

NEW JERSEY RESOURCES CORP  
Form 10-Q  
February 08, 2012

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, 2011  
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:  Smaller reporting company:   
(Do not check if a 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 3, 2012 was 41,476,807.

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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 are 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 2012 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 2011 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 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 and the Company's ability to recover all of NJRES' funds in the MF Global liquidation proceedings;
- 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 solar energy projects, 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 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;

the regulatory and pricing policies of federal and state regulatory agencies;

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 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.

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,	
	2011	2010
<b>OPERATING REVENUES</b>		
Utility	\$ 191,374	\$ 290,676
Nonutility	451,037	422,476
Total operating revenues	642,411	713,152
<b>OPERATING EXPENSES</b>		
Gas purchases:		
Utility	85,630	160,449
Nonutility	406,417	429,247
Operation and maintenance	38,945	37,416
Regulatory rider expenses	12,543	16,698
Depreciation and amortization	9,600	8,454
Energy and other taxes	14,058	20,625
Total operating expenses	567,193	672,889
<b>OPERATING INCOME</b>	75,218	40,263
Other income	527	445
Interest expense, net of capitalized interest	5,005	5,263
<b>INCOME BEFORE INCOME TAXES AND EQUITY IN EARNINGS OF AFFILIATES</b>	70,740	35,445
Income tax provision	16,037	13,853
Equity in earnings of affiliates	2,654	2,917
<b>NET INCOME</b>	\$ 57,357	\$ 24,509
<b>EARNINGS PER COMMON SHARE</b>		
BASIC	\$1.38	\$0.59
DILUTED	\$1.38	\$0.59
<b>DIVIDENDS PER COMMON SHARE</b>	\$0.38	\$0.36
<b>WEIGHTED AVERAGE SHARES OUTSTANDING</b>		
BASIC	41,434	41,280
DILUTED	41,651	41,510

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)

(Thousands)	Three Months Ended December 31,	
	2011	2010
Net income	\$ 57,357	\$ 24,509
Unrealized gain on available for sale securities, net of tax of \$(600) and \$(286), respectively <sup>(1)</sup>	\$ 869	\$ 410
Net unrealized (loss) on derivatives, net of tax of \$23 and \$39, respectively	(40 )	(69 )
Adjustment to postemployment benefit obligation, net of tax of \$(150) and \$0, respectively	219	—
Other comprehensive income	\$ 1,048	\$ 341
<b>Comprehensive income</b>	\$ 58,405	\$ 24,850

(1) Available for sale securities are included in other noncurrent assets in 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, 2011	2010
<b>CASH FLOWS (USED IN) OPERATING ACTIVITIES</b>		
Net income	\$57,357	\$24,509
Adjustments to reconcile net income to cash flows from operating activities:		
Unrealized (gain) loss on derivative instruments	(27,474 )	54,403
Depreciation and amortization	9,600	8,454
Allowance for equity used during construction	(42 )	(18 )
Allowance for bad debt expense	966	1,363
Deferred income taxes	37,724	357
Manufactured gas plant remediation costs	(2,099 )	(897 )
Equity in earnings of affiliates, net of distributions received	2,711	1,098
Cost of removal - asset retirement obligations	(341 )	(291 )
Contributions to postemployment benefit plans	(21,538 )	(6,408 )
Changes in:		
Components of working capital	(144,912 )	(220,930 )
Other noncurrent assets	5,992	5,651
Other noncurrent liabilities	4,591	854
Cash flows (used in) operating activities	(77,465 )	(131,855 )
<b>CASH FLOWS (USED IN) INVESTING ACTIVITIES</b>		
Expenditures for		
Utility plant	(19,395 )	(26,692 )
Solar equipment	(47,611 )	(1,060 )
Real estate properties and other	(89 )	(85 )
Cost of removal	(2,323 )	(1,506 )
Withdrawal from restricted cash construction fund	28	10
Cash flows (used in) investing activities	(69,390 )	(29,333 )
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issuance of common stock	3,248	3,014
Tax benefit from stock options exercised	62	68
Proceeds from sale-leaseback transaction	6,522	5,901
Payments of long-term debt	(1,198 )	(21,573 )
Purchases of treasury stock	(3,717 )	—
Payments of common stock dividends	(14,946 )	(14,023 )
Net proceeds from short-term debt	157,250	193,525
Cash flows from financing activities	147,221	166,912
Change in cash and cash equivalents	366	5,724
Cash and cash equivalents at beginning of period	7,440	943
Cash and cash equivalents at end of period	\$7,806	\$6,667
<b>CHANGES IN COMPONENTS OF WORKING CAPITAL</b>		
Receivables	\$(74,161 )	\$(159,291 )
Inventories	1,808	(29,360 )
Recovery of gas costs	26,444	11,734



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Gas purchases payable	(26,728 )	35,809
Prepaid and accrued taxes	(1,218 )	33,515
Accounts payable and other	(6,740 )	(3,271 )
Restricted broker margin accounts	3,468	(52,957 )
Customers' credit balances and deposits	(72,625 )	(56,495 )
Other current assets	4,840	(614 )
Total	\$(144,912 )	\$(220,930 )

SUPPLEMENTAL DISCLOSURES OF CASH FLOWS INFORMATION

Cash paid for		
Interest (net of amounts capitalized)	\$555	\$1,383
Income taxes	\$135	\$93

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 BALANCE SHEETS (Unaudited)

ASSETS

(Thousands)	December 31, 2011	September 30, 2011
<b>PROPERTY, PLANT AND EQUIPMENT</b>		
Utility plant, at cost	\$ 1,612,633	\$ 1,595,278
Real estate properties, solar and other, at cost	173,186	110,886
Total property, plant and equipment	1,785,819	1,706,164
Accumulated depreciation and amortization	(414,639 )	(410,237 )
Property, plant and equipment, net	1,371,180	1,295,927
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	7,806	7,440
Customer accounts receivable		
Billed	256,461	209,266
Unbilled revenues	33,335	7,333
Allowance for doubtful accounts	(4,614 )	(4,612 )
Regulatory assets	28,194	17,630
Gas in storage, at average cost	292,127	294,475
Materials and supplies, at average cost	7,935	7,395
Prepaid taxes	60,256	54,311
Derivatives, at fair value	119,626	100,338
Restricted broker margin accounts	50,929	22,595
Deferred taxes	—	1,498
Other	18,763	14,698
Total current assets	870,818	732,367
<b>NONCURRENT ASSETS</b>		
Investments in equity investees	157,277	159,063
Regulatory assets	423,216	434,185
Derivatives, at fair value	7,364	6,515
Other	22,779	21,387
Total noncurrent assets	610,636	621,150
Total assets	\$ 2,852,634	\$ 2,649,444

See Notes to Unaudited Condensed Consolidated Financial Statements

New Jersey Resources Corporation  
Part I

ITEM 1. FINANCIAL STATEMENTS  
(Continued)

CAPITALIZATION AND LIABILITIES

(Thousands)

CAPITALIZATION

Common stock equity

Long-term debt

	December 31, 2011	September 30, 2011
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	\$ 820,512	\$ 776,257
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	431,550	
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