



QUARTERLY FINANCIAL STATEMENTS

FOR THE THREE AND NINE MONTH PERIOD ENDING JUNE 30, 2015

(Unaudited)

New Jersey Natural Gas Company

STATEMENTS OF OPERATIONS (Unaudited)

<i>(Thousands)</i>	Three Months Ended June 30,		Nine Months Ended June 30,	
	2015	2014	2015	2014
OPERATING REVENUES	\$ 116,307	\$ 111,383	\$ 699,737	\$ 739,380
OPERATING EXPENSES				
Gas purchases	45,190	40,373	323,320	373,982
Operation and maintenance	30,323	30,466	92,941	88,417
Regulatory rider expenses	8,516	9,337	72,671	67,380
Depreciation and amortization	10,810	10,567	32,002	30,374
Energy and other taxes	6,901	7,595	42,723	46,827
Total operating expenses	101,740	98,338	563,657	606,980
OPERATING INCOME	14,567	13,045	136,080	132,400
Other income	1,364	725	3,572	1,832
Interest expense, net of capitalized interest	5,005	4,540	14,002	12,412
INCOME BEFORE INCOME TAXES	10,926	9,230	125,650	121,820
Income tax provision	3,754	4,348	41,698	42,256
NET INCOME	\$ 7,172	\$ 4,882	\$ 83,952	\$ 79,564

See Notes to Unaudited Condensed Financial Statements

New Jersey Natural Gas Company

STATEMENTS OF CASH FLOWS (Unaudited)

Nine Months Ended
June 30,
2015 2014

(Thousands)

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 83,952	\$ 79,564
Adjustments to reconcile net income to cash flows from operating activities:		
Depreciation and amortization	32,002	30,373
Allowance for funds used during construction	(3,371)	(1,154)
Amortization of deferred charges	363	349
Allowance for bad debt expense	1,948	1,515
Deferred income taxes	(1,146)	(2,423)
Manufactured gas plant remediation costs	(4,745)	(3,391)
Cost of removal – asset retirement obligation	(467)	(257)
Contributions to postemployment benefit plans	(2,390)	(3,679)
Changes in:		
Components of working capital	12,005	53,137
Other noncurrent assets	24,751	18,602
Other noncurrent liabilities	15,884	4,447
Cash flows from operating activities	158,786	177,083
CASH FLOWS (USED IN) INVESTING ACTIVITIES		
Expenditures for		
Utility plant	(96,626)	(90,381)
Cost of removal	(19,114)	(18,690)
(Payment to) withdrawal from restricted cash construction fund	(1,484)	100
Cash flows (used in) investing activities	(117,224)	(108,971)
CASH FLOWS (USED IN) FINANCING ACTIVITIES		
Payments of common stock dividends to parent	(19,023)	(35,315)
Proceeds from long-term debt	150,000	125,000
Payments of long-term debt	(7,160)	(78,713)
Net payments of short-term debt	(153,000)	(87,600)
Proceeds from sale-leaseback transaction	7,216	7,576
Tax benefit from stock options exercised	291	—
Cash flows (used in) financing activities	(21,676)	(69,052)
Change in cash and cash equivalents	19,886	(940)
Cash and cash equivalents at beginning of period	272	1,912
Cash and cash equivalents at end of period	\$ 20,158	\$ 972
CHANGES IN COMPONENTS OF WORKING CAPITAL		
Receivables	\$ (36,727)	\$ (41,909)
Inventories	51,544	62,107
Underrecovered gas costs	18,109	(5,725)
Accounts payable and other	(4,170)	(3,300)
Gas purchases payable	32	(1,711)
Prepaid and accrued taxes, net	6,300	31,729
Customers' credit balances and deposits	(5,769)	(4,714)
Restricted broker margin accounts	(16,251)	2,491
Other current assets	(1,063)	14,166
Other current liabilities	—	3
Total	\$ 12,005	\$ 53,137
SUPPLEMENTAL DISCLOSURES OF CASH FLOWS INFORMATION		
Cash paid for		
Interest (net of amounts capitalized)	\$ 9,034	\$ 8,112
Income taxes	\$ 4,749	\$ 7,541
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING ACTIVITIES		
Accrued capital expenditures	\$ 8,720	\$ 3,275

See Notes to Unaudited Condensed Financial Statements

New Jersey Natural Gas Company

BALANCE SHEETS (Unaudited)

ASSETS

<i>(Thousands)</i>	June 30, 2015	September 30, 2014
PROPERTY, PLANT AND EQUIPMENT		
Utility plant, at cost	\$ 1,874,823	\$ 1,791,009
Construction work in progress	152,890	139,624
Total property, plant and equipment	2,027,713	1,930,633
Accumulated depreciation and amortization	(429,535)	(409,135)
Property, plant and equipment, net	1,598,178	1,521,498
CURRENT ASSETS		
Cash and cash equivalents	20,158	272
Customer accounts receivable:		
Billed	76,716	41,281
Unbilled	6,707	7,231
Allowance for doubtful accounts	(5,409)	(5,277)
Regulatory assets	29,623	26,862
Gas in storage, at average cost	35,286	86,266
Materials and supplies, at average cost	6,274	6,839
Prepaid taxes	20,380	23,015
Derivatives, at fair value	775	2,525
Restricted broker margin account	17,297	1,057
Deferred taxes	13,849	1,277
Other	17,924	16,860
Total current assets	239,580	208,208
NONCURRENT ASSETS		
Regulatory assets	351,763	377,575
Derivatives, at fair value	3,450	82
Other	46,899	36,321
Total noncurrent assets	402,112	413,978
Total assets	\$ 2,239,870	\$ 2,143,684

See Notes to Unaudited Condensed Financial Statements

New Jersey Natural Gas Company

CAPITALIZATION AND LIABILITIES

<i>(Thousands)</i>	June 30, 2015	September 30, 2014
CAPITALIZATION		
Common stock equity	\$ 784,445	\$ 719,224
Long-term debt	622,521	473,209
Total capitalization	1,406,966	1,192,433
CURRENT LIABILITIES		
Current maturities of long-term debt	11,032	9,505
Short-term debt	—	153,000
Gas purchases payable	21,324	21,292
Accounts payable and other	52,938	50,129
Deferred and accrued taxes	—	81
Regulatory liabilities	11,284	6,072
New Jersey clean energy program	15,685	14,285
Derivatives, at fair value	14,701	2,205
Customers' credit balances and deposits	16,452	22,222
Total current liabilities	143,416	278,791
NONCURRENT LIABILITIES		
Deferred income taxes	353,357	341,690
Deferred investment tax credits	5,021	5,262
Derivatives, at fair value	—	25
Manufactured gas plant remediation	177,000	177,000
Postemployment benefit liability	50,980	51,035
Regulatory liabilities	66,233	61,326
Asset retirement obligation	31,584	30,495
Other	5,313	5,627
Total noncurrent liabilities	689,488	672,460
Total capitalization and liabilities	\$ 2,239,870	\$ 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.