

# New Jersey Resources 1<sup>st</sup> Quarter Fiscal 2011 Update

Laurence M. Downes  
February 2, 2011





## Regarding Forward-Looking Statements

Certain statements contained in this presentation are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements can also be identified by the use of forward-looking terminology such as “may,” “intend,” “expect,” or “continue” or comparable terminology and are made based upon management’s current expectations and beliefs as of this date concerning future developments and their potential effect upon New Jersey Resources (NJR or the Company). There can be no assurance that future developments will be in accordance with management’s expectations or that the effect of future developments on the Company will be those anticipated by management.

The Company cautions persons reading or hearing this presentation that the assumptions that form the basis for forward-looking statements regarding customer growth, customer usage, financial condition, results of operations, cash flows, capital requirements, market risk and other matters for fiscal 2011 and thereafter include many factors that are beyond the Company’s ability to control or estimate precisely, such as estimates of future market conditions, the behavior of other market participants and changes in the debt and equity capital markets. **The factors that could cause actual results to differ materially from NJR’s expectations include, but are not limited to, weather and economic conditions; NJR’s dependence on operating subsidiaries; demographic changes in the New Jersey Natural Gas (NJNG) service territory; the rate of NJNG customer growth; volatility of natural gas and other commodity prices and their impact on customer usage, NJR Energy Services’ (NJRES) operations and on the Company’s risk management efforts; changes in rating agency requirements and/or credit ratings and their effect on availability and cost of capital to the Company; the impact of volatility in the credit markets that would result in the increased cost and/or limit the availability of credit at NJR to fund and support physical gas inventory purchases and other working capital needs at NJRES, and all other non-regulated subsidiaries, as well as negatively affect cost and access to the commercial paper market and other short-term financing markets by NJNG to allow it to fund its commodity purchases, capital expenditures and meet its short-term obligations as they come due; ability to comply with debt covenants; continued failures in the market for auction rate securities; the impact to the asset values and resulting higher costs and funding obligations of NJR’s pension and postemployment benefit plans as a result of downturns in the financial markets, and impacts associated with the Patient Protection and Affordable Care Act; accounting effects and other risks associated with hedging activities and use of derivatives contracts; commercial and wholesale credit risks, including the availability of creditworthy customers and counterparties and liquidity in the wholesale energy trading market; the ability to obtain governmental approvals and/or financing for the construction, development and operation of certain non-regulated energy investments; risks associated with the management of the Company’s joint ventures and partnerships; risks associated with the Company’s investments in solar energy projects, including the availability of regulatory and tax incentives, the development of the market for Solar Renewable Energy Certificates, the construction and regulatory risks and the availability of viable projects; the level and rate at which costs and expenses are incurred and the extent to which they are allowed to be recovered from customers through the regulatory process in connection with constructing, operating and maintaining NJNG’s natural gas transmission and distribution system; dependence on third-party storage and transportation facilities for natural gas supply; operational risks incidental to handling, storing, transporting and providing customers with natural gas; access to adequate supplies of natural gas; the regulatory and pricing policies of federal and state regulatory agencies; the costs of compliance with present and future environmental laws, including potential climate change-related legislation; the ultimate outcome of pending regulatory proceedings; the disallowance of recovery of environmental-related expenditures and other regulatory changes; and environmental-related and other litigation and other uncertainties.** While the Company periodically reassesses material trends and uncertainties affecting the Company’s results of operations and financial condition in connection with its preparation of management’s discussion and analysis of results of operations and financial condition contained in its Quarterly and Annual Reports filed with the Securities and Exchange Commission, the Company does not, by including this statement, assume any obligation to review or revise any particular forward-looking statement referenced herein in light of future events.



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## Disclaimer Regarding Non-GAAP Financial Measures

This presentation includes the non-GAAP measures net financial earnings (losses) and utility gross margin. As an indicator of the company's operating performance, these measures should not be considered an alternative to, or more meaningful than, GAAP measures such as cash flow, net income, operating income or earnings per share. Net financial earnings (losses) exclude unrealized gains or losses on derivative instruments related to the company's unregulated subsidiaries and certain realized gains and losses on derivative instruments related to natural gas that has been placed into storage at NJRES. Volatility associated with the change in value of these financial and physical commodity contracts is reported in the income statement in the current period. In order to manage its business, NJR views its results without the impacts of the unrealized gains and losses, and certain realized gains and losses, caused by changes in value of these financial instruments and physical commodity contracts prior to the completion of the planned transaction because it shows changes in value currently as opposed to when the planned transaction ultimately is settled. NJNG's utility gross margin represents the results of revenues less natural gas costs, sales and other taxes and regulatory rider expenses, which are key components of the company's operations that move in relation to each other.

Management uses net financial earnings and utility gross margin as supplemental measures to other GAAP results to provide a more complete understanding of the company's performance. Management believes these non-GAAP measures are more reflective of the company's business model, provide transparency to investors and enable period-to-period comparability of financial performance. For a full discussion of our non-GAAP financial measures, please see Item 7 of our Annual Report on Form 10-K for the fiscal year ended September 30, 2010, filed on November 24, 2010.



- Net Financial Earnings for the quarter
  - \$.71 vs. \$.66 last year, a 7.6 percent increase
- NFE guidance announced – range of \$2.50 to \$2.65 per share
  - 60 to 70 percent from NJNG
- Implemented a 5.9 percent dividend increase effective January 3, 2011
- Strong results from NJNG
  - Steady customer growth
  - AIP investments
  - Higher BGSS incentive margins
- Progress on solar project initiatives
- Positive earnings contribution from NJRES



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## Our Business Model

### The Fundamentals:

- Infrastructure, Asset Mgmt. & Service
- Strong Financial Profile
- Disciplined Capital Allocation
- Stakeholder Relationships
- Consistent Earnings and Dividend Growth

#### Natural Gas Distribution

Safety and reliability  
Competitive pricing  
Steady customer growth  
Rate base growth opportunities  
Incentive programs

#### Clean Energy and Retail Services

Residential solar programs  
Commercial solar projects and ground mount solar farms  
Residential and commercial service contracts, installations and repair services

#### Wholesale Energy Services

Physical natural gas marketer  
Producer services  
Manage storage and transportation assets  
Synergistic midstream investment opportunities



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## First Quarter NFE

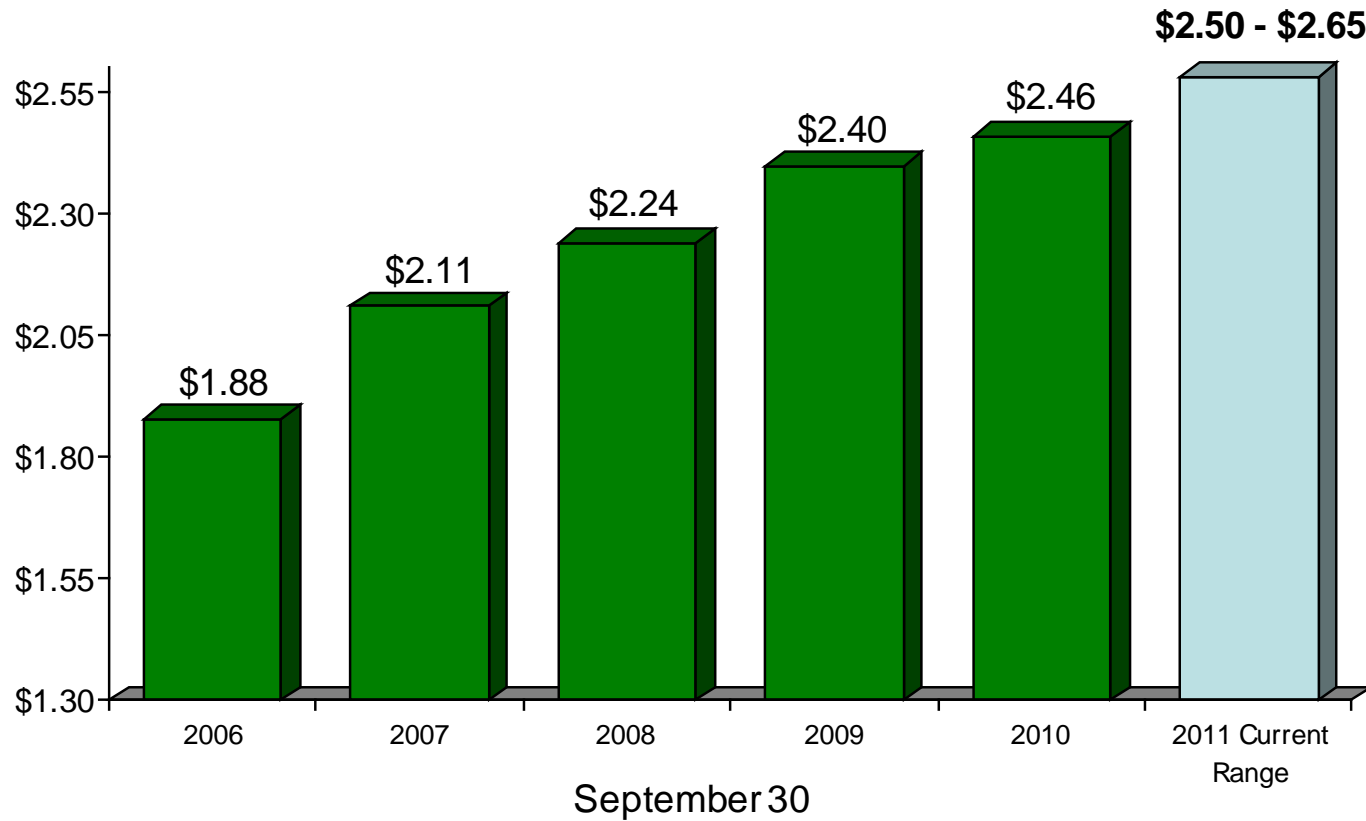
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Company	Q1 2011	Q1 2010	Change	
New Jersey Natural Gas	\$24.4	\$23.5	\$0.9	
NJR Energy Services	3.2	2.5	0.7	
Midstream Assets	1.7	1.9	(0.2)	
Clean Energy/Retail/Other	(0.2)	(0.5)	0.3	
<b>Total</b>	<b>\$29.1</b>	<b>\$27.4</b>	<b>\$1.7</b>	
<b>Per basic share</b>	<b>\$0.71</b>	<b>\$0.66</b>	<b>\$0.05</b>	



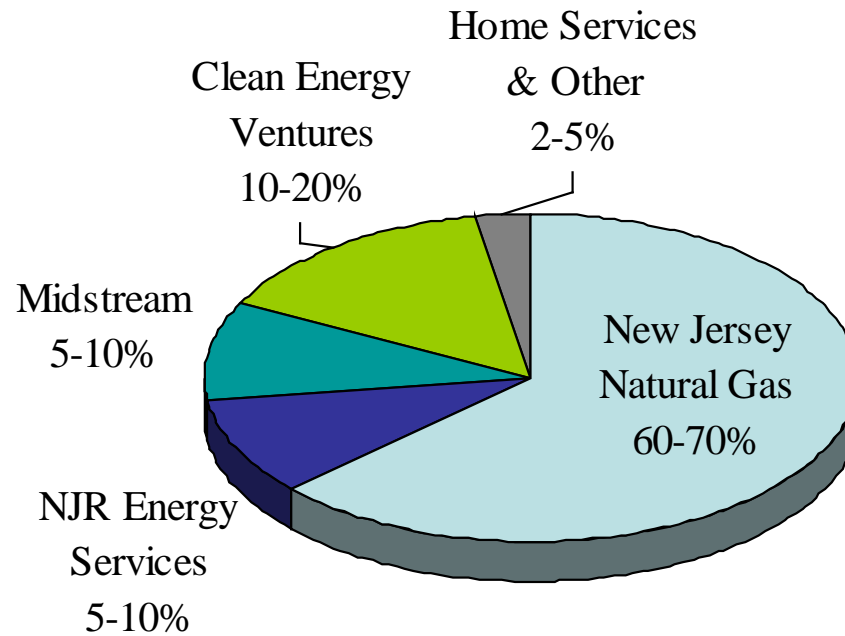


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## Consistent Financial Performance



NJR estimates net financial earnings of \$2.50 to \$2.65 per basic share in fiscal 2011



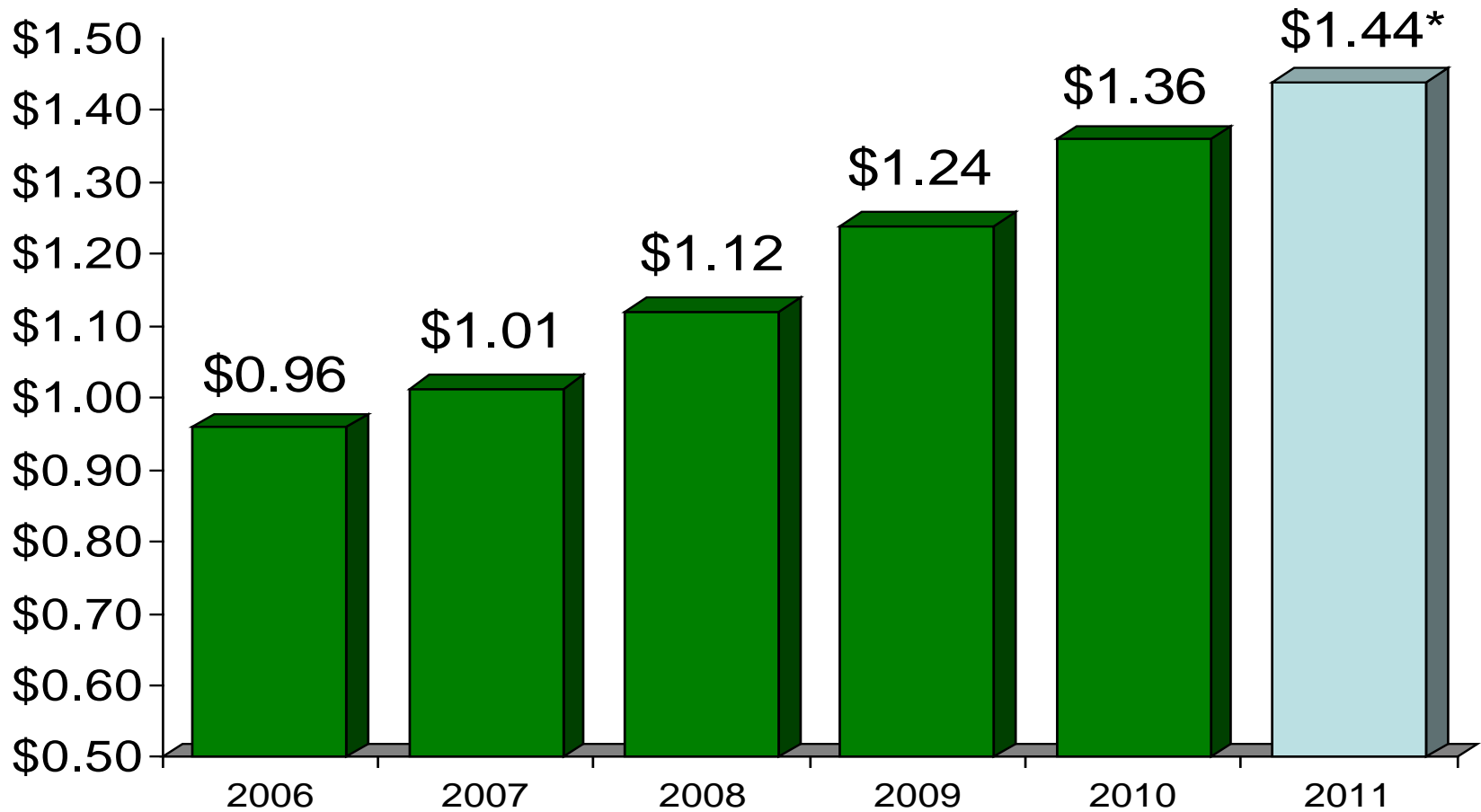
Infrastructure-based businesses expected to contribute up to 90 percent of fiscal 2011 NFE





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## Dividend Growth

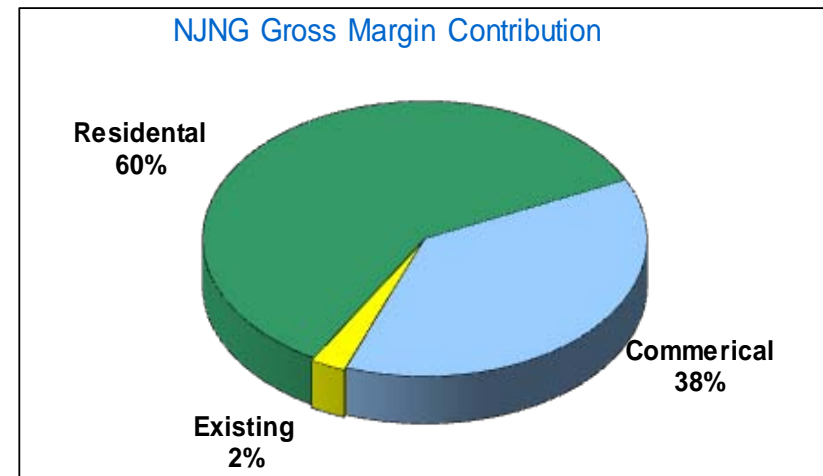
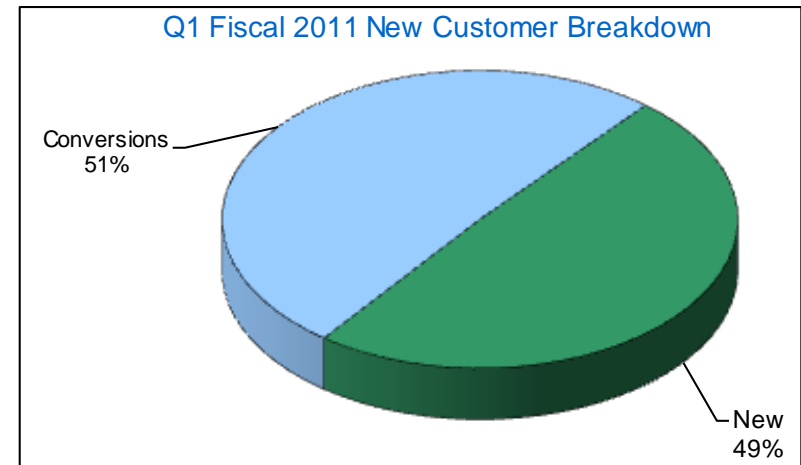


\* Effective January 3, 2011



## Steady Customer Growth

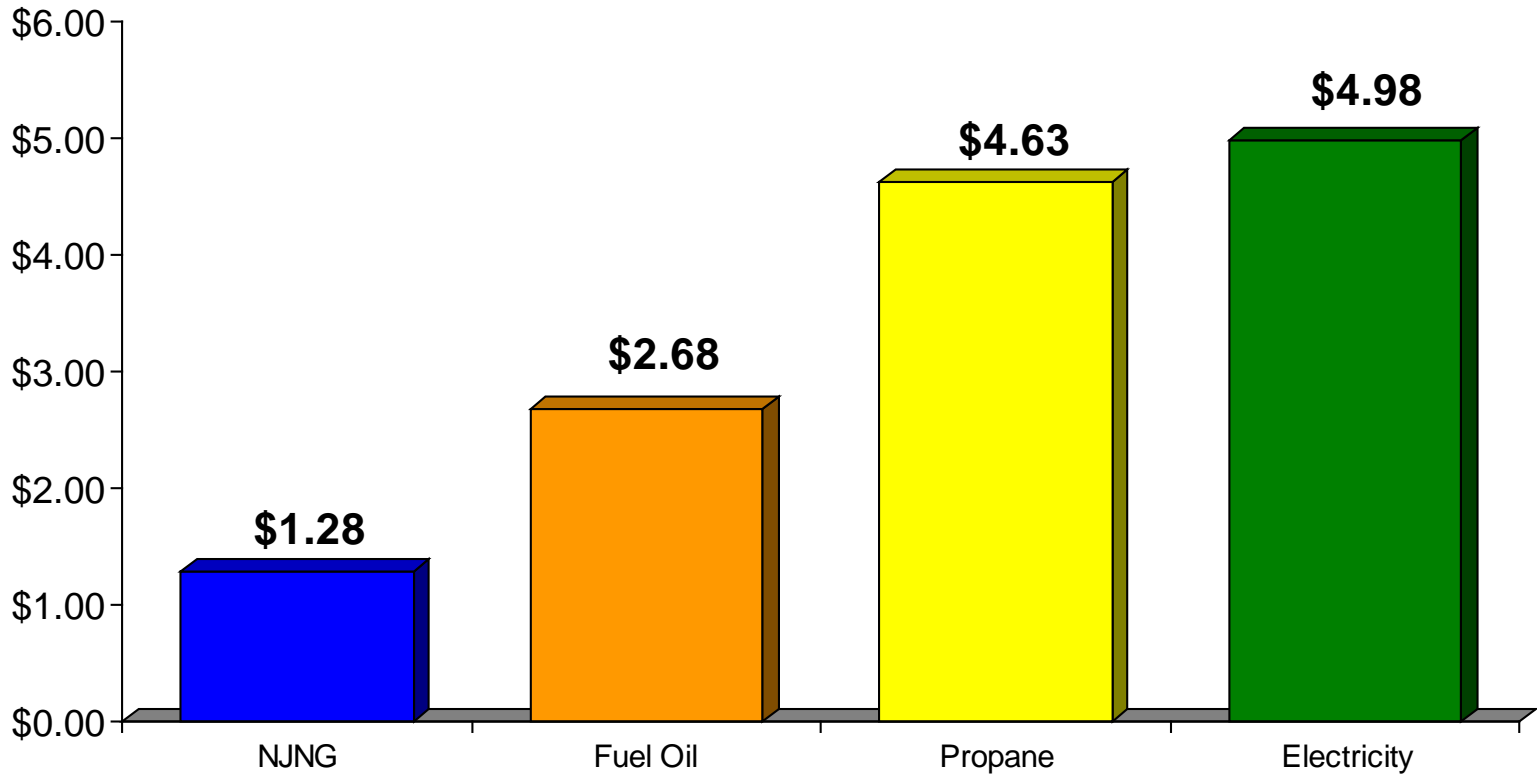
- 1,640 new customers in Q1 fiscal 2011, a 14 percent increase over 1Q 2010
- 92 additional existing customer heat conversions
- Q1 new customers and existing customer conversions will contribute approximately \$.9 million of new NJNG utility gross margin annually
- Estimate 12,000 to 14,000 new customers over the next two years





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# Fuel Price Comparison

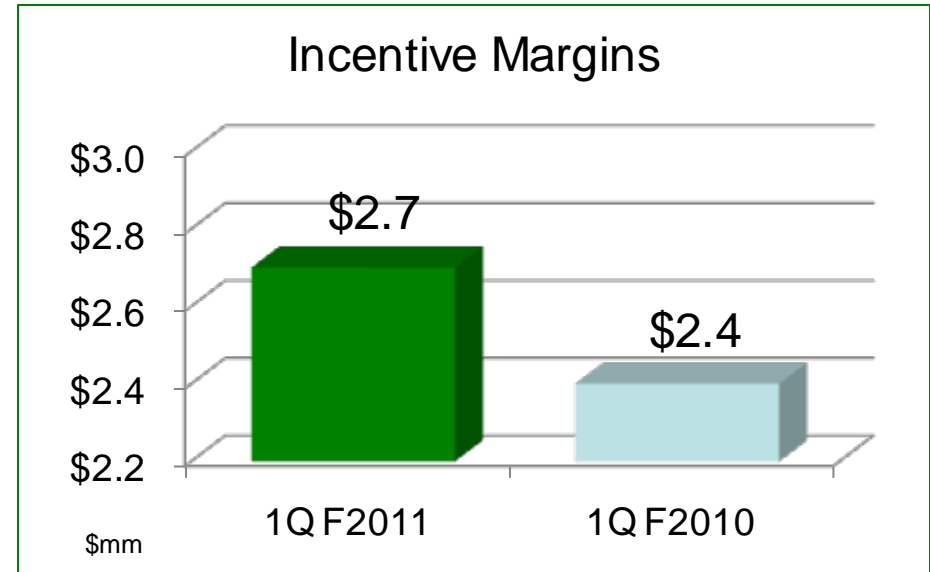


**NJNG enjoys a distinct price advantage in its service area**

*Data as of January 2011. Based on 100,000 comparable BTUs*



- Off-system sales and capacity release
  - In place since 1992
  - Optimization of capacity contracts
  - Sharing formula of 85 percent customer; 15 percent NJNG
- Storage Incentive (SI)
  - In place since 2004
  - Promotes long-term price stability
  - Promotes cost efficiencies
  - Sharing formula of 80 percent customer; 20 percent NJNG
- Financial Risk Management (FRM)
  - In place since 1997
  - Promote application of risk management techniques
  - Sharing formula of 85 percent customer; 15 percent NJNG



**Total customer savings since inception: \$504 million**



## Conservation Incentive Program

- In place through September 30, 2013; encourages customer conservation
- Customers have saved over \$174 million since inception
- Protects NJNG utility gross margin from declining usage and weather

## Accelerated Infrastructure Programs (AIP)

- Investment of \$70.8 million on infrastructure projects
  - Since inception in 2009, NJNG has expended \$56 million (December 2010)
  - \$36.4 million of AIP expenditures now included in base rates
  - Rate recovery of program spending annually at WACC of 7.76 percent
  - Has created an estimated 700 direct and indirect jobs
- Filed with the NJ BPU for an additional \$52.2 million in October
  - Amended filing increases total to \$60.2 million in January



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## The SAVEGREEN Project



- **Programs to encourage energy efficiency**
- **Extended by BPU in September through 2011**
- **Contractor partners grew from 144 to 693 in 2010**
- **\$10 million in incentives has created an estimated \$40 million in economic activity**
- **On-bill repayment plan**
  - **Allow customers to fund up to \$10,000 of HPES energy-efficiency upgrades and repay it on their bills over a 10 year period with no interest.**





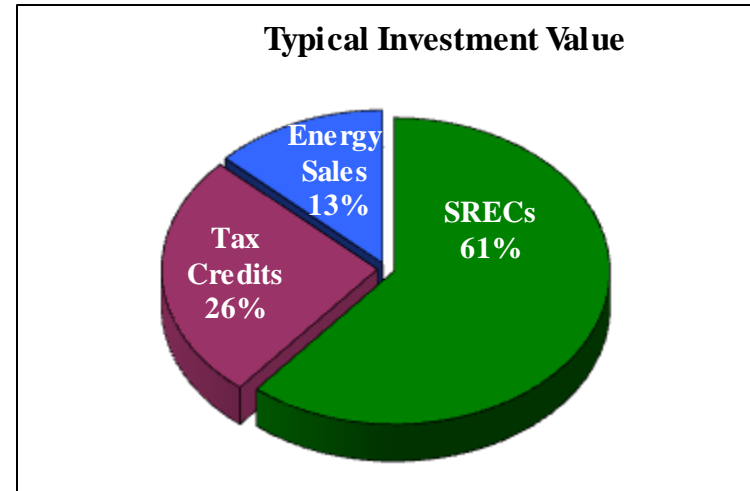
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## Clean Energy Strategic Rationale

- Consistent with our core energy strategy
- Energy savings for customers
- Promotes economic development and job creation
- Supports New Jersey's environmental goals
- Opportunity to create shareowner value



- Three sources of investment value
  - Investment Tax Credits (ITC)
  - Energy sales
  - SRECs
- Tax credits reduce capital at risk
  - ITC in place through 2016
- SREC market supports investment in NJ
  - Existing Solar Alternative Compliance Payment priced through 2017
  - NJ's commitment to clean energy has created attractive SREC market
- Relatively short payback period (four to six years)
- Market cost of capital used to evaluate investment opportunities





- First phase of residential solar program offered in March 2010
  - Successful pilot
  - Approximately \$4 million invested
- Expanded program with the launch of The Sunlight Advantage™
  - Opportunity for an additional 350 customers
  - Anticipated \$9.4 million investment
  - Growing installation network of contractors
  - Over 200 inquiries received since announcement



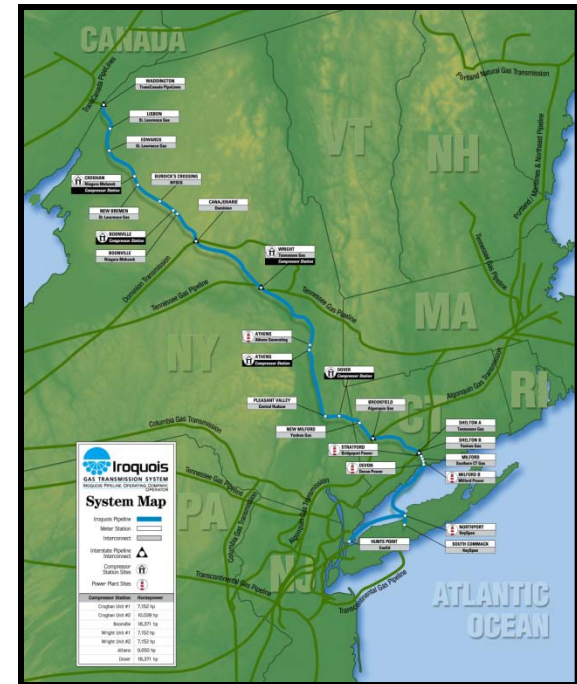
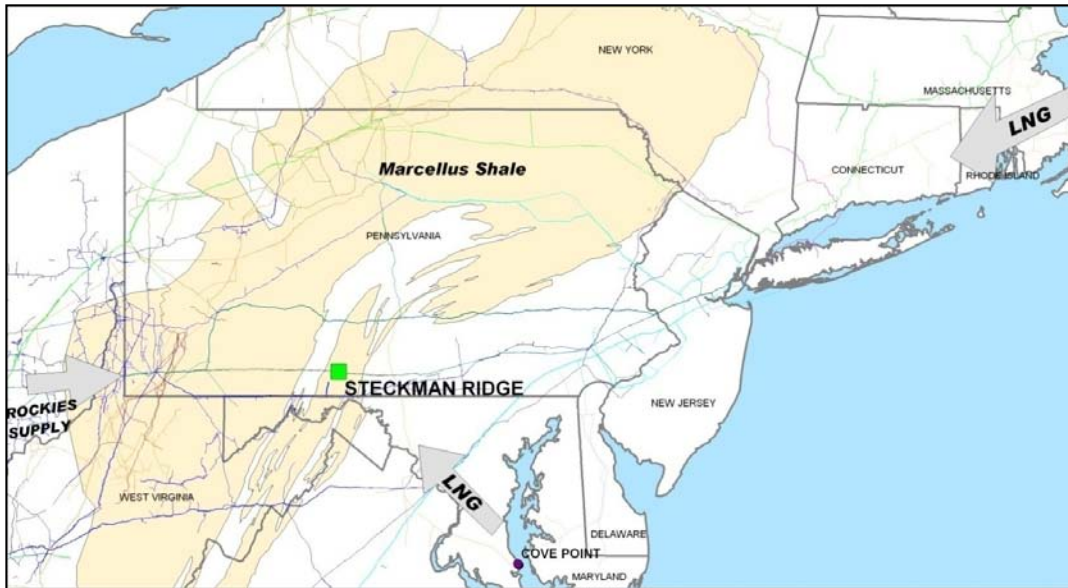
- Rooftop and ground-mounted solar installations
  - Focus on 0.5 to 10 megawatt projects
  - Retail and wholesale energy transactions
  - Multiple stakeholder value streams
- 2 rooftop projects to be completed in February
  - \$8.5 million of invested capital
- Plan to invest a total of \$40 to \$60 million in fiscal 2011
- Multi-year pipeline of projects has been identified
  - Over \$250 million
  - Various stages of review and development



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## Midstream Assets

- Overall, midstream assets contributed \$1.7 million to Q1 2011 NFE
- Expected to contribute 5 to 10 percent to fiscal 2011 NFE
- Approximately 30 percent of Steckman Ridge capacity is now under long-term contracts





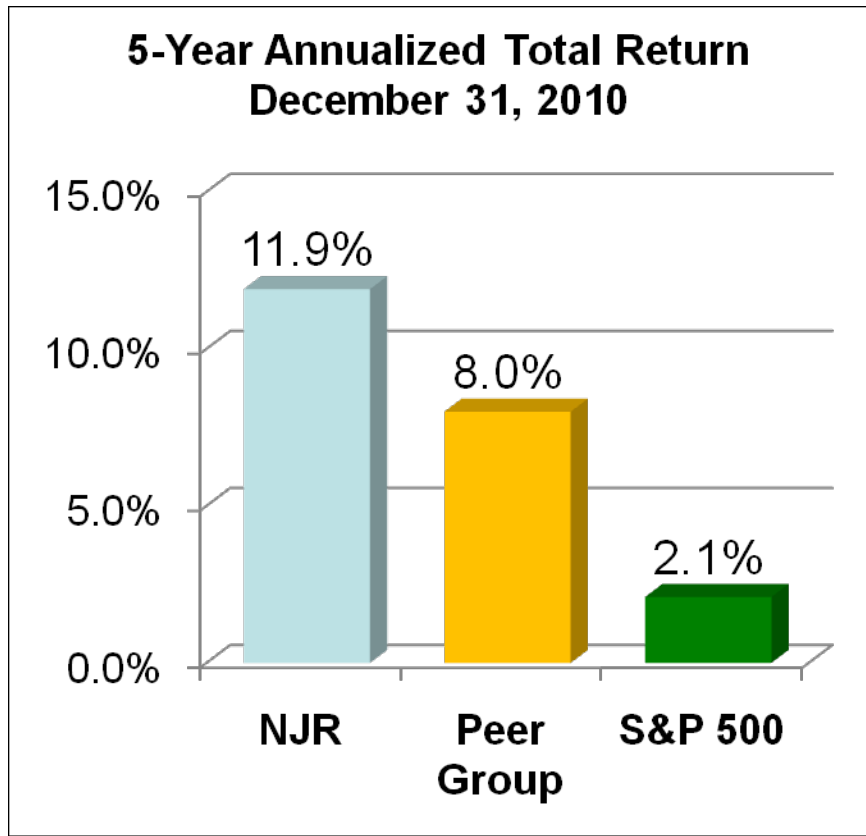
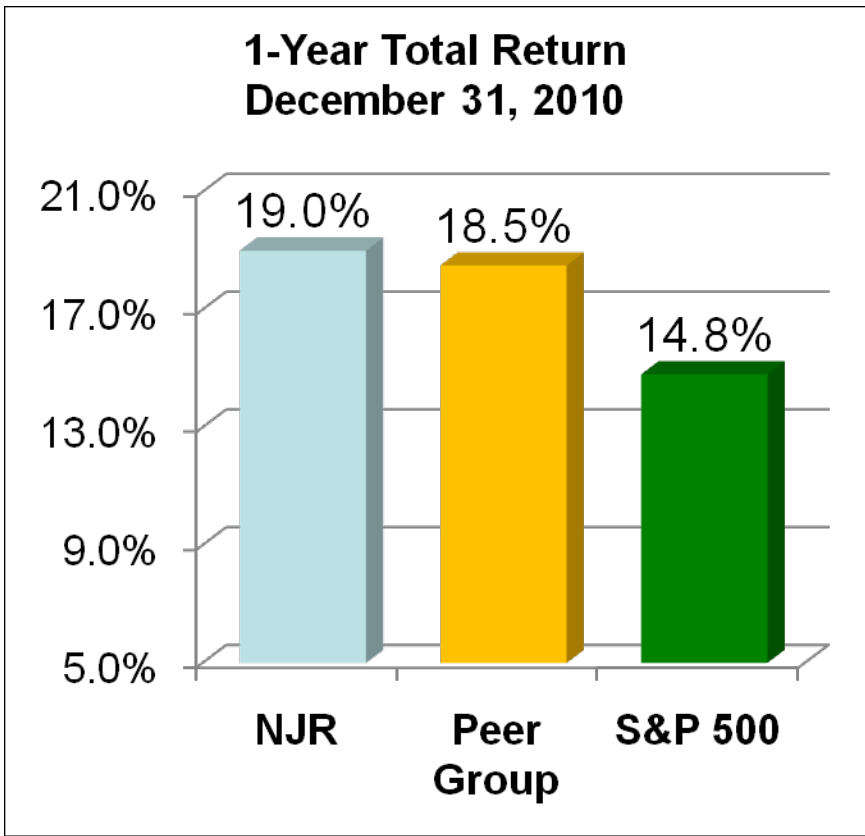
- Value of capacity and storage has been affected by changing markets and additional supplies
  - Resulted in lower margins
  - Continued focus on a long-option strategy
  - Disciplined risk management
- Greater focus on Producer Services
  - Fee-based asset management
  - Over 350,000 dth/day currently under management
- Contributed \$3.2 million to Q1 2011 NFE vs. \$2.5 million last year
- Lower expected contribution to overall fiscal 2011 NFE





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# Total Return to Shareowners





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## A Record of Consistent Performance

- We have:
  - The fundamentals in place to achieve long-term NFE growth
    - Core customer growth
    - Regulatory initiatives
    - Solar projects
    - Steckman Ridge
  - The ability to increase dividends
  - A strong financial profile
  - A collaborative relationship with key stakeholders
  - A track record of growth and consistent results

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