



QUARTERLY FINANCIAL STATEMENTS

FOR THE THREE AND NINE MONTH PERIODS ENDING JUNE 30, 2014

(Unaudited)

New Jersey Natural Gas Company

STATEMENTS OF OPERATIONS (Unaudited)

<i>(Thousands)</i>	Three Months Ended		Nine Months Ended	
	June 30,		June 30,	
	2014	2013	2014	2013
OPERATING REVENUES	\$ 111,383	\$ 119,022	\$ 739,380	\$ 689,621
OPERATING EXPENSES				
Gas purchases	40,373	56,559	373,982	363,646
Operation and maintenance	30,466	28,414	88,417	82,310
Regulatory rider expenses	9,337	6,258	67,380	44,014
Depreciation and amortization	10,567	9,537	30,374	28,213
Energy and other taxes	7,595	7,915	46,827	47,000
Total operating expenses	98,338	108,683	606,980	565,183
OPERATING INCOME	13,045	10,339	132,400	124,438
Other income	725	773	1,832	2,517
Interest expense, net of capitalized interest	4,540	3,796	12,412	10,929
INCOME BEFORE INCOME TAXES	9,230	7,316	121,820	116,026
Income tax provision	4,348	1,788	42,256	39,089
NET INCOME	\$ 4,882	\$ 5,528	\$ 79,564	\$ 76,937

See Notes to Unaudited Condensed Financial Statements

New Jersey Natural Gas Company

STATEMENTS OF CASH FLOWS (Unaudited)

Nine Months Ended
June 30,
2014 2013

(Thousands)

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 79,564	\$ 76,937
Adjustments to reconcile net income to cash flows from operating activities:		
Depreciation and amortization	30,373	28,213
Allowance for funds used during construction	(1,154)	(1,926)
Amortization of deferred charges	349	565
Allowance for bad debt expense	1,515	1,666
Deferred income taxes	(2,423)	14,010
Manufactured gas plant remediation costs	(3,391)	(5,326)
Cost of removal – asset retirement obligation	(257)	(926)
Contributions to postemployment benefit plans	(3,679)	(24,467)
Changes in:		
Components of working capital	53,137	27,851
Other noncurrent assets	18,602	(2,223)
Other noncurrent liabilities	4,447	1,669
Cash flows from operating activities	177,083	116,043
CASH FLOWS (USED IN) INVESTING ACTIVITIES		
Expenditures for		
Utility plant	(90,381)	(73,654)
Cost of removal	(18,690)	(21,186)
Withdrawal from restricted cash construction fund	100	—
Cash flows (used in) investing activities	(108,971)	(94,840)
CASH FLOWS (USED IN) FINANCING ACTIVITIES		
Payments of common stock dividends to parent	(35,315)	(33,400)
Proceeds from long-term debt	125,000	50,000
Payments of long-term debt	(78,713)	(5,771)
Net proceeds from short-term debt	(87,600)	(39,000)
Proceeds from sale-leaseback transaction	7,576	7,076
Cash flows (used in) financing activities	(69,052)	(21,095)
Change in cash and cash equivalents	(940)	108
Cash and cash equivalents at beginning of period	1,912	745
Cash and cash equivalents at end of period	\$ 972	\$ 853
CHANGES IN COMPONENTS OF WORKING CAPITAL		
Receivables	\$ (41,909)	\$ (42,876)
Inventories	62,107	72,115
Underrecovered gas costs	(5,725)	4,994
Accounts payable and other	(3,300)	(20,198)
Gas purchases payable	(1,711)	13,381
Prepaid and accrued taxes, net	31,729	8,455
Customers' credit balances and deposits	(4,714)	(14,333)
Restricted broker margin accounts	2,491	363
Other current assets	14,166	5,950
Other current liabilities	3	—
Total	\$ 53,137	\$ 27,851
SUPPLEMENTAL DISCLOSURES OF CASH FLOWS INFORMATION		
Cash paid for		
Interest (net of amounts capitalized)	\$ 8,112	\$ 6,660
Income taxes (net of refunds)	\$ 7,541	\$ 16,354
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING ACTIVITIES		
Accrued capital expenditures	\$ 3,275	\$ 321

See Notes to Unaudited Condensed Financial Statements

New Jersey Natural Gas Company

BALANCE SHEETS (Unaudited)

ASSETS

<i>(Thousands)</i>	June 30, 2014	September 30, 2013
PROPERTY, PLANT AND EQUIPMENT		
Utility plant, at cost	\$ 1,774,424	\$ 1,681,585
Construction work in progress	119,012	114,961
Total property, plant and equipment	1,893,436	1,796,546
Accumulated depreciation and amortization	(401,713)	(383,895)
Property, plant and equipment, net	1,491,723	1,412,651
CURRENT ASSETS		
Cash and cash equivalents	972	1,912
Customer accounts receivable:		
Billed	85,579	43,045
Unbilled	7,464	7,429
Allowance for doubtful accounts	(5,533)	(5,287)
Regulatory assets	28,064	34,372
Gas in storage, at average cost	48,279	104,979
Materials and supplies, at average cost	7,600	13,007
Prepaid taxes	24,147	40,300
Derivatives, at fair value	7,952	3,502
Restricted broker margin account	—	213
Deferred taxes	791	—
Other	12,945	10,050
Total current assets	218,260	253,522
NONCURRENT ASSETS		
Regulatory assets	369,517	402,202
Derivatives, at fair value	3	121
Other	43,757	33,313
Total noncurrent assets	413,277	435,636
Total assets	\$ 2,123,260	\$ 2,101,809

See Notes to Unaudited Condensed Financial Statements

New Jersey Natural Gas Company

CAPITALIZATION AND LIABILITIES

<i>(Thousands)</i>	June 30, 2014	September 30, 2013
CAPITALIZATION		
Common stock equity	\$ 724,453	\$ 697,913
Long-term debt	476,797	362,886
Total capitalization	1,201,250	1,060,799
CURRENT LIABILITIES		
Current maturities of long-term debt	9,455	68,643
Short-term debt	81,000	168,600
Gas purchases payable	29,033	30,744
Accounts payable and other	56,156	39,239
Deferred and accrued taxes	16,276	9,276
Regulatory liabilities	11,710	1,456
New Jersey clean energy program	15,429	14,532
Restricted broker margin account	2,278	—
Derivatives, at fair value	2,201	2,045
Customers' credit balances and deposits	19,542	24,256
Total current liabilities	243,080	358,791
NONCURRENT LIABILITIES		
Deferred income taxes	340,232	333,046
Deferred investment tax credits	5,342	5,584
Derivatives, at fair value	—	140
Manufactured gas plant remediation	183,600	183,600
Postemployment benefit liability	46,343	47,278
Regulatory liabilities	69,120	79,647
Asset retirement obligation	29,935	28,711
Other	4,358	4,213
Total noncurrent liabilities	678,930	682,219
Total capitalization and liabilities	\$ 2,123,260	\$ 2,101,809

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 503,800 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.