



QUARTERLY FINANCIAL STATEMENTS

FOR THE THREE AND SIX MONTH PERIOD ENDING MARCH 31, 2015

(Unaudited)

New Jersey Natural Gas Company

STATEMENTS OF OPERATIONS (Unaudited)

<i>(Thousands)</i>	Three Months Ended March 31,		Six Months Ended March 31,	
	2015	2014	2015	2014
OPERATING REVENUES	\$ 374,703	\$ 394,528	\$ 583,430	\$ 627,997
OPERATING EXPENSES				
Gas purchases	189,562	218,065	278,130	333,609
Operation and maintenance	32,638	30,699	62,618	57,951
Regulatory rider expenses	42,692	38,211	64,155	58,043
Depreciation and amortization	10,647	9,972	21,192	19,807
Energy and other taxes	23,215	23,529	35,822	39,232
Total operating expenses	298,754	320,476	461,917	508,642
OPERATING INCOME	75,949	74,052	121,513	119,355
Other income	811	604	2,208	1,107
Interest expense, net of capitalized interest	4,388	3,888	8,997	7,872
INCOME BEFORE INCOME TAXES	72,372	70,768	114,724	112,590
Income tax provision	23,778	23,725	37,944	37,908
NET INCOME	\$ 48,594	\$ 47,043	\$ 76,780	\$ 74,682

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,	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 76,780	\$ 74,682
Adjustments to reconcile net income to cash flows from operating activities:		
Depreciation and amortization	21,192	19,806
Allowance for funds used during construction	(2,014)	(603)
Amortization of deferred charges	235	233
Allowance for bad debt expense	1,558	1,087
Deferred income taxes	(10,556)	(12,260)
Manufactured gas plant remediation costs	(2,089)	(1,845)
Cost of removal – asset retirement obligation	(403)	(164)
Contributions to postemployment benefit plans	(2,344)	(2,505)
Changes in:		
Components of working capital	(29,957)	49,850
Other noncurrent assets	40,784	14,907
Other noncurrent liabilities	1,642	3,028
Cash flows from operating activities	94,828	146,216
CASH FLOWS (USED IN) INVESTING ACTIVITIES		
Expenditures for		
Utility plant	(58,657)	(59,971)
Cost of removal	(11,334)	(10,914)
Withdrawal from restricted cash construction fund	(1,484)	85
Cash flows (used in) investing activities	(71,475)	(70,800)
CASH FLOWS (USED IN) FINANCING ACTIVITIES		
Payments of common stock dividends to parent	(19,023)	(17,649)
Proceeds from long-term debt	—	125,000
Payments of long-term debt	(4,468)	(64,767)
Net payments of short-term debt	(7,000)	(120,600)
Proceeds from sale-leaseback transaction	7,216	7,576
Tax benefit from stock options exercised	291	—
Cash flows (used in) financing activities	(22,984)	(70,440)
Change in cash and cash equivalents	369	4,976
Cash and cash equivalents at beginning of period	272	1,912
Cash and cash equivalents at end of period	\$ 641	\$ 6,888
CHANGES IN COMPONENTS OF WORKING CAPITAL		
Receivables	\$ (149,499)	\$ (158,477)
Inventories	79,876	96,123
Underrecovered gas costs	15,734	6,866
Accounts payable and other	(14,906)	(7,788)
Gas purchases payable	20,717	23,991
Prepaid and accrued taxes, net	58,243	76,597
Customers' credit balances and deposits	(5,807)	(8,824)
Restricted broker margin accounts	(28,434)	10,793
Other current assets	(5,881)	23,508
Other current liabilities	—	(12,939)
Total	\$ (29,957)	\$ 49,850
SUPPLEMENTAL DISCLOSURES OF CASH FLOWS INFORMATION		
Cash paid for		
Interest (net of amounts capitalized)	\$ 9,428	\$ 7,005
Income taxes	\$ 4,749	\$ (669)
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING ACTIVITIES		
Accrued capital expenditures	\$ 7,254	\$ 958

See Notes to Unaudited Condensed Financial Statements

New Jersey Natural Gas Company

BALANCE SHEETS (Unaudited)

ASSETS

<i>(Thousands)</i>	March 31, 2015	September 30, 2014
PROPERTY, PLANT AND EQUIPMENT		
Utility plant, at cost	\$ 1,831,757	\$ 1,791,009
Construction work in progress	157,715	139,624
Total property, plant and equipment	1,989,472	1,930,633
Accumulated depreciation and amortization	(422,094)	(409,135)
Property, plant and equipment, net	1,567,378	1,521,498
CURRENT ASSETS		
Cash and cash equivalents	641	272
Customer accounts receivable:		
Billed	153,642	41,281
Unbilled	42,864	7,231
Allowance for doubtful accounts	(5,330)	(5,277)
Regulatory assets	34,457	26,862
Gas in storage, at average cost	6,372	86,266
Materials and supplies, at average cost	6,856	6,839
Prepaid taxes	—	23,015
Derivatives, at fair value	907	2,525
Restricted broker margin account	29,471	1,057
Deferred taxes	14,048	1,277
Other	22,743	16,860
Total current assets	306,671	208,208
NONCURRENT ASSETS		
Regulatory assets	351,218	377,575
Derivatives, at fair value	—	82
Other	43,005	36,321
Total noncurrent assets	394,223	413,978
Total assets	\$ 2,268,272	\$ 2,143,684

See Notes to Unaudited Condensed Financial Statements

New Jersey Natural Gas Company

CAPITALIZATION AND LIABILITIES

<i>(Thousands)</i>	March 31, 2015	September 30, 2014
CAPITALIZATION		
Common stock equity	\$ 777,272	\$ 719,224
Long-term debt	474,198	473,209
Total capitalization	1,251,470	1,192,433
CURRENT LIABILITIES		
Current maturities of long-term debt	11,279	9,505
Short-term debt	146,000	153,000
Gas purchases payable	42,009	21,292
Accounts payable and other	37,293	50,129
Deferred and accrued taxes	35,309	81
Regulatory liabilities	12,115	6,072
New Jersey clean energy program	6,492	14,285
Derivatives, at fair value	25,645	2,205
Customers' credit balances and deposits	16,415	22,222
Total current liabilities	332,557	278,791
NONCURRENT LIABILITIES		
Deferred income taxes	344,066	341,690
Deferred investment tax credits	5,101	5,262
Derivatives, at fair value	—	25
Manufactured gas plant remediation	177,000	177,000
Postemployment benefit liability	50,230	51,035
Regulatory liabilities	71,623	61,326
Asset retirement obligation	31,129	30,495
Other	5,096	5,627
Total noncurrent liabilities	684,245	672,460
Total capitalization and liabilities	\$ 2,268,272	\$ 2,143,684

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 512,000 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. 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.