

NEW JERSEY RESOURCES CORP  
Form 10-Q  
August 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 JUNE 30, 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 August 6, 2012 was 41,588,540.

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New Jersey Resources Corporation

## TABLE OF CONTENTS

	Page
<u>Information Concerning Forward-Looking Statements</u>	1
<b>PART I. FINANCIAL INFORMATION</b>	
ITEM 1. <u>Unaudited Condensed Consolidated Financial Statements</u>	<u>2</u>
<u>Notes to Unaudited Condensed Consolidated Financial Statements</u>	<u>3</u>
<u>Note 1. Nature of the Business</u>	<u>3</u>
<u>Note 2. Summary of Significant Accounting Policies</u>	<u>3</u>
<u>Note 3. Regulation</u>	<u>3</u>
<u>Note 4. Derivative Instruments</u>	<u>5</u>
<u>Note 5. Fair Value</u>	<u>10</u>
<u>Note 6. Investments in Equity Investees</u>	<u>11</u>
<u>Note 7. Earnings Per Share</u>	<u>11</u>
<u>Note 8. Debt</u>	<u>11</u>
<u>Note 9. Employee Benefit Plans</u>	<u>12</u>
<u>Note 10. Income Taxes</u>	<u>12</u>
<u>Note 11. Commitments and Contingent Liabilities</u>	<u>12</u>
<u>Note 12. Business Segment and Other Operations Data</u>	<u>13</u>
<u>Note 13. Related Party Transactions</u>	<u>13</u>
ITEM 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>13</u>
ITEM 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>34</u>
ITEM 4. <u>Controls and Procedures</u>	<u>36</u>
<b>PART II. OTHER INFORMATION</b>	
ITEM 1. <u>Legal Proceedings</u>	<u>37</u>
ITEM 1A. <u>Risk Factors</u>	<u>37</u>
ITEM 2. <u>Unregistered Sale of Equity Securities and Use of Proceeds</u>	<u>37</u>
ITEM 6. <u>Exhibits</u>	<u>38</u>
<u>Signatures</u>	<u>39</u>

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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 a downturn 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;
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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		Nine Months Ended	
	June 30,		June 30,	
	2012	2011	2012	2011
<b>OPERATING REVENUES</b>				
Utility	\$ 106,764	\$ 138,149	\$ 524,161	\$ 862,073
Nonutility	318,357	510,020	1,156,292	1,476,235
Total operating revenues	425,121	648,169	1,680,453	2,338,308
<b>OPERATING EXPENSES</b>				
Gas purchases:				
Utility	45,916	74,385	209,847	469,835
Nonutility	333,402	482,735	1,121,874	1,460,600
Operation and maintenance	40,857	38,811	118,987	114,123
Regulatory rider expenses	5,835	6,518	36,821	47,520
Depreciation and amortization	10,687	8,514	30,726	25,445
Energy and other taxes	8,335	10,024	39,202	60,138
Total operating expenses	445,032	620,987	1,557,457	2,177,661
<b>OPERATING (LOSS) INCOME</b>	(19,911 )	27,182	122,996	160,647
Other income	551	1,176	1,427	2,426
Interest expense, net of capitalized interest	4,834	4,744	15,266	15,085
<b>(LOSS) INCOME BEFORE INCOME TAXES AND EQUITY IN EARNINGS OF AFFILIATES</b>	(24,194 )	23,614	109,157	147,988
Income tax (benefit) provision	(11,230 )	6,197	15,901	48,662
Equity in earnings of affiliates	2,644	2,957	8,316	9,484
<b>NET (LOSS) INCOME</b>	<b>\$(10,320 )</b>	<b>\$ 20,374</b>	<b>\$ 101,572</b>	<b>\$ 108,810</b>
<b>(LOSS) EARNINGS PER COMMON SHARE</b>				
<b>BASIC</b>	<b>\$(0.25)</b>	<b>\$0.49</b>	<b>\$2.45</b>	<b>\$2.63</b>
<b>DILUTED</b>	<b>\$(0.25)</b>	<b>\$0.49</b>	<b>\$2.44</b>	<b>\$2.62</b>
<b>DIVIDENDS PER COMMON SHARE</b>	<b>\$0.38</b>	<b>\$0.36</b>	<b>\$1.14</b>	<b>\$1.08</b>
<b>WEIGHTED AVERAGE SHARES OUTSTANDING</b>				
<b>BASIC</b>	<b>41,560</b>	<b>41,381</b>	<b>41,501</b>	<b>41,338</b>
<b>DILUTED</b>	<b>41,560</b>	<b>41,597</b>	<b>41,643</b>	<b>41,551</b>

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)

(Thousands)	Three Months Ended		Nine Months Ended	
	June 30,		June 30,	
	2012	2011	2012	2011
Net (loss) income	\$(10,320 )	\$ 20,374	\$ 101,572	\$ 108,810
Other comprehensive income (loss), net of tax				
Unrealized gain (loss) on available for sale securities, net of tax of \$(79), \$141, \$(104) and \$(411), respectively <sup>(1)</sup>	\$ 114	\$(205 )	\$ 150	\$ 595
Net unrealized (loss) gain on derivatives, net of tax of \$8, \$(1), \$49 and \$(56), respectively	(14 )	2	(84 )	97

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Adjustment to postemployment benefit obligation, net of tax of \$(149), \$0, \$(448) and \$0, respectively	220	—	658	—
Other comprehensive income (loss)	\$ 320	\$ (203 )	\$ 724	\$ 692
Comprehensive (loss) income	\$(10,000 )	\$ 20,171	\$ 102,296	\$ 109,502

(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

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

(Thousands)	Nine Months Ended	
	June 30, 2012	2011
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 101,572	\$ 108,810
Adjustments to reconcile net income to cash flows from operating activities:		
Unrealized loss on derivative instruments	17,596	53,503
Depreciation and amortization	30,726	25,445
Allowance for equity used during construction	(317 )	(1,252 )
Allowance for bad debt expense	1,989	3,365
Deferred income taxes	30,588	22,110
Manufactured gas plant remediation costs	(6,125 )	(10,818 )
Equity in earnings of affiliates, net of distributions received	4,209	(470 )
Cost of removal - asset retirement obligations	(912 )	(711 )
Contributions to postemployment benefit plans	(24,446 )	(9,591 )
Changes in:		
Components of working capital	(110,114 )	5,311
Other noncurrent assets	8,747	11,951
Other noncurrent liabilities	6,404	19,568
Cash flows from operating activities	59,917	227,221
<b>CASH FLOWS (USED IN) INVESTING ACTIVITIES</b>		
Expenditures for		
Utility plant	(71,916 )	(69,894 )
Solar equipment	(75,243 )	(17,529 )
Real estate properties and other	(568 )	(2,423 )
Cost of removal	(10,634 )	(8,075 )
Withdrawal from restricted cash construction fund	126	67
Cash flows (used in) investing activities	(158,235 )	(97,854 )
<b>CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES</b>		
Proceeds from issuance of common stock	10,636	10,507
Tax benefit from stock options exercised	222	355
Proceeds from sale-leaseback transaction	6,522	5,901
Payments of long-term debt	(4,856 )	(25,690 )
Purchases of treasury stock	(8,768 )	(7,222 )
Payments of common stock dividends	(46,466 )	(43,747 )
Net proceeds from short-term debt	140,650	(9,600 )
Cash flows from (used in) financing activities	97,940	(69,496 )
Change in cash and cash equivalents	(378 )	59,871
Cash and cash equivalents at beginning of period	7,440	943
Cash and cash equivalents at end of period	\$ 7,062	\$ 60,814

## CHANGES IN COMPONENTS OF WORKING CAPITAL

Receivables	\$36,598	\$(97,566 )
Inventories	78,601	87,210
Recovery of gas costs	(13,405 )	36,329
Gas purchases payable	(99,173 )	12,856
Prepaid and accrued taxes	(11,375 )	15,654
Accounts payable and other	9,754	11,857
Restricted broker margin accounts	(20,320 )	(36,544 )
Customers' credit balances and deposits	(75,318 )	(16,341 )
Other current assets	(15,476 )	(8,144 )
Total	\$(110,114 )	\$5,311

## SUPPLEMENTAL DISCLOSURES OF CASH FLOWS INFORMATION

## Cash paid for:

Interest (net of amounts capitalized)	\$8,918	\$9,778
Income taxes	\$7,536	\$4,138

## SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING ACTIVITIES

Accrued capital expenditures	\$(108 )	\$(4,245 )
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See Notes to Unaudited Condensed Consolidated Financial Statements

## CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)

## ASSETS

(Thousands)	June 30, 2012	September 30, 2011
PROPERTY, PLANT AND EQUIPMENT		
Utility plant, at cost	\$1,549,194	\$1,502,955
Construction work in progress	111,612	92,323
Solar equipment, real estate properties and other, at cost	185,466	