



QUARTERLY FINANCIAL STATEMENTS

FOR THE THREE AND SIX MONTH PERIODS ENDING MARCH 31, 2009

(Unaudited)

New Jersey Natural Gas Company

STATEMENTS OF INCOME (Unaudited)

<i>(Thousands)</i>	Three Months Ended		Six Months Ended	
	March 31, 2009	2008	March 31, 2009	2008
OPERATING REVENUES	\$469,261	\$476,818	\$810,169	\$761,178
OPERATING EXPENSES				
Gas purchases	314,091	337,988	544,543	528,136
Operation and maintenance	26,836	23,901	51,786	47,780
Regulatory rider expenses	20,744	17,789	34,305	29,954
Depreciation and amortization	7,291	9,332	14,452	18,565
Energy and other taxes	30,768	28,597	53,366	45,930
Total operating expenses	399,730	417,607	698,452	670,365
OPERATING INCOME	69,531	59,211	111,717	90,813
Other income	1,028	1,450	1,712	2,682
Interest charges, net	4,204	5,376	10,664	11,495
INCOME BEFORE INCOME TAXES	66,355	55,285	102,765	82,000
Income tax provision	24,767	21,115	38,103	31,160
NET INCOME	\$ 41,588	\$ 34,170	\$ 64,662	\$ 50,840

See Note to Condensed Unaudited Financial Statements

New Jersey Natural Gas Company

STATEMENTS OF CASH FLOWS (Unaudited)

<i>(Thousands)</i>	Six Months Ended	
	March 31,	
	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$64,662	\$50,840
ADJUSTMENTS TO RECONCILE NET INCOME TO CASH FLOWS FROM OPERATING ACTIVITIES		
Depreciation and amortization	14,887	18,716
Allowance for funds (equity) used during construction	—	(755)
Allowance for doubtful accounts	874	733
Deferred income taxes	(21,395)	(650)
Manufactured gas plant remediation costs	(9,851)	(7,960)
Cost of removal – asset retirement obligation	(463)	(355)
Contributions to employee benefit plans	(563)	(381)
Changes in:		
Components of working capital	80,535	101,333
Other noncurrent assets	(14,617)	19,637
Other noncurrent liabilities	35,999	(3,290)
Cash flows from operating activities	150,068	177,868
CASH FLOWS FROM INVESTING ACTIVITIES		
Expenditures for		
Utility plant	(37,082)	(30,140)
Cost of removal	(3,583)	(3,641)
Withdrawal from restricted cash construction fund	4,200	—
Cash flows used in investing activities	(36,465)	(33,781)
CASH FLOWS FROM FINANCING ACTIVITIES		
Contribution from parent	40,000	—
Payments of common stock dividends to parent	(23,632)	(22,202)
Payments of long-term debt	(32,593)	(2,310)
Net payments of short-term debt	(135,500)	(120,629)
Proceeds from sale-leaseback transaction	6,268	7,485
Cash flows used in financing activities	(145,457)	(137,656)
Change in cash and temporary investments	(31,854)	6,431
Cash and temporary investments at beginning of period	41,860	2,078
Cash and temporary investments at end of period	\$10,006	\$ 8,509
CHANGES IN COMPONENTS OF WORKING CAPITAL		
Receivables	\$(113,684)	\$(149,396)
Inventories	170,509	161,058
Recovery of gas costs	41,864	1,351
Accounts payable and other	(4,233)	(13,659)
Gas purchases payable	(11,601)	25,250
Prepaid and accrued taxes, net	96,740	59,982
Customers' credit balances and deposits	(49,207)	(14,761)
Restricted broker margin accounts	(63,221)	25,846
Other current assets	13,368	5,662
Total	\$ 80,535	\$ 101,333
SUPPLEMENTAL DISCLOSURES OF CASH FLOWS INFORMATION		
Cash paid for		
Interest (net of amounts capitalized)	\$10,154	\$9,940
Income taxes	\$ 2,209	\$7,552

See Note to Condensed Unaudited Financial Statements

New Jersey Natural Gas Company

BALANCE SHEETS (Unaudited)

ASSETS

<i>(Thousands)</i>	March 31, 2009	September 30, 2008
PROPERTY, PLANT AND EQUIPMENT		
Utility plant, at cost	\$1,367,817	\$1,336,960
Construction work in progress	34,574	29,277
	1,402,391	1,366,237
Accumulated depreciation and amortization	(382,908)	(368,172)
Property, plant and equipment, net	1,019,483	998,065
CURRENT ASSETS		
Cash and temporary investments	10,006	41,860
Customer accounts receivable		
Billed	94,007	21,398
Unbilled	50,492	9,417
Allowance for doubtful accounts	(5,446)	(4,571)
Regulatory assets	7,795	51,376
Gas in storage, at average cost	19,391	189,828
Materials and supplies, at average cost	4,020	4,092
Prepaid state taxes	—	37,271
Derivatives, at fair value	12,229	12,039
Broker margin account	104,497	41,276
Other	6,689	4,477
Total current assets	303,680	408,463
NONCURRENT ASSETS		
Regulatory assets	411,212	340,670
Derivatives, at fair value	—	751
Restricted cash	—	4,200
Other	8,676	9,814
Total noncurrent assets	419,888	355,435
Total assets	\$1,743,051	\$1,761,963

See Note to Condensed Unaudited Financial Statements

New Jersey Natural Gas Company

BALANCE SHEETS (Unaudited)

CAPITALIZATION AND LIABILITIES

<i>(Thousands)</i>	March 31, 2009	September 30, 2008
CAPITALIZATION		
Common stock equity	\$ 552,210	\$ 472,417
Long-term debt	408,998	405,117
Total capitalization	961,208	877,534
CURRENT LIABILITIES		
Current maturities of long-term debt	5,934	35,119
Short-term debt	10,000	145,500
Gas purchases payable	43,594	55,195
Accounts payable and other	34,438	49,091
Deferred and accrued taxes	60,679	26,572
Regulatory liabilities	13,871	—
New Jersey clean energy program	9,777	3,056
Derivatives, at fair value	108,208	42,842
Customers' credit balances and deposits	14,163	63,370
Total current liabilities	300,664	420,745
NONCURRENT LIABILITIES		
Deferred income taxes	194,110	190,128
Deferred investment tax credits	7,031	7,192
Derivatives, at fair value	3,077	19,558
Manufactured gas plant remediation	120,230	120,730
Postemployment benefit liability	36,278	34,089
Regulatory liabilities	58,587	63,419
New Jersey clean energy	31,062	—
Asset retirement obligation	24,695	24,416
Other	6,109	4,152
Total noncurrent liabilities	481,179	463,684
Total capitalization and liabilities	\$1,743,051	\$1,761,963

See Note to Condensed Unaudited Financial Statements

New Jersey Natural Gas Company

STATEMENTS OF CAPITALIZATION (Unaudited)

<i>(Thousands, except share amounts)</i>	March 31, 2009	September 30, 2008
COMMON STOCK EQUITY		
Common stock, \$5 par value; authorized 4,750,000 shares; outstanding 3,214,923 shares	\$ 16,075	\$ 16,075
Premium on common stock	11,269	11,269
Contribution from parent	293,269	253,270
Accumulated other comprehensive income, net of tax	(13)	(34)
Retained earnings	231,610	191,837
Total common stock equity	552,210	472,417
LONG-TERM DEBT		
<i>First mortgage bonds:</i>	<i>Maturity date:</i>	
6.27% Series X	November 1, 2008	—
Variable Series AA	August 1, 2030	25,000
Variable Series BB	August 1, 2030	16,000
6.88% Series CC	October 1, 2010	20,000
Variable Series DD	September 1, 2027	13,500
Variable Series EE	January 1, 2028	9,545
Variable Series FF	January 1, 2028	15,000
Variable Series GG	April 1, 2033	18,000
5.00% Series HH	December 1, 2038	12,000
4.50% Series II	August 1, 2023	10,300
4.60% Series JJ	August 1, 2024	10,500
4.90% Series KK	October 1, 2040	15,000
5.60% Series LL	May 15, 2018	125,000
4.77% Unsecured senior notes	March 15, 2014	60,000
Capital lease obligation—Buildings	June 1, 2021	26,003
Capital lease obligation—Meters	Various maturities between October 1, 2012 and December 15, 2019	37,982
Capital lease obligation—Equipment	December 31, 2013	1,102
Less: Current maturities of long-term debt		(5,934)
Total long-term debt		408,998
Total capitalization		\$877,534

See Note to Condensed Unaudited Financial Statements

New Jersey Natural Gas Company

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)

<i>(Thousands)</i>	Three Months Ended		Six Months Ended	
	March 31, 2009	2008	March 31, 2009	2008
Net income	\$41,588	\$34,170	\$64,662	\$50,840
Other comprehensive income:				
Net unrealized gain on derivatives, net of tax of \$7, \$7, \$15 and \$9, respectively	11	27	22	24
Other comprehensive income	11	27	22	24
Comprehensive income	\$41,599	\$34,197	\$64,684	\$50,864

See Note to Condensed Unaudited Financial Statements

New Jersey Natural Gas Company

NOTE TO CONDENSED UNAUDITED FINANCIAL STATEMENTS

1. GENERAL

New Jersey Natural Gas Company (NJNG) is a local natural gas distribution company that provides regulated retail natural gas service to approximately 487,000 residential and commercial customers in central and northern New Jersey, and participates in the off-system sales and capacity release markets. NJNG is the regulated utility subsidiary of New Jersey Resources Corporation (NJR). NJNG maintains its accounts in accordance with the Uniform System of Accounts as prescribed by the New Jersey Board of Public Utilities. As a result of the ratemaking process, the accounting principles applied by NJNG differ in certain respects from those applied by unregulated businesses.

Because of the seasonal nature of the NJNG'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.