



QUARTERLY FINANCIAL STATEMENTS

FOR THE SIX MONTH PERIODS ENDING MARCH 31, 2013

(Unaudited)

New Jersey Natural Gas Company

STATEMENTS OF OPERATIONS (Unaudited)

<i>(Thousands)</i>	Three Months Ended March 31,		Six Months Ended March 31,	
	2013	2012	2013	2012
OPERATING REVENUES	\$ 351,750	\$ 226,023	\$ 570,599	\$ 417,397
OPERATING EXPENSES				
Gas purchases	194,926	81,667	307,087	168,154
Operation and maintenance	28,705	26,246	53,896	52,186
Regulatory rider expenses	23,774	18,443	37,756	30,986
Depreciation and amortization	9,399	8,749	18,676	17,381
Energy and other taxes	23,591	15,588	39,085	28,377
Total operating expenses	280,395	150,693	456,500	297,084
OPERATING INCOME	71,355	75,330	114,099	120,313
Other income	905	335	1,744	659
Interest expense, net of capitalized interest	3,549	3,713	7,133	7,450
INCOME BEFORE INCOME TAXES	68,711	71,952	108,710	113,522
Income tax provision	22,794	27,016	37,301	42,612
NET INCOME	\$ 45,917	\$ 44,936	\$ 71,409	\$ 70,910

See Notes to Unaudited Condensed Financial Statements

New Jersey Natural Gas Company

STATEMENTS OF CASH FLOWS (Unaudited)

<i>(Thousands)</i>	Six Months Ended	
	March 31,	
	2013	2012
CASH FLOWS (USED IN) OPERATING ACTIVITIES		
Net income	\$ 71,409	\$ 70,910
Adjustments to reconcile net income to cash flows from operating activities:		
Depreciation and amortization	18,676	17,381
Allowance for funds used during construction	(1,333)	(139)
Amortization of deferred charges	379	364
Allowance for bad debt expense	1,238	1,493
Deferred income taxes	10,271	16,294
Manufactured gas plant remediation costs	(3,254)	(4,964)
Cost of removal – asset retirement obligation	(137)	(368)
Contributions to postemployment benefit plans	(23,058)	(22,930)
Changes in:		
Components of working capital	23,673	(41,707)
Other noncurrent assets	7,051	13,723
Other noncurrent liabilities	1,158	6,157
Cash flows (used in) operating activities	106,073	56,214
CASH FLOWS (USED IN) INVESTING ACTIVITIES		
Expenditures for		
Utility plant	(51,376)	(42,380)
Cost of removal	(14,323)	(6,765)
Withdrawal from restricted cash construction fund	—	136
Cash flows (used in) investing activities	(65,699)	(49,009)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of common stock dividends to parent	(16,685)	(15,744)
Payments of long-term debt	(3,833)	(3,370)
Net proceeds from short-term debt	(27,500)	7,500
Proceeds from sale-leaseback transaction	7,076	6,522
Cash flows from financing activities	(40,942)	(5,092)
Change in cash and cash equivalents	(568)	2,113
Cash and cash equivalents at beginning of period	745	5
Cash and cash equivalents at end of period	\$ 177	\$ 2,118
CHANGES IN COMPONENTS OF WORKING CAPITAL		
Receivables	\$ (148,172)	\$ (26,454)
Inventories	126,149	92,038
Underrecovered gas costs	(542)	(21,177)
Accounts payable and other	(7,049)	(3,110)
Gas purchases payable	18,439	(5,979)
Prepaid and accrued taxes, net	48,701	54,432
Customers' credit balances and deposits	(30,581)	(82,291)
Restricted broker margin accounts	12,518	(34,639)
Other current assets	4,210	(14,527)
Total	\$ 23,673	\$ (41,707)
SUPPLEMENTAL DISCLOSURES OF CASH FLOWS INFORMATION		
Cash paid for		
Interest (net of amounts capitalized)	\$ 6,297	\$ 6,161
Income taxes	\$ 7,467	\$ 1,515
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING ACTIVITIES		
Accrued capital expenditures	\$ (1,963)	\$ (1,232)

See Notes to Unaudited Condensed Financial Statements

New Jersey Natural Gas Company

BALANCE SHEETS (Unaudited)

ASSETS

<i>(Thousands)</i>	March 31, 2013	September 30, 2012
PROPERTY, PLANT AND EQUIPMENT		
Utility plant, at cost	\$ 1,615,598	\$ 1,591,532
Construction work in progress	127,372	102,420
	1,742,970	1,693,952
Accumulated depreciation and amortization	(406,649)	(402,308)
Property, plant and equipment, net	1,336,321	1,291,644
CURRENT ASSETS		
Cash and cash equivalents	177	745
Customer accounts receivable:		
Billed	127,506	33,093
Unbilled	60,478	7,017
Allowance for doubtful accounts	(5,605)	(4,665)
Regulatory assets	25,978	32,734
Gas in storage, at average cost	14,891	145,379
Materials and supplies, at average cost	10,900	6,561
Prepaid taxes	404	25,515
Derivatives, at fair value	14,768	6,203
Restricted broker margin account	—	1,713
Other	10,818	7,730
Total current assets	260,315	262,025
NONCURRENT ASSETS		
Regulatory assets	442,208	441,263
Derivatives, at fair value	—	1,000
Other	9,505	9,588
Total noncurrent assets	451,713	451,851
Total assets	\$ 2,048,349	\$ 2,005,520

See Notes to Unaudited Condensed Financial Statements

New Jersey Natural Gas Company

CAPITALIZATION AND LIABILITIES

<i>(Thousands)</i>	March 31, 2013	September 30, 2012
CAPITALIZATION		
Common stock equity	\$ 712,002	\$ 673,994
Long-term debt	377,688	375,169
Total capitalization	1,089,690	1,049,163
CURRENT LIABILITIES		
Current maturities of long-term debt	8,601	7,760
Short-term debt	107,500	135,000
Gas purchases payable	42,919	24,480
Accounts payable and other	45,849	38,046
Deferred and accrued taxes	29,335	1,101
Regulatory liabilities	—	1,169
New Jersey clean energy program	7,464	5,619
Restricted broker margin account	10,805	—
Derivatives, at fair value	1,579	5,034
Customers' credit balances and deposits	17,787	48,368
Total current liabilities	271,839	266,577
NONCURRENT LIABILITIES		
Deferred income taxes	316,780	310,452
Deferred investment tax credits	5,744	5,905
Manufactured gas plant remediation	182,000	182,000
Postemployment benefit liability	70,399	91,530
Regulatory liabilities	79,025	67,077
Asset retirement obligation	28,312	27,983
Other	4,560	4,833
Total noncurrent liabilities	686,820	689,780
Total capitalization and liabilities	\$ 2,048,349	\$ 2,005,520

See Notes to Unaudited Condensed Financial Statements

New Jersey Natural Gas Company

1. GENERAL

New Jersey Natural Gas (the Company) is a local natural gas distribution company that provides regulated retail natural gas service to approximately 498,900 residential and commercial customers in central and northern New Jersey, and participates in the off-system sales and capacity release markets. The Company is the regulated utility subsidiary of New Jersey Resources Corporation (NJR). The Company maintains its accounts in accordance with the Uniform System of Accounts as prescribed by the New Jersey Board of Public Utilities (BPU). As a result of the impact of the ratemaking process and regulatory actions of the BPU, the Company is required to recognize the economic effects of rate regulation. Accordingly, the Company capitalizes or defers certain costs that are expected to be recovered from its customers as regulatory assets and recognizes certain obligations representing probable future expenditures as regulatory liabilities in the Balance Sheets.

Because of the seasonal nature of the the Company's utility operations and other factors, the results of operations for the interim periods presented are not indicative of the results to be expected for the entire year.