



**New Jersey
Natural Gas**

QUARTERLY FINANCIAL STATEMENTS

FOR THE THREE AND NINE MONTH PERIODS ENDING JUNE 30, 2009

(Unaudited)

New Jersey Natural Gas Company

STATEMENTS OF INCOME (Unaudited)

<i>(Thousands)</i>	Three Months Ended		Nine Months Ended	
	June 30, 2009	2008	June 30, 2009	2008
OPERATING REVENUES	\$148,826	\$179,511	\$958,995	\$940,689
OPERATING EXPENSES				
Gas purchases	87,169	125,060	631,712	653,196
Operation and maintenance	27,351	21,637	79,137	69,417
Regulatory rider expenses	6,280	5,925	40,585	35,879
Depreciation and amortization	7,668	9,488	22,120	28,053
Energy and other taxes	10,649	9,849	64,015	55,779
Total operating expenses	139,117	171,959	837,569	842,324
OPERATING INCOME	9,709	7,552	121,426	98,365
Other income	822	(41)	2,534	2,641
Interest charges, net	4,028	4,146	14,692	15,641
INCOME BEFORE INCOME TAXES	6,503	3,365	109,268	85,365
Income tax provision	2,369	3,218	40,472	34,378
NET INCOME	\$ 4,134	\$ 147	\$ 68,796	\$ 50,987

See Note to Condensed Unaudited Financial Statements

New Jersey Natural Gas Company

STATEMENTS OF CASH FLOWS (Unaudited)

<i>(Thousands)</i>	Nine Months Ended	
	June 30,	
	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 68,796	\$50,987
ADJUSTMENTS TO RECONCILE NET INCOME TO CASH FLOWS FROM OPERATING ACTIVITIES		
Depreciation and amortization	22,788	28,822
Allowance for (equity) funds used during construction	(233)	—
Allowance for bad debt expense	4,849	2,997
Deferred income taxes	(739)	9,367
Manufactured gas plant remediation costs	(12,280)	(13,263)
Cost of removal – asset retirement obligation	(508)	(888)
Contributions to employee benefit plans	(1,768)	(521)
Changes in:		
Components of working capital	112,853	73,129
Other noncurrent assets	(15,324)	23,336
Other noncurrent liabilities	34,553	(2,866)
Cash flows from operating activities	212,987	171,100
CASH FLOWS FROM INVESTING ACTIVITIES		
Expenditures for:		
Utility plant	(51,042)	(51,472)
Cost of removal	(4,014)	(5,776)
Withdrawal from restricted cash construction fund	4,200	—
Cash flows used in investing activities	(50,856)	(57,248)
CASH FLOWS FROM FINANCING ACTIVITIES		
Contribution from parent	80,000	—
Payments of common stock dividends to parent	(36,078)	(33,333)
Payments of long-term debt	(33,860)	(3,977)
Proceeds from long-term debt	—	125,000
Net payments of short-term debt	(145,500)	(186,229)
Proceeds from sale-leaseback transaction	6,268	7,485
Cash flows used in financing activities	(129,170)	(91,054)
Change in cash and temporary investments	32,961	22,798
Cash and temporary investments at beginning of period	41,860	2,078
Cash and temporary investments at end of period	\$74,821	\$ 24,876
CHANGES IN COMPONENTS OF WORKING CAPITAL		
Receivables	\$4,240	\$(43,685)
Inventories	76,090	82,881
Recovery of gas costs	58,836	(18,037)
Accounts payable and other	(156)	(12,120)
Gas purchases payable	(19,625)	47,498
Prepaid and accrued taxes, net	30,143	6,135
Customers' credit balances and deposits	(43,177)	(11,631)
Restricted broker margin accounts	(7,928)	17,728
Other current assets	(14,430)	4,359
Total	\$112,853	\$73,129
SUPPLEMENTAL DISCLOSURES OF CASH FLOWS INFORMATION		
Cash paid for:		
Interest (net of amounts capitalized)	\$11,358	\$12,863
Income taxes	\$ 3,013	\$ 6,729

See Note to Condensed Unaudited Financial Statements

New Jersey Natural Gas Company

BALANCE SHEETS (Unaudited)

ASSETS

<i>(Thousands)</i>	June 30, 2009	September 30, 2008
PROPERTY, PLANT AND EQUIPMENT		
Utility plant, at cost	\$1,390,581	\$1,336,960
Construction work in progress	27,739	29,277
	1,418,320	1,366,237
Accumulated depreciation and amortization	(387,788)	(368,172)
Property, plant and equipment, net	1,030,532	998,065
CURRENT ASSETS		
Cash and temporary investments	74,821	41,860
Accounts receivable from associates	4,729	—
Customer accounts receivable		
Billed	11,211	21,398
Unbilled	9,739	9,417
Allowance for doubtful accounts	(3,795)	(4,571)
Regulatory assets	6,318	51,376
Gas in storage, at average cost	113,480	189,828
Materials and supplies, at average cost	4,351	4,092
Prepaid state taxes	35,660	37,271
Derivatives, at fair value	15,761	12,039
Broker margin account	49,204	41,276
Deferred taxes	17,882	—
Other	7,102	4,477
Total current assets	346,463	408,463
NONCURRENT ASSETS		
Regulatory assets	359,876	340,670
Derivatives, at fair value	—	751
Restricted cash	—	4,200
Other	8,540	9,814
Total noncurrent assets	368,416	355,435
Total assets	\$1,745,411	\$1,761,963

See Note to Condensed Unaudited Financial Statements

New Jersey Natural Gas Company

BALANCE SHEETS (Unaudited)

CAPITALIZATION AND LIABILITIES

<i>(Thousands)</i>	June 30, 2009	September 30, 2008
CAPITALIZATION		
Common stock equity	\$584,001	\$ 472,417
Long-term debt	407,671	405,117
Total capitalization	991,672	877,534
CURRENT LIABILITIES		
Current maturities of long-term debt	5,995	35,119
Short-term debt	—	145,500
Gas purchases payable	35,570	55,195
Accounts payable and other	38,350	49,091
Deferred and accrued taxes	41,290	26,572
Regulatory liabilities	30,842	—
New Jersey clean energy program	10,805	3,056
Derivatives, at fair value	60,689	42,842
Customers' credit balances and deposits	20,193	63,370
Total current liabilities	243,734	420,745
NONCURRENT LIABILITIES		
Deferred income taxes	225,837	190,128
Deferred investment tax credits	6,951	7,192
Derivatives, at fair value	2,368	19,558
Manufactured gas plant remediation	120,230	120,730
Postemployment benefit liability	36,370	34,089
Regulatory liabilities	58,634	63,419
New Jersey clean energy	29,155	—
Asset retirement obligation	25,021	24,416
Other	5,439	4,152
Total noncurrent liabilities	510,005	463,684
Total capitalization and liabilities	\$1,745,411	\$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>	June 30, 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	333,270	253,270
Accumulated other comprehensive income, net of tax	(1)	(34)
Retained earnings	223,388	191,837
Total common stock equity	584,001	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	36,771
Capital lease obligation—Equipment	December 31, 2013	1,047
Less: Current maturities of long-term debt		(5,995)
Total long-term debt		407,671
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		Nine Months Ended	
	June 30, 2009	2008	June 30, 2009	2008
Net income	\$4,134	\$147	\$68,796	\$50,987
Other comprehensive income:				
Net unrealized gain on derivatives, net of tax of \$(8), \$(23), \$(23) and \$(13), respectively	11	(4)	33	20
Other comprehensive income	11	(4)	33	20
Comprehensive income	\$4,145	\$143	\$68,829	\$51,007

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.