15,000
4.93%	MTN	6/30/10	6/30/26	45,000,000	45,000
4.03%	MTN	12/30/10	12/30/27	45,000,000	45,000
3.00%	MTN	9/20/12	9/20/24	50,000,000	50,000
3.03%	MTN	11/30/12	11/30/24	35,000,000	35,000
4.01%	MTN	11/21/13	11/21/30	50,000,000	50,000
4.23%	MTN	1/30/14	1/30/30	30,000,000	30,000
Variable Rate	\$200M Facility	01/26/2017	1/26/2019	200,000,000	200,000
3.00%	MTN	1/25/2017	1/25/2047	200,000,000	200,000
Variable Rate	Series A Tax-exempt	4/20/06	4/1/36	25,000,000	24,900

Total Medium Term Notes and Term Loan Outstanding (in 000's)

\$829,173

The Mortgage Indenture creates a first lien upon virtually all of Petitioner's real and personal property except certain items such as cash, investments, inventories, accounts receivable and transportation equipment. The trustee under the Mortgage Indenture is The Bank of New York Mellon.

\$10,000,000 of the 5.115% MTNs due 09/30/14, \$10,000,000 of the 5.387% MTNs due 08/01/15, \$17,000,000 of the 4.6% MTNs due 07/15/16, \$10,000,000 of the 5.437% MTNs due

08/01/16, \$15,000,000 of the 4.657% MTNs due 7/15/17 were repaid at maturity. The Company paid \$2,727,000 of the 3.63 % \$10,000,000 MTN's due 12/30/25, and redeemed early \$100,000 of the \$25,000,000 aggregate principal amount variable rate demand bonds that were issued in September 2008.

iii. OTHER INDEBTEDNESS AT MARCH 31, 2018

Short-term Notes Payable to banks

(average rate 2.60%) \$ 63,100,000

iv. INTEREST CHARGED TO INCOME

The amount of interest charged to income during the first quarter of 2018 , by interest rate, is set forth on Exhibit D(2) attached hereto.

v. DIVIDENDS PAID

The amount of dividends paid on Common Stock during the fiscal year ended December 31, 2017 was \$20,000,000, and nodividends paid on Common Stock during the first quarter of 2018.

vi. FINANCIAL STATEMENTS

Comparative Financial Statements for the fiscal years ended December 31, 2016 and 2017, including balance sheets at each date, and the related statements of income and retained earnings and of cash flows for the years then ended are attached hereto as Exhibit D(1).

30. To be supplied at a later date as Exhibit E will be a certified copy of the Corporate Resolutions of Petitioner's Board of Directors authorizing the forthcoming proposed term loan transaction.

31. In support of this Petition, the following exhibits are annexed hereto:

- (a) Exhibit A - Schedule of Estimated Issuance Costs.
- (b) Exhibit B - Copy of Petitioner's 2018 estimated Construction Budget, showing total projected construction costs of \$271.8M .
- (c) Exhibit C - Pro forma Capital Structure as of December 31, 2018, giving effect to the expected issuance of a \$400.0 million term loan .
- (d) Exhibit D(1) - Petitioner's Financial Statements for the years ended December 31, 2016 and 2017.
Exhibit D(2) - Schedule of Interest charged to Income during First Quarter 2018- \$7,440,472.
- (e) Exhibit F - Timetable, demonstrating a closing of the term loan transaction currently contemplated on or about September 10 , 2018.

32. No franchise or right is proposed to be capitalized, directly or indirectly, by the Company, as a result of this Petition. It is the intention of Petitioner, in good faith, to use the proceeds of the term loan to be issued as a result of this Petition for the purposes set forth in this Petition.

33. Petitioner believes that it has amply demonstrated that the proposed term loan transaction should be authorized as described above.


WHEREFORE, Petitioner respectfully prays that this Honorable Board approve the issuance of the MTNs or of any other indebtedness payable in more than twelve (12) months from the date of dates thereof that is issued in accordance with this Petition and any Pledged Bonds, if applicable. and the making, execution and delivery of any Note Indenture and the Second Supplemental Mortgage Indenture, if applicable, and any other supplements to or amendments or replacements of, the Mortgage Indenture; and that the Board issue such other relief as is requested by this Petition; and that the Board issue such other relief as may be just

and proper in order to complete the transactions contemplated by this Petition.

Respectfully submitted,

SOUTH JERSEY GAS COMPANY

By: COZEN O'CONNOR



Ira G. Megdal
Christine Soares

Dated: July 5, 2018

Communications addressed to Petitioner in this case are sent to:

COZEN O'CONNOR
Attn: Ira G. Megdal, Esquire
Christine Soares, Esquire
457 Haddonfield Road, Suite 300
PO Box 5459
Cherry Hill, NJ 08002
(856) 910-5019

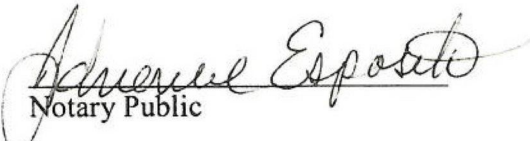
VERIFICATION

I, ANN T. ANTHONY, of full age, being duly sworn according to law, upon my oath, depose and say:

1. I am Vice President, Treasurer and Acting Corporate Secretary of South Jersey Gas Company and am authorized to make this Verification on behalf of the Company.
2. I have reviewed the foregoing petition and the information contained herein is true according to the best of my knowledge, information and belief.


ANN T. ANTHONY

Sworn to and subscribed
before me this 3rd day
of July, 2018.


Notary Public

ADRIENNE J. ESPOSITO
NOTARY PUBLIC OF NEW JERSEY
My Commission Expires October 28, 2018

This Verification is being submitted in facsimile form because the affiant is not available to sign the Verification. The undersigned attorney, Ira G. Megdal, certifies that the affiant acknowledged the genuineness of the signature and that the Verification or a copy with an original signature affixed will be filed if requested by the Board of Public Utilities or a party to this proceeding.


IRA G. MEGDAL, ESQUIRE