

NEW JERSEY RESOURCES CORP
Form 10-Q
February 07, 2013

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10 Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED DECEMBER 31, 2012
OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934
FOR THE TRANSITION PERIOD FROM TO

Commission file number 1 8359

NEW JERSEY RESOURCES CORPORATION
(Exact name of registrant as specified in its charter)

New Jersey
(State or other jurisdiction of
incorporation or organization)

22 2376465
(I.R.S. Employer
Identification Number)

1415 Wyckoff Road, Wall, New Jersey 07719
(Address of principal
executive offices)

732 938 1480
(Registrant's telephone number,
including area code)

Securities registered pursuant to Section 12 (b) of the Act:

Common Stock \$2.50 Par Value
(Title of each class)

New York Stock Exchange
(Name of each exchange on which registered)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes: No:

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes: No:

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer," and "smaller reporting

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company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer: Accelerated filer:

Non-accelerated filer:
(Do not check if a smaller
reporting company)

Smaller reporting company:

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes: No:

The number of shares outstanding of \$2.50 par value Common Stock as of February 5, 2013 was 41,810,073.

New Jersey Resources Corporation

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New Jersey Resources Corporation

INFORMATION CONCERNING FORWARD-LOOKING STATEMENTS

Certain statements contained in this report, including, without limitation, statements as to management expectations and beliefs presented in Part I, Item 2. "Management's Discussion and Analysis of Financial Condition and Results of Operations," Part I, Item 3. "Quantitative and Qualitative Disclosures about Market Risk," Part II, Item I. "Legal Proceedings" and in the notes to the financial statements are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements can also be identified by the use of forward-looking terminology such as "may," "intend," "expect," "believe," "will" or "continue" or comparable terminology and made based upon management's current expectations and beliefs as of this date concerning future developments and their potential effect upon New Jersey Resources Corporation (NJR or the Company). There can be no assurance that future developments will be in accordance with management's expectations or that the effect of future developments on the Company will be those anticipated by management.

The Company cautions readers that the assumptions that form the basis for forward-looking statements regarding customer growth, customer usage, qualifications for federal investment tax credits (ITCs) and solar renewable energy certificates (SRECs), financial condition, results of operations, cash flows, capital requirements, market risk and other matters for fiscal 2013 and thereafter include many factors that are beyond the Company'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, those discussed in Item 1A. Risk Factors of NJR's 2012 Annual Report on Form 10-K and Part II, Item 1A of this Form 10-Q, as well as the following:

- weather and economic conditions;
- demographic changes in the New Jersey Natural Gas (NJNG) service territory and their effect on NJNG's customer growth;
- volatility of natural gas and other commodity prices and their impact on NJNG customer usage, NJNG's BGSS incentive programs, NJR Energy Services' (NJRES) operations and on the Company's risk management efforts;
- changes in rating agency requirements and/or credit ratings and their effect on availability and cost of capital to the Company;
- the impact of volatility in the credit markets;
- the ability to comply with debt covenants;
- the impact to the asset values and resulting higher costs and funding obligations of NJR's pension and postemployment benefit plans as a result of downturns in the financial markets, a lower discount rate, and impacts associated with the Patient Protection and Affordable Care Act;
- accounting effects and other risks associated with hedging activities and use of derivatives contracts;
- commercial and wholesale credit risks, including the availability of creditworthy customers and counterparties, liquidity in the wholesale energy trading market;
- the ability to obtain governmental approvals and/or financing for the construction, development and operation of certain non-regulated energy investments;
- risks associated with the management of the Company's joint ventures and partnerships;
- risks associated with our investments in renewable energy projects and our investment in an on-shore wind developer, including the availability of regulatory and tax incentives, logistical risks and potential delays related to construction, permitting, regulatory approvals and electric grid interconnection, the availability of viable projects and NJR's eligibility for ITCs, the future market for SRECs and operational risks related to projects in service;
- timing of qualifying for ITCs due to delays or failures to complete planned solar energy projects and the resulting effect on our effective tax rate and earnings;
- the level and rate at which NJNG's costs and expenses (including those related to restoration efforts resulting from Post Tropical Cyclone Sandy, commonly referred to as Superstorm Sandy) are incurred and the extent to which they

are allowed to be recovered from customers through the regulatory process;

- access to adequate supplies of natural gas and dependence on third-party storage and transportation facilities for natural gas supply;
- operating risks incidental to handling, storing, transporting and providing customers with natural gas;
- risks related to our employee workforce, including a work stoppage;
- the regulatory and pricing policies of federal and state regulatory agencies;
- the possible expiration of the NJNG Conservation Incentive Program (CIP);
- the costs of compliance with the proposed regulatory framework for over-the-counter derivatives;
- the costs of compliance with present and future environmental laws, including potential climate change-related legislation;
- risks related to changes in accounting standards;
- the impact of a disallowance of recovery of environmental-related expenditures and other regulatory changes;
- environmental-related and other litigation and other uncertainties; and
- the impact of natural disasters, terrorist activities, and other extreme events on our operations and customers, including any impacts to utility gross margin and restoration costs resulting from Superstorm Sandy.

While the Company periodically reassesses material trends and uncertainties affecting the Company's results of operations and financial condition in connection with its preparation of management's discussion and analysis of results of operations and financial condition contained in its Quarterly and Annual Reports, the Company does not, by including this statement, assume any obligation to review or revise any particular forward-looking statement referenced herein in light of future events.

New Jersey Resources Corporation
Part I

ITEM 1. FINANCIAL
STATEMENTS

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

(Thousands, except per share data)	Three Months Ended December 31,	
	2012	2011
OPERATING REVENUES		
Utility	\$ 218,849	\$ 191,374
Nonutility	517,170	451,037
Total operating revenues	736,019	642,411
OPERATING EXPENSES		
Gas purchases:		
Utility	111,321	85,630
Nonutility	455,427	406,417
Operation and maintenance	40,070	38,945
Regulatory rider expenses	13,982	12,543
Depreciation and amortization	11,303	9,600
Energy and other taxes	16,725	14,058
Total operating expenses	648,828	567,193
OPERATING INCOME	87,191	75,218
Other income	265	527
Interest expense, net of capitalized interest	5,825	5,005
INCOME BEFORE INCOME TAXES AND EQUITY IN EARNINGS OF AFFILIATES	81,631	70,740
Income tax provision	23,980	16,037
Equity in earnings of affiliates	2,555	2,654
NET INCOME	\$ 60,206	\$ 57,357
EARNINGS PER COMMON SHARE		
BASIC	\$1.44	\$1.38
DILUTED	\$1.44	\$1.38
DIVIDENDS PER COMMON SHARE	\$0.40	\$0.38
WEIGHTED AVERAGE SHARES OUTSTANDING		
BASIC	41,695	41,434
DILUTED	41,758	41,651

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)

(Thousands)	Three Months Ended December 31,	
	2012	2011
Net income	\$ 60,206	\$ 57,357
Other comprehensive income, net of tax		
Unrealized (loss) gain on available for sale securities, net of tax of \$221 and \$(600), respectively ⁽¹⁾	\$ (320)) \$ 869
Net unrealized (loss) on derivatives, net of tax of \$6 and \$23, respectively	(10)) (40)
Adjustment to postemployment benefit obligation, net of tax of \$(203) and \$(150), respectively	413	219

Other comprehensive income	\$ 83	\$ 1,048
Comprehensive income	\$ 60,289	\$ 58,405

(1) Available for sale securities are included in other noncurrent assets on the Unaudited Condensed Consolidated Balance Sheets.

See Notes to Unaudited Condensed Consolidated Financial Statements

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New Jersey Resources Corporation
Part I

ITEM 1. FINANCIAL STATEMENTS
(Continued)

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

(Thousands)	Three Months Ended	
	December 31, 2012	2011
CASH FLOWS (USED IN) OPERATING ACTIVITIES		
Net income	\$60,206	\$57,357
Adjustments to reconcile net income to cash flows from operating activities:		
Unrealized (gain) on derivative instruments	(18,335)	(27,474)
Depreciation and amortization	11,303	9,600
Allowance for equity used during construction	(606)	(42)
Allowance for bad debt expense	562	966
Deferred income taxes	22,233	37,724
Manufactured gas plant remediation costs	(941)	(2,099)
Equity in earnings of affiliates, net of distributions received	1,699	2,711
Cost of removal - asset retirement obligations	(137)	(341)
Contributions to postemployment benefit plans	(21,487)	(21,538)
Changes in:		
Components of working capital	(88,145)	(144,912)
Other noncurrent assets	(14,101)	5,992
Other noncurrent liabilities	2,782	4,591
Cash flows (used in) operating activities	(44,967)	(77,465)
CASH FLOWS (USED IN) INVESTING ACTIVITIES		
Expenditures for		
Utility plant	(32,869)	(19,395)
Solar equipment	(15,320)	(47,611)
Real estate properties and other	(154)	(89)
Cost of removal	(1,276)	(2,323)
Distribution from equity investees	458	—
Withdrawal from restricted cash construction fund	5	28
Cash flows (used in) investing activities	(49,156)	(69,390)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of common stock	5,838	3,248
Tax benefit from stock options exercised	62	62
Proceeds from sale-leaseback transaction	7,076	6,522
Payments of long-term debt	(1,384)	(1,198)
Purchases of treasury stock	—	(3,717)
Payments of common stock dividends	(33,320)	(14,946)
Net proceeds from short-term debt	114,600	157,250
Cash flows from financing activities	92,872	147,221
Change in cash and cash equivalents	(1,251)	366
Cash and cash equivalents at beginning of period	4,509	7,440
Cash and cash equivalents at end of period	\$3,258	\$7,806
CHANGES IN COMPONENTS OF WORKING CAPITAL		
Receivables	\$(142,852)	\$(74,161)

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Inventories	(54,993)	1,808
Recovery of gas costs	371	26,444
Gas purchases payable	58,354	(26,728)
Prepaid and accrued taxes	21,993	(1,218)
Accounts payable and other	11,298	(6,740)
Restricted broker margin accounts	13,188	3,468
Customers' credit balances and deposits	(10,897)	(72,625)
Other current assets	15,393	4,840
Total	\$(88,145)	\$(144,912)

SUPPLEMENTAL DISCLOSURES OF CASH FLOWS INFORMATION

Cash paid for:

Interest (net of amounts capitalized)	\$966	\$555
Income taxes	\$5	\$135

SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING ACTIVITIES

Accrued capital expenditures	\$(4,934)	\$13,200
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See Notes to Unaudited Condensed Consolidated Financial Statements

New Jersey Resources Corporation
Part I

ITEM 1. FINANCIAL STATEMENTS
(Continued)

CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)

ASSETS

(Thousands)	December 31, 2012	September 30, 2012
PROPERTY, PLANT AND EQUIPMENT		
Utility plant, at cost	\$ 1,602,315	\$ 1,591,532
Construction work in progress	122,949	102,420
Solar equipment, real estate properties and other, at cost	221,060	192,026
Construction work in progress	2,275	20,558
Total property, plant and equipment	1,948,599	1,906,536
Accumulated depreciation and amortization	(422,271)	(421,659)
Property, plant and equipment, net	1,526,328	1,484,877
CURRENT ASSETS		
Cash and cash equivalents	3,258	4,509
Customer accounts receivable		
Billed	266,424	170,543
Unbilled revenues	53,957	7,017
Allowance for doubtful accounts	(5,328)	(4,797)
Regulatory assets	31,194	32,734
Gas in storage, at average cost	315,945	265,193
Materials and supplies, at average cost	12,104	7,863
Prepaid and accrued taxes	10,525	32,029
Derivatives, at fair value	45,498	48,021
Restricted broker margin accounts	8,741	21,929
Deferred taxes	10,850	29,074
Other	18,268	33,229
Total current assets	771,436	647,344
NONCURRENT ASSETS		
Investments in equity investees	163,337	164,595
Regulatory assets	457,880	441,263
Derivatives, at fair value	523	2,328
Other	29,156	29,598
Total noncurrent assets	650,896	637,784
Total assets	\$ 2,948,660	\$ 2,770,005

See Notes to Unaudited Condensed Consolidated Financial Statements