



QUARTERLY FINANCIAL STATEMENTS

FOR THE THREE AND THREE MONTH PERIOD ENDING DECEMBER 31, 2014

(Unaudited)

New Jersey Natural Gas Company

STATEMENTS OF OPERATIONS (Unaudited)

**Three Months Ended
December 31,
2014 2013**

(Thousands)

OPERATING REVENUES	\$ 208,727	\$ 233,469
OPERATING EXPENSES		
Gas purchases	88,568	115,544
Operation and maintenance	29,980	27,252
Regulatory rider expenses	21,463	19,832
Depreciation and amortization	10,545	9,835
Energy and other taxes	12,607	15,703
Total operating expenses	163,163	188,166
OPERATING INCOME	45,564	45,303
Other income	1,397	503
Interest expense, net of capitalized interest	4,609	3,984
INCOME BEFORE INCOME TAXES	42,352	41,822
Income tax provision	14,166	14,183
NET INCOME	\$ 28,186	\$ 27,639

See Notes to Unaudited Condensed Financial Statements

New Jersey Natural Gas Company

STATEMENTS OF CASH FLOWS (Unaudited)

**Three Months Ended
December 31,
2014 2013**

(Thousands)

CASH FLOWS FROM OPERATING ACTIVITIES	2014	2013
Net income	\$ 28,186	\$ 27,639
Adjustments to reconcile net income to cash flows from operating activities:		
Depreciation and amortization	10,545	9,835
Allowance for funds used during construction	(1,253)	(213)
Amortization of deferred charges	117	115
Allowance for bad debt expense	888	354
Deferred income taxes	(502)	(6,428)
Manufactured gas plant remediation costs	(1,008)	(1,132)
Cost of removal – asset retirement obligation	(105)	(47)
Contributions to postemployment benefit plans	(48)	(1,535)
Changes in:		
Components of working capital	(37,487)	(9,757)
Other noncurrent assets	9,933	2,756
Other noncurrent liabilities	686	1,821
Cash flows from operating activities	9,952	23,408
CASH FLOWS (USED IN) INVESTING ACTIVITIES		
Expenditures for		
Utility plant	(34,114)	(30,277)
Cost of removal	(2,634)	(5,124)
Withdrawal from restricted cash construction fund	(25)	85
Cash flows (used in) investing activities	(36,773)	(35,316)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of long-term debt	(1,650)	(1,576)
Net proceeds from short-term debt	21,196	11,900
Proceeds from sale-leaseback transaction	7,216	7,576
Tax benefit from stock options exercised	273	—
Cash flows from financing activities	27,035	17,900
Change in cash and cash equivalents	214	5,992
Cash and cash equivalents at beginning of period	272	1,912
Cash and cash equivalents at end of period	\$ 486	\$ 7,904
CHANGES IN COMPONENTS OF WORKING CAPITAL		
Receivables	\$ (74,925)	\$ (96,682)
Inventories	18,967	25,391
Underrecovered gas costs	2,015	5,513
Accounts payable and other	(18,373)	(9,191)
Gas purchases payable	15,359	6,542
Prepaid and accrued taxes, net	30,243	44,682
Customers' credit balances and deposits	14,346	3,988
Restricted broker margin accounts	(18,717)	6,200
Other current assets	(6,402)	2,338
Other current liabilities	—	1,462
Total	\$ (37,487)	\$ (9,757)
SUPPLEMENTAL DISCLOSURES OF CASH FLOWS INFORMATION		
Cash paid for		
Interest (net of amounts capitalized)	\$ 971	\$ 1,181
Income taxes	\$ 1,640	\$ —
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING ACTIVITIES		
Accrued capital expenditures	\$ 2,956	\$ (1,089)

See Notes to Unaudited Condensed Financial Statements

New Jersey Natural Gas Company

BALANCE SHEETS (Unaudited)

ASSETS

<i>(Thousands)</i>	December 31, 2014	September 30, 2014
PROPERTY, PLANT AND EQUIPMENT		
Utility plant, at cost	\$ 1,808,829	\$ 1,791,009
Construction work in progress	152,985	139,624
Total property, plant and equipment	1,961,814	1,930,633
Accumulated depreciation and amortization	(415,661)	(409,135)
Property, plant and equipment, net	1,546,153	1,521,498
CURRENT ASSETS		
Cash and cash equivalents	486	272
Customer accounts receivable:		
Billed	74,198	41,281
Unbilled	48,172	7,231
Allowance for doubtful accounts	(5,099)	(5,277)
Regulatory assets	36,842	26,862
Gas in storage, at average cost	67,698	86,266
Materials and supplies, at average cost	6,440	6,839
Prepaid taxes	7,342	23,015
Derivatives, at fair value	62	2,525
Restricted broker margin account	19,761	1,057
Deferred taxes	4,798	1,277
Other	23,265	16,860
Total current assets	283,965	208,208
NONCURRENT ASSETS		
Regulatory assets	369,176	377,575
Derivatives, at fair value	—	82
Other	38,961	36,321
Total noncurrent assets	408,137	413,978
Total assets	\$ 2,238,255	\$ 2,143,684

See Notes to Unaudited Condensed Financial Statements

New Jersey Natural Gas Company

CAPITALIZATION AND LIABILITIES

<i>(Thousands)</i>	December 31, 2014	September 30, 2014
CAPITALIZATION		
Common stock equity	\$ 728,660	\$ 719,224
Long-term debt	477,884	473,209
Total capitalization	1,206,544	1,192,433
CURRENT LIABILITIES		
Current maturities of long-term debt	10,381	9,505
Short-term debt	174,196	153,000
Gas purchases payable	36,651	21,292
Accounts payable and other	47,089	50,129
Deferred and accrued taxes	14,652	81
Regulatory liabilities	—	6,072
New Jersey clean energy program	13,166	14,285
Derivatives, at fair value	18,914	2,205
Customers' credit balances and deposits	36,568	22,222
Total current liabilities	351,617	278,791
NONCURRENT LIABILITIES		
Deferred income taxes	344,791	341,690
Deferred investment tax credits	5,181	5,262
Derivatives, at fair value	—	25
Manufactured gas plant remediation	177,000	177,000
Postemployment benefit liability	51,786	51,035
Regulatory liabilities	65,328	61,326
Asset retirement obligation	30,908	30,495
Other	5,100	5,627
Total noncurrent liabilities	680,094	672,460
Total capitalization and liabilities	\$ 2,238,255	\$ 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 509,600 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.