



New Jersey Resources Announces Fiscal 2007 First-Quarter Earnings; Increases Earnings Guidance

- **First-quarter fiscal 2007 earnings of \$1.01 per basic and diluted share**
- **NJNG first-quarter earnings increase 6.6 percent**
- **Fiscal 2007 earnings guidance increased \$.05 to a range of \$2.90 to \$3.00 per basic share**

WALL, N.J. – New Jersey Resources (NYSE: NJR) today announced first-quarter earnings for fiscal 2007 of \$28.1 million, or \$1.01 per basic share, versus \$34.3 million, or \$1.24 per basic share, last year. On a diluted basis, earnings per share were \$1.01 versus \$1.23 last year. Based on the company's performance to date and its view of market conditions, and subject to factors discussed below, NJR is increasing earnings guidance for fiscal 2007 by \$.05 to a range of \$2.90 to \$3.00 per basic share.

"We currently expect higher earnings at NJR for the 16th consecutive year, which we believe is the longest streak among natural gas and electric utilities in the U.S.," said Laurence M. Downes, chairman and CEO of NJR.

New Jersey Natural Gas (NJNG), NJR's largest subsidiary, saw first-quarter earnings rise 6.6 percent over last year due primarily to the impact of the recently approved Conservation Incentive Program (CIP). The CIP is designed to protect NJNG's gross margin, while helping customers to reduce their energy usage through targeted education efforts and energy efficiency programs. Reducing customer usage will also increase opportunities for NJNG to lower gas costs further.

"Our Conservation Incentive Program has performed as intended, and has resulted in lower gas costs for customers and improved financial results for our shareowners. This innovative program is another example of working in partnership with our regulators to help all our stakeholders," Downes said.

Moderating wholesale natural gas prices also allowed NJNG to lower its Basic Gas Supply Service (BGSS) charge and provide a customer refund totaling \$51.5 million to residential and small commercial customers in their December 2006 bills.

"We were pleased to provide a refund to our customers, especially as we approached the winter heating season, when usage is typically highest," Downes said. "As always, we are constantly monitoring the natural gas market to identify ways we can provide additional savings."

Financial and operating highlights during the first quarter included:

- **Net Income and Basic Earnings per Share**

For the three months ended December 31, 2006, NJR earned \$28.1 million, or \$1.01 per basic share, compared with \$34.3 million, or \$1.24 per basic share, last year. The decrease in earnings was due primarily to lower earnings at NJR's unregulated wholesale energy services subsidiary, NJR Energy Services (NJRES), partially offset by improved results at NJNG.

NJNG earned \$19.9 million in the quarter, compared with \$18.7 million last year. The increase in earnings was due to the impact of the CIP and continued customer growth. Gross margin at NJNG included \$11.3 million accrued for future collection from customers under the CIP.

NJNG's gross margin is defined as natural gas revenues less natural gas costs; sales tax; a Transitional Energy Facilities Assessment (TEFA), which is included in Energy and other taxes on the Consolidated Statements of Income; and regulatory rider expenses. Management believes that gross margin provides a more meaningful basis for evaluating utility operations than revenue since natural gas costs, sales tax, TEFA and regulatory rider expenses are passed through to customers, and therefore, have no effect on gross margin. Natural gas costs are charged to operating expenses on the basis of therm sales at the prices approved by the New Jersey Board of Public Utilities through NJNG's BGSS tariff. The BGSS allows NJNG to recover natural gas costs. Sales tax is calculated at 6 percent of revenue on sales prior to July 15, 2006 and 7 percent thereafter, and excludes sales to cogeneration facilities, other utilities, off-system sales and federal accounts. TEFA is calculated on a per-therm basis and excludes sales to cogeneration facilities, other utilities and off-system sales. Regulatory rider expenses are calculated on a per-therm basis. NJNG's gross margin also includes benefits received by shareowners under its BGSS incentive programs.

NJRES reported earnings of \$7.8 million, compared with \$14.9 million last year. First-quarter fiscal 2006 gross margin benefited from the impact of increased market volatility and greater pipeline transportation values in the wake of

hurricanes Katrina and Rita. Gross margin for NJRES is defined as natural gas revenues and management fees less natural gas costs and fixed portfolio costs.

- **New Customers Continue to Ensure Growth**

In the first quarter of fiscal 2007, NJNG added 2,614 new customers, 36 percent of which converted from other fuels. NJNG anticipates a customer growth rate of about 2 percent in fiscal 2007. About one-third of the anticipated new customers are expected to convert from other fuels. NJNG has maintained an annual customer growth rate above the national average for the past 10 years.

- **Impact of Weather and Usage**

Weather in the first fiscal quarter was 18.3 percent warmer than normal and 18.2 percent warmer than last year. "Normal" weather is based on 20-year average temperatures. As with the weather normalization clause which preceded it, the impact of weather is significantly offset by the recently approved CIP, which is designed to smooth out year-to-year fluctuations on both NJNG's gross margin and customers' bills that may result from changing weather and usage patterns. Included in the CIP accrual was \$8 million associated with the warmer-than-normal weather and \$3.3 million associated with non-weather factors. However, customers will realize annual savings of \$10.6 million in fixed cost reductions and commodity cost savings of approximately \$15 million through the first fiscal quarter.

- **Incentive Programs Continue to Provide Value; Approval for Extension Sought**

During the first quarter, NJNG's gross margin-sharing incentive programs, which include off-system sales, capacity management, storage optimization and financial risk management programs, totaled 10.6 Billion cubic feet (Bcf) and \$3.2 million of gross margin, compared with 10.2 Bcf and \$3.1 million of gross margin for the same period last year. The increase in gross margin was due primarily to the financial risk management program, which was offset by a decrease in margin from the off-system sales program. NJNG shares the gross margin earned from these incentive programs with customers and shareowners according to a gross margin-sharing formula in effect through October 2007. NJNG is seeking regulatory approval for an extension of these programs through October 2010. During the quarter, customers saved approximately \$14.4 million in natural gas costs through these programs. Since the establishment of these incentive programs in 1992, NJNG customers have saved nearly \$316 million on their natural gas bills, or approximately 4 percent annually.

- **Wholesale Energy Services Results Decline**

NJRES earned \$7.8 million in the first quarter of fiscal 2007, compared with \$14.9 million last year. Last year's earnings benefited from the increased market volatility that included historically high transportation values in the aftermath of hurricanes Katrina and Rita. NJRES' diverse portfolio of pipeline and storage capacity continued to generate strong gross margin. This portfolio, with locations in the Gulf Coast, Mid-Continent, Appalachia, Northeast and Eastern Canada, becomes more valuable when there are changing prices between these areas. Storage capacity is more valuable when prices change between time periods. Gross margin from this portfolio is generally greater during the winter months, while the fixed costs of these assets are spread throughout the year.

- **NJR Home Services and Other**

This business segment consists of NJR Home Services (NJRHS), which provides service, sales and installation of appliances to over 141,000 customers; Commercial Realty & Resources (CR&R), which develops commercial real estate; and NJR Energy, which consists primarily of a 5.53 percent equity investment in Iroquois Gas Transmission System, L.P. Earnings for the quarter ended December 31, 2006, were \$397,000, compared with \$684,000 last year.

- **Increased Dividend Paid to Shareowners**

On November 1, 2006, NJR's board of directors authorized a 5.6 percent increase in the company's quarterly dividend rate to \$.38 per share. The new rate became effective with the January 2007 dividend payment. NJR has increased its dividend in each of the last 12 years and has paid quarterly dividends since 1952.

Fiscal 2007 Earnings Guidance

Assuming the continued impact of the CIP, stable economic conditions, continued customer growth at NJNG, continued volatility in the wholesale natural gas markets at NJRES and subject to the factors discussed below under "Forward-Looking Statements," NJR is increasing its earnings estimate by \$.05 for fiscal 2007 to \$2.90 to \$3.00 per basic share.

Forward-Looking Statements

This news release contains estimates, earnings guidance and other forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. NJR cautions that the assumptions that form the basis for forward-looking statements regarding customer growth, customer usage, financial condition, results of operations, cash flows, capital requirements, market risk and other matters include many factors that are beyond NJR's ability to control or estimate precisely, such as estimates of future market conditions, the behavior of other market participants and changes in the debt and equity capital markets. The factors that could cause actual results to differ materially from NJR's expectations include, but are not limited to weather and economic conditions; demographic changes in the NJNG service territory; the rate of NJNG customer

growth; volatility of natural gas commodity prices and its impact on customer usage, NJRES' operations and on NJR's risk management efforts; changes in rating agency requirements and/or credit ratings and their effect on availability and cost of capital to NJR; commercial and wholesale credit risks, including creditworthiness of customers and counterparties; the impact of governmental regulation (including the regulation of rates); fluctuations in energy-related commodity prices; conversion activity and other marketing efforts; actual energy usage of NJNG's customers; the pace of deregulation of retail gas markets; access to adequate supplies of natural gas; the regulatory and pricing policies of federal and state regulatory agencies; changes due to legislation at the federal and state level; the availability of an adequate number of appropriate counterparties in the wholesale energy trading market; sufficient liquidity in the wholesale energy trading market and continued access to the capital markets; the disallowance of recovery of environmental-related expenditures and other regulatory changes; environmental-related and other litigation and other uncertainties; the effects and impacts of inflation on NJR and its subsidiaries operations; change in accounting pronouncements issued by the appropriate standard setting bodies; and terrorist attacks or threatened attacks on energy facilities or unrelated energy companies.

More detailed information about these factors is set forth in NJR's filings with the Securities and Exchange Commission, including NJR's Annual Report on Form 10-K filed on November 22, 2006 and Quarterly Report filed on Form 10-Q to be filed on, or about, February 7, 2007. NJR's Forms 10-K and 10-Q are available at www.sec.gov. NJR does not, by including this paragraph, assume any obligation to review or revise any particular forward-looking statement referenced herein in light of future events.

Webcast Information

NJR will host a live webcast to discuss its financial results today at 2 p.m. ET. A few minutes prior to the webcast, go to njliving.com and select "New Jersey Resources" from the top navigation bar. Choose "Investor Relations," then click just below the microphone under the heading "Latest Webcast" on the Investor Relations home page.

About New Jersey Resources

New Jersey Resources (NYSE:NJR), a Fortune 1000 company and a member of the Forbes Platinum 400, provides reliable retail and wholesale energy services to customers in New Jersey and in states from the Gulf Coast to New England, and Canada. Its principal subsidiary, New Jersey Natural Gas, is one of the fastest-growing local distribution companies in the United States, serving more than 474,000 customers in central and northern New Jersey. Other major NJR subsidiaries include NJR Energy Services and NJR Home Services. NJR Energy Services is a leader in the unregulated energy services market, providing customer service and management of natural gas storage and capacity assets. NJR Home Services offers retail customers heating, air conditioning and appliance services. NJR's progress is a tribute to the more than 5,000 dedicated employees who have shared their expertise and focus on quality through more than 50 years of serving customers and the community to make NJR a leader in the competitive energy marketplace. For more information, visit NJR's Web site at njliving.com.

NEW JERSEY RESOURCES CORPORATION CONSOLIDATED FINANCIAL RESULTS

<i>Thousands, except per share data (Unaudited)</i>	Three Months Ended December 31,	
	2006	2005
Operating Revenues	\$741,465	\$1,164,576
Net Income	\$28,124	\$34,264
Earnings Per Common Share		
Basic	\$1.01	\$1.24
Diluted	\$1.01	\$1.23
Average Shares Outstanding		
Basic	27,713	27,550
Diluted	27,904	27,960

[New Jersey Natural Gas](#)

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