

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

FORM 10-K

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

For the fiscal year ended September 30, 2020
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 001-08359

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) 938-1000

(Registrant's telephone number, including area code)

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

Title of each class	Trading symbol(s)	Name of each exchange on which registered
Common Stock - \$2.50 Par Value	NJR	New York Stock Exchange

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

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

☒ Yes ☐ No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

☐ Yes ☒ No

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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ☐ Yes ☒ No

The aggregate market value of the registrant's common stock held by non-affiliates was \$3,248,998,994 based on the closing price of \$33.97 per share on March 31, 2020, as reported on the New York Stock Exchange.

The number of shares outstanding of \$2.50 par value common stock as of November 26, 2020 was 96,132,545.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive Proxy Statement for the Annual Meeting of Shareowners (Proxy Statement) to be held on January 20, 2021, are incorporated by reference into Part I and Part III of this report.

New Jersey Resources Corporation

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* Portions of Item 10 and Items 11-14 are Incorporated by Reference from the Proxy Statement.

New Jersey Resources Corporation

GLOSSARY OF KEY TERMS

Adelphia Gateway	Adelphia Gateway, LLC
AFUDC	Allowance for Funds Used During Construction
ARO	Asset Retirement Obligations
ASC	Accounting Standards Codification
ASU	Accounting Standards Update
Bcf	Billion Cubic Feet
BGSS	Basic Gas Supply Service
BPU	New Jersey Board of Public Utilities
Bridge Facility	The \$350 million term loan credit agreement
CARES Act	Coronavirus Aid, Relief, and Economic Security Act
CIP	Conservation Incentive Program
CME	Chicago Mercantile Exchange
COVID-19	Novel coronavirus disease
CR&R	Commercial Realty & Resources Corp.
Degree-day	The measure of the variation in the weather based on the extent to which the average daily temperature falls below 65 degrees Fahrenheit
Dominion	Dominion Energy, Inc.
DM	Dominion Energy Midstream Partners, L.P., a master limited partnership
DM Common Units	Common units representing limited partnership interests in DM
DRP	NJR Direct Stock Purchase and Dividend Reinvestment Plan
Dths	Dekatherms
EDA	New Jersey Economic Development Authority
EDA Bonds	Bonds issued to NJNG by the EDA
EDECA	Electric Discount and Energy Competition Act
EE	Energy Efficiency
Energy Services	Energy Services segment
EPS	Earnings Per Share
ERP	Enterprise Resource Planning
Exchange Act	Securities Exchange Act of 1934, as amended
FASB	Financial Accounting Standards Board
FCM	Futures Commission Merchant
FERC	Federal Energy Regulatory Commission
Financial Margin	A non-GAAP financial measure, which represents revenues earned from the sale of natural gas less costs of natural gas sold including any transportation and storage costs, and excludes any accounting impact from the change in the fair value of certain derivative instruments
Fitch	Fitch Ratings Company
FMB	First Mortgage Bonds
GAAP	Generally Accepted Accounting Principles of the United States
GWRA	Global Warming Response Act of 2007
HCCTR	Health Care Cost Trend Rate
Home Services and Other	Home Services and Other Operations
ICE	Intercontinental Exchange
IEC	Interstate Energy Company, LLC
IIP	Infrastructure Investment Program
IRS	Internal Revenue Service
ISDA	The International Swaps and Derivatives Association
ITC	Investment Tax Credit
LDCC	Leadership Development and Compensation Committee
Leaf River	Leaf River Energy Center LLC
LIBOR	London Inter-Bank Offered Rate
LNG	Liquefied Natural Gas
Loan Agreement	Loan Agreement between the EDA and NJNG
MGP	Manufactured Gas Plant
MMBtu	Million British Thermal Units
Moody's	Moody's Investors Service, Inc.
Mortgage Indenture	The Amended and Restated Indenture of Mortgage, Deed of Trust and Security Agreement between NJNG and U.S. Bank National Association dated as of September 1, 2014, as amended
MW	Megawatts

New Jersey Resources Corporation

GLOSSARY OF KEY TERMS (cont.)

MWh	Megawatt Hour
NAESB	The North American Energy Standards Board
NAV	Net Asset Value
Natural Gas Act	The Natural Gas Act of 1938, as amended; the federal law regulating interstate natural gas pipeline and storage companies, among other things, codified beginning at 15 U.S.C. Section 717.
NFE	Net Financial Earnings
NJ RISE	New Jersey Reinvestment in System Enhancement
NJCEP	New Jersey's Clean Energy Program
NJDEP	New Jersey Department of Environmental Protection
NJNG	New Jersey Natural Gas Company or Natural Gas Distribution segment
NJNG Credit Facility	The \$250 million unsecured committed credit facility expiring in December 2023
NJR Credit Facility	The \$425 million unsecured committed credit facility expiring in December 2023
NJR or The Company	New Jersey Resources Corporation
NJRCEV	NJR Clean Energy Ventures Corporation or Clean Energy Ventures Segment
NJRES	NJR Energy Services Company
NJRHS	NJR Home Services Company
NJRRS	NJR Retail Services Company
Non-GAAP	Not in accordance with Generally Accepted Accounting Principles of the United States
NPNS	Normal Purchase/Normal Sale
NYMEX	New York Mercantile Exchange
OASDI	Old Age, Survivors and Disability Insurance tax
O&M	Operations and Maintenance
OPEB	Other Postemployment Benefit Plans
PBO	Projected Benefit Obligation
PennEast	PennEast Pipeline Company, LLC
PEP	Pension Equalization Plan
PIM	Pipeline Integrity Management
PPA	Power Purchase Agreement
Prudential Facility	NJR's unsecured, uncommitted private placement shelf note agreement with Prudential Investment Management, Inc.
PTC	Production Tax Credit
RAC	Remediation Adjustment Clause
REC	Renewable Energy Certificate
S&P	Standard & Poor's Financial Services, LLC
SAFE I	Safety Acceleration and Facility Enhancement Program, Phase I
SAFE II	Safety Acceleration and Facility Enhancement Program, Phase II
Sarbanes-Oxley	Sarbanes-Oxley Act of 2002
SAVEGREEN	The SAVEGREEN Project®
Savings Plan	Employees' Retirement Savings Plan
SBC	Societal Benefits Charge
SEC	Securities and Exchange Commission
Securities Act	Securities Act of 1933, as amended
SREC	Solar Renewable Energy Certificate
SRL	Southern Reliability Link
Steckman Ridge	Collectively, Steckman Ridge GP, LLC and Steckman Ridge, LP
Talen	Talen Energy Marketing, LLC or Talen Generation, LLC
TETCO	Texas Eastern Transmission
The Tax Act	An Act to Provide for Reconciliation Pursuant to Titles II and V of the Concurrent Resolution on the Budget for Fiscal Year 2018, previously known as The Tax Cuts and Jobs Act of 2017
Third Circuit	The United States Court of Appeals for the Third Circuit
Storage and Transportation	Storage and Transportation segment, formerly Midstream segment
Trustee	U.S. Bank National Association
TSR	Total Shareholder Return
U.S.	The United States of America
Union	International Brotherhood of Electrical Workers Local 1820
USF	Universal Service Fund

New Jersey Resources Corporation

INFORMATION CONCERNING FORWARD-LOOKING STATEMENTS

Certain statements contained in this report, including, without limitation, statements as to management expectations, assumptions and beliefs presented in *Part I, Item 1. Business* and *Item 3. Legal Proceedings*, and in *Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations* and *Item 7A. Quantitative and Qualitative Disclosures About Market Risk*, and in the notes to the financial statements, are forward-looking statements within the meaning of Section 27A of the Securities Act, Section 21E of the Exchange Act, and the Private Securities Litigation Reform Act of 1995. Forward-looking statements can also be identified by the use of forward-looking terminology such as "anticipate," "estimate," "may," "could," "might," "intend," "expect," "believe," "will," "plan" or "should" or comparable terminology and are made based upon management's current expectations, assumptions and beliefs as of this date concerning future developments and their potential effect on us. There can be no assurance that future developments will be in accordance with management's expectations, assumptions or beliefs, or that the effect of future developments on us will be those anticipated by management.

We caution readers that the expectations, assumptions and beliefs that form the basis for forward-looking statements regarding customer growth, customer usage, qualifications for ITCs, RECs, future rate case proceedings, financial condition, results of operations, cash flows, capital requirements, future capital expenditures, market risk, effective tax rate and other matters for fiscal 2021 and thereafter include many factors that are beyond our 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 our expectations, assumptions and beliefs include, but are not limited to, those discussed in *Part I, Item 1A. Risk Factors*, as well as the following:

- risks related to the impact of COVID-19 on business operations, financial performance and condition and cash flows;
- our ability to obtain governmental and regulatory approvals, land-use rights, electric grid connection (in the case of clean energy projects) and/or financing for the construction, development and operation of our unregulated energy investments, pipeline transportation systems and NJNG and Storage and Transportation infrastructure projects, including PennEast and Adelphia Gateway, in a timely manner;
- risks associated with our investments in clean energy projects, including the availability of regulatory incentives and federal tax credits, the availability of viable projects, our eligibility for ITCs, the future market for SRECs, TRECs and electricity prices, and operational risks related to projects in service;
- risks associated with acquisitions and the related integration of acquired assets with our current operations, including the acquisition of Adelphia Gateway and Leaf River;
- our ability to comply with current and future regulatory requirements;
- volatility of natural gas and other commodity prices and their impact on NJNG customer usage, NJNG's BGSS incentive programs, our Energy Services segment operations and our risk management efforts;
- the performance of our subsidiaries;
- access to adequate supplies of natural gas and dependence on third-party storage and transportation facilities for natural gas supply;
- the level and rate at which NJNG's costs and expenses are incurred and the extent to which they are approved for recovery from customers through the regulatory process, including through future base rate case filings;
- the impact of a disallowance of recovery of environmental-related expenditures and other regulatory changes;
- the regulatory and pricing policies of federal and state regulatory agencies;
- operating risks incidental to handling, storing, transporting and providing customers with natural gas;
- demographic changes in our service territory and their effect on our customer growth;
- timing of qualifying for ITCs due to delays or failures to complete planned solar projects and the resulting impact on our effective tax rate and earnings;
- 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 equity and credit markets on our access to capital;
- our ability to comply with debt covenants;
- the results of legal or administrative proceedings with respect to claims, rates, environmental issues, natural gas cost prudence reviews and other matters;
- risks related to cyberattacks or failure of information technology systems;
- the impact to the asset values and resulting higher costs and funding obligations of our pension and postemployment benefit plans as a result of potential downturns in the financial markets, lower discount rates, revised actuarial assumptions or impacts associated with the Patient Protection and Affordable Care Act;
- commercial and wholesale credit risks, including the availability of creditworthy customers and counterparties, and liquidity in the wholesale energy trading market;
- accounting effects and other risks associated with hedging activities and use of derivatives contracts;
- our ability to optimize our physical assets;
- weather and economic conditions;
- the costs of compliance with present and future environmental laws, potential climate change-related legislation or any legislation resulting from the 2019 New Jersey Energy Master Plan;
- uncertainties related to litigation, regulatory, administrative or environmental proceedings;
- changes to tax laws and regulations;
- any potential need to record a valuation allowance for our deferred tax assets;
- the impact of natural disasters, terrorist activities and other extreme events on our operations and customers;
- risks related to our employee workforce and succession planning;
- risks associated with the management of our joint ventures and partnerships; and
- risks associated with keeping pace with technological change.

While we periodically reassess material trends and uncertainties affecting our results of operations and financial condition in connection with the preparation of management's discussion and analysis of results of operations and financial condition contained in our Quarterly and Annual Reports on Form 10-Q and Form 10-K, respectively, we do 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. BUSINESS

ORGANIZATIONAL STRUCTURE

New Jersey Resources Corporation is a New Jersey corporation formed in 1981 pursuant to a corporate reorganization. We are a diversified energy services holding company whose principal business is the distribution of natural gas through a regulated utility, providing other retail and wholesale energy services to customers and investing in clean energy projects and natural gas storage and transportation assets. We are an exempt holding company under section 1263 of the Energy Policy Act of 2005.

Our primary subsidiaries include:

New Jersey Natural Gas Company provides regulated retail natural gas utility service to approximately 558,000 residential and commercial customers throughout Monmouth, Ocean, Morris, Middlesex and Burlington counties in New Jersey and participates in the off-system sales and capacity release markets. NJNG, a local natural gas distribution company, is regulated by the BPU and comprises the Company's Natural Gas Distribution segment and is referred to herein as NJNG or Natural Gas Distribution.

NJR Clean Energy Ventures Corporation includes the results of operations and assets related to the Company's unregulated capital investments in clean energy projects, including commercial and residential solar projects. NJRCEV comprises the Company's Clean Energy Ventures segment and is referred to herein as Clean Energy Ventures.

NJR Energy Services Company maintains and transacts around a portfolio of physical assets consisting of natural gas transportation and storage contracts in the U.S. and Canada. NJRES also provides unregulated wholesale energy management services to other energy companies and natural gas producers. NJRES comprises our Energy Services segment and is referred to herein as Energy Services.

NJR Midstream Holdings Corporation, which comprises the Storage and Transportation segment, formerly known as the Midstream segment, invests in energy-related ventures through its subsidiaries. Investments include NJR Steckman Ridge Storage Company, which holds our 50 percent combined ownership interest in Steckman Ridge, located in Pennsylvania, and NJR Midstream Company, formerly NJR Pipeline Company, which includes our 20 percent ownership interest in PennEast, our wholly-owned subsidiaries of Leaf River, located in southeastern Mississippi, and Adelphia Gateway, located in eastern Pennsylvania, and are subject to FERC regulation. See *Note 7. Investments in Equity Investees* for more information on Steckman Ridge and PennEast.

NJR Home Services Company provides heating, ventilation and cooling service, sales and installation of appliances to approximately 107,000 service contract customers, as well as solar installation projects, and is the primary contributor to Home Services and Other operations.

New Jersey Resources Corporation

Part I

ITEM 1. BUSINESS (Continued)

REPORTING SEGMENTS

We operate within four reporting segments: Natural Gas Distribution, Clean Energy Ventures, Energy Services and Storage and Transportation, formerly known as Midstream.

The Natural Gas Distribution segment consists of regulated natural gas services, off-system sales, capacity and storage management operations. The Energy Services segment consists of unregulated wholesale and retail energy operations, as well as energy management services. The Clean Energy Ventures segment consists of capital investments in clean energy projects. The Storage and Transportation segment consists of investments in the natural gas storage and transportation market, such as natural gas storage and transportation facilities.

Net income by reporting segment and other business operations for the fiscal years ended September 30, are as follows:

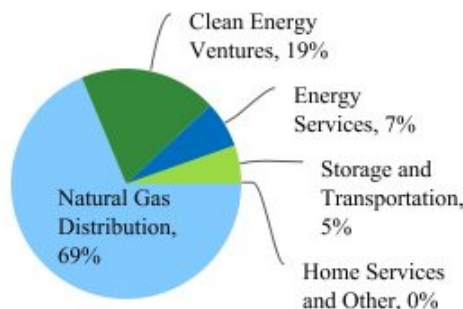
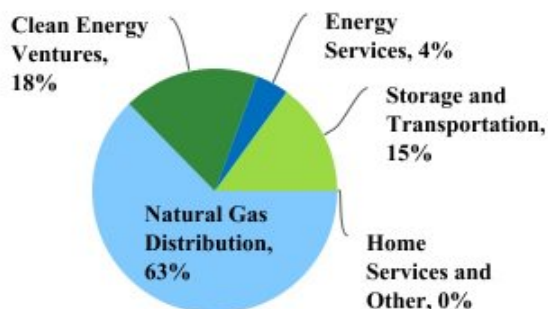


Energy Services incurred a net loss of \$11 million and \$1.3 million in fiscal 2020 and 2019, respectively, which is not shown clearly in the above graph.

Assets composition by reporting segment and other business operations at September 30, are as follows:

2020

2019



Assets at Home Services and Other are immaterial, which is not shown clearly in the above charts.

New Jersey Resources Corporation

Part I

ITEM 1. BUSINESS Continued

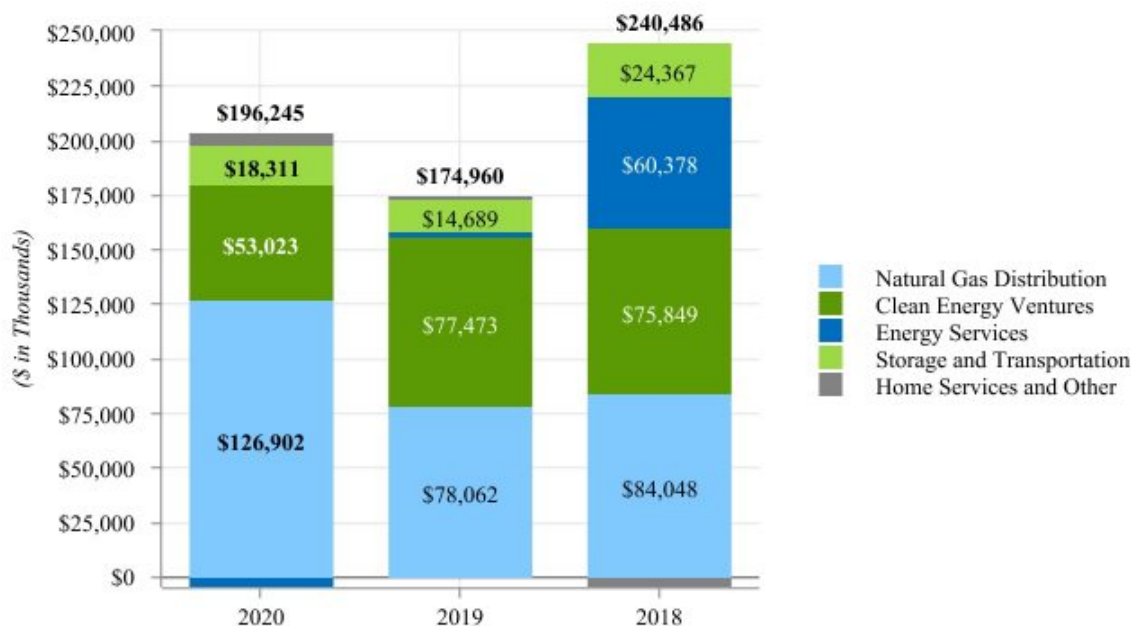
Management uses NFE, a non-GAAP financial measure, when evaluating our operating results. NFE is a measure of the earnings based on eliminating timing differences surrounding the recognition of certain gains or losses to effectively match the earnings effects of the economic hedges with the physical sale of natural gas and, therefore, eliminates the impact of volatility to GAAP earnings associated with the derivative instruments. Energy Services economically hedges its natural gas inventory with financial derivative instruments and calculates the related tax effect based on the statutory rate.

Non-GAAP financial measures are not in accordance with, or an alternative to, GAAP, and should be considered in addition to, and not as a substitute for, the comparable GAAP measure. The following is a reconciliation of consolidated net income, the most directly comparable GAAP measure, to NFE for the fiscal years ended September 30:

(Thousands)	2020	2019	2018
Net income	\$ 193,919	\$ 169,505	\$ 233,436
Add:			
Unrealized (gain) loss on derivative instruments and related transactions	(9,644)	2,881	26,770
Tax effect	2,296	(711)	(4,512)
Effects of economic hedging related to natural gas inventory	12,690	4,309	(22,570)
Tax effect	(3,016)	(1,024)	7,362
NFE ⁽¹⁾	\$ 196,245	\$ 174,960	\$ 240,486
Basic earnings per share	\$ 2.05	\$ 1.90	\$ 2.66
Add:			
Unrealized (gain) loss on derivative instruments and related transactions	(0.10)	0.03	0.31
Tax effect	0.02	(0.01)	(0.05)
Effects of economic hedging related to natural gas inventory	0.13	0.05	(0.26)
Tax effect	(0.03)	(0.01)	0.08
Basic NFE per share	\$ 2.07	\$ 1.96	\$ 2.74

(1) NFE during fiscal 2018 was \$59.6 million, or \$0.68 per share, higher due to the revaluation of deferred taxes resulting from the reduction in the federal corporate tax rate related to the Tax Act.

NFE by reporting segment and other business operations for the fiscal years ended September 30, are as follows:



NFE at Energy Services had a loss of \$7.9 million in fiscal 2020 and income of \$2.9 million in fiscal 2019, which is not shown clearly in the above graph.

New Jersey Resources Corporation

Part I

ITEM 1. BUSINESS (Continued)

Natural Gas Distribution

General

Our Natural Gas Distribution segment consists of regulated utility operations that provide natural gas service to approximately 558,000 customers. NJNG's service territory includes Monmouth, Ocean, Morris, Middlesex and Burlington counties in New Jersey. It encompasses 1,516 square miles, covering 105 municipalities with an estimated population of 1.5 million people. It is primarily suburban, highlighted by approximately 100 miles of New Jersey coastline. It is in close proximity to New York City, Philadelphia and the metropolitan areas of northern New Jersey and is accessible through a network of major roadways and mass transportation.

NJNG's business is subject to various risks, such as those associated with adverse economic conditions, which can negatively impact customer growth and operating and financing costs; fluctuations in commodity prices, which can impact customer usage; customer conservation efforts; certain regulatory actions; and environmental remediation. It is often difficult to predict the impact of trends associated with these risks. NJNG employs strategies to manage the challenges it faces, including pursuing customer conversions from other fuel sources and monitoring new construction markets through contact with developers, utilizing incentive programs through BPU-approved mechanisms to reduce natural gas costs, pursuing rate and other regulatory strategies designed to stabilize and decouple gross margin, and working actively with consultants and the NJDEP to manage expectations related to its obligations associated with its former MGP sites.

Operating Revenues/Throughput

For the fiscal years ended September 30, operating revenues and throughput by customer class for our Natural Gas Distribution segment are as follows:

	2020		2019		2018	
(\$ in thousands)	Operating Revenue ⁽²⁾	Bcf	Operating Revenue ⁽²⁾	Bcf	Operating Revenue	Bcf
Residential	\$ 500,271	44.6	\$ 450,515	46.0	\$ 441,486	45.5
Commercial and other	98,463	8.2	104,372	9.7	95,351	8.9
Firm transportation	66,871	13.3	57,513	13.7	65,256	15.5
Total residential and commercial	665,605	66.1	612,400	69.4	602,093	69.9
Interruptible	6,322	30.9	6,637	39.0	7,522	46.2
Total system	671,927	97.0	619,037	108.4	609,615	116.1
BGSS incentive programs ⁽¹⁾	57,996	118.4	91,756	37.8	122,250	42.8
Total	\$ 729,923	215.4	\$ 710,793	146.2	\$ 731,865	158.9

(1) Does not include 86.3, 86 and 107.4 Bcf for the capacity release program and related amounts of \$3.1 million, \$4.1 million and \$5.7 million, which are recorded as a reduction of natural gas purchases on the Consolidated Statements of Operations for the fiscal years ended September 30, 2020, 2019 and 2018, respectively.

(2) Operating revenue presents sales tax, net during fiscal 2020 and 2019, due to the adoption of ASC 606, *Revenue from Contracts with Customers*. During fiscal 2018, operating revenue only included sales tax on operating revenues excluding tax-exempt sales.

NJNG added 8,349 and 9,711 new customers and added natural gas heat and other services to another 260 and 218 existing customers in fiscal 2020 and 2019, respectively. NJNG expects its new customer annual growth rate to continue to be approximately 1.7 percent with projected additions in the range of approximately 28,000 to 30,000 new customers over the next three fiscal years. This anticipated customer growth represents approximately \$6.3 million in new annual utility gross margin, a non-GAAP financial measure, as calculated under NJNG's current CIP tariff. For a definition of utility gross margin see *Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Natural Gas Distribution Segment*.

In fiscal 2020, no single customer represented more than 10 percent of consolidated operating revenues.

Seasonality of Natural Gas Revenues

Therm sales are significantly affected by weather conditions, with customer demand being greatest during the winter months when natural gas is used for heating purposes. The relative measurement of the impact of weather is in degree-days. Degree-day data is used to estimate amounts of energy required to maintain comfortable indoor temperature levels based on each day's average temperature. A degree-day is the measure of the variation in the weather based on the extent to which the average daily temperature falls below 65 degrees Fahrenheit. Each degree of temperature below 65 degrees Fahrenheit is counted as one heating degree-day. Normal heating degree-days are based on a 20-year average, calculated based on three reference areas representative of NJNG's service territory.

New Jersey Resources Corporation

Part I

ITEM 1. BUSINESS Continued

The CIP, a mechanism authorized by the BPU, stabilizes NJNG's utility gross margin, regardless of variations in weather. In addition, the CIP decouples the link between utility gross margin and customer usage, allowing NJNG to promote energy conservation measures. Recovery of utility gross margin is subject to additional conditions, including an earnings test, a revenue test and an evaluation of BGSS-related savings achieved over a 12-month period. In May 2014, the BPU approved the continuation of the CIP program.

Concurrent with its annual BGSS filing, NJNG files for an annual review of its CIP, during which time it can request rate changes, as appropriate. For additional information regarding the CIP, including rate actions and impact to margin, see *Note 4. Regulation* in the accompanying Consolidated Financial Statements and *Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Natural Gas Distribution Segment*.

Natural Gas Supply

Firm Natural Gas Supplies

In fiscal 2020, NJNG purchased natural gas from approximately 65 suppliers under contracts ranging from one day to one year and purchased over 10 percent of its natural gas from one supplier. NJNG believes the loss of this supplier would not have a material adverse impact on its results of operations, financial position or cash flows, as an adequate number of alternative suppliers exist. NJNG believes that its supply strategy should adequately meet its expected firm load for the upcoming winter season.

Firm Transportation and Storage Capacity

NJNG maintains agreements for firm transportation and storage capacity with several interstate pipeline companies to take delivery of firm natural gas supplies, which ensures the ability to reliably service its customers. NJNG receives natural gas at 10 citygate stations located in Middlesex, Morris and Passaic counties in New Jersey.

The pipeline companies that provide firm transportation service to NJNG's citygate stations, the maximum daily deliverability of that capacity and the contract expiration dates are as follows:

Pipeline	Dths ⁽¹⁾	Expiration
Texas Eastern Transmission, L.P.	300,738	Various dates between 2021 and 2025
Columbia Gas Transmission Corp.	50,000	Various dates between 2024 and 2030
Tennessee Gas Pipeline Co.	55,166	Various dates between 2021 and 2024
Transcontinental Gas Pipe Line Corp.	210,606	Various dates between 2021 and 2033
Algonquin Gas Transmission	12,000	2022
Total	628,510	

(1) Numbers are shown net of any capacity release contracted amounts.

Eastern Gas Transmission and Storage, Inc., formerly known as Dominion Energy Transmission, Inc. provides NJNG firm contract transportation service and supplies the pipelines included in the table above.

In addition, NJNG has storage contracts that provide an additional 102,941 Dths of maximum daily deliverability to NJNG's citygate stations from storage fields in its Northeast market area. The storage suppliers, the maximum daily deliverability of that storage capacity and the contract expiration dates are as follows:

Pipeline	Dths	Expiration
Texas Eastern Transmission, L.P.	94,557	2022
Transcontinental Gas Pipe Line Corp.	8,384	2028
Total	102,941	

NJNG also has upstream storage contracts. The maximum daily deliverability and contract expiration dates are as follows:

Company	Dths	Expiration
Eastern Gas Transmission and Storage, Inc.	251,829	Various dates between 2023 and 2026
Steckman Ridge, L.P.	38,000	2025
Central New York Oil & Gas	25,337	2023
Total	315,166	

New Jersey Resources Corporation

Part I

ITEM 1. BUSINESS Continued

NJNG utilizes its transportation contracts to transport natural gas to NJNG's citygates from the Eastern Gas Transmission and Storage, Inc., Steckman Ridge and Stagecoach Pipeline & Storage Company LLC storage fields. NJNG has sufficient firm transportation, storage and supply capacity to fully meet its firm sales contract obligations.

Citygate Supplies from Energy Services

NJNG has several citygate supply agreements with Energy Services. NJNG and Energy Services have an agreement where NJNG releases 10,000 Dths/day of TETCO capacity, 2,200 Dths/day of Eastern Gas Transmission and Storage, Inc. capacity, 10,728 Dths/day of Tennessee Gas Pipeline capacity and 1.6 million Dths of Stagecoach Pipeline & Storage Company LLC storage capacity to Energy Services for the period of April 1, 2019 to March 31, 2021. NJNG can call upon a supply of up to 20,000 Dths/day delivered to NJNG's TETCO citygate. Energy Services manages the storage inventory and NJNG can call on that storage supply as needed at NJNG's Tennessee citygate or storage point.

NJNG also has agreements where it releases 160,000 Dths/day of its TETCO capacity to Energy Services for the period of April 1, 2018 to October 31, 2021. Under these agreements, NJNG can call upon a supply of up to 160,000 Dths/day delivered to its TETCO citygate as needed. See *Note 18. Related Party Transactions* in the accompanying Consolidated Financial Statements for additional information regarding these transactions.

Peaking Supply

To manage its winter peak day demand, NJNG maintains two LNG facilities with a combined deliverability of approximately 170,000 Dths/day, which represents approximately 18 percent of its estimated peak day sendout. NJNG's liquefaction facility allows NJNG to convert natural gas into LNG to fill NJNG's existing LNG storage tanks. See *Item 2. Properties - Natural Gas Distribution* for additional information regarding the LNG storage facilities.

Basic Gas Supply Service

BGSS is a BPU-approved clause designed to allow for the recovery of natural gas commodity costs on an annual basis. The clause requires all New Jersey natural gas utilities to make an annual filing by each June 1 for review of BGSS rates and to request a potential rate change effective the following October 1. The BGSS also allows each natural gas utility to provisionally increase residential and small commercial customer BGSS rates on December 1 and February 1 for up to a five percent increase to the average residential heat customer's bill on a self-implementing basis with proper notice. Such increases are subject to subsequent BPU review and final approval.

In addition to making periodic rate adjustments to reflect changes in commodity prices, NJNG is also permitted to refund or credit back a portion of the commodity costs to customers when the natural gas commodity costs decrease in comparison to amounts projected or to amounts previously collected from customers. Decreases in the BGSS rate and BGSS refunds can be implemented with five days' notice to the BPU. Rate changes, as well as other regulatory actions related to BGSS, are discussed further in *Note 4. Regulation* in the accompanying Consolidated Financial Statements.

Wholesale natural gas prices are, by their nature, volatile. NJNG mitigates the impact of volatile price changes on customers through the use of financial derivative instruments, which are part of its storage incentive program and its BGSS clause.

Future Natural Gas Supplies

NJNG expects to meet the natural gas requirements for existing and projected firm customers. If NJNG's long-term natural gas requirements change, NJNG expects to renegotiate and restructure its contract portfolio to better match the changing needs of its customers and changing natural gas supply landscape.

Regulation and Rates

State

NJNG is subject to the jurisdiction of the BPU with respect to a wide range of matters such as base rates and regulatory rider rates, the issuance of securities, the safety and adequacy of service, the manner of keeping its accounts and records, the sufficiency of natural gas supply, pipeline safety, environmental issues, compliance with affiliate standards and the sale or encumbrance of its properties. See *Note 4. Regulation* in the accompanying Consolidated Financial Statements for additional information regarding NJNG's rate proceedings.

New Jersey Resources Corporation

Part I

ITEM 1. BUSINESS Continued)

Federal

FERC regulates rates charged by interstate pipeline companies for the transportation and storage of natural gas. This affects NJNG's agreements with several interstate pipeline companies for the purchase of such services. Costs associated with these services are currently recoverable through the BGSS.

Competition

Although its franchises are nonexclusive, NJNG is not currently subject to competition from other natural gas distribution utilities with regard to the transportation of natural gas in its service territory. Due to significant distances between NJNG's current large industrial customers and the nearest interstate natural gas pipelines, as well as the availability of its transportation tariff, NJNG currently does not believe it has significant exposure to the risk that its distribution system will be bypassed. Competition does exist from suppliers of oil, electricity and propane. At the present time, however, natural gas is used in over 95 percent of new construction due to its efficiency, reliability and price advantage. Natural gas prices are a function of market supply and demand. Although NJNG believes natural gas will remain competitive with alternate fuels, no assurance can be given in this regard.

The BPU, within the framework of the EDECA, fully opened NJNG's residential markets to competition, including third-party suppliers, and restructured rates to segregate its BGSS and delivery (i.e., transportation) prices. New Jersey's natural gas utilities must provide BGSS in the absence of a third-party supplier. On September 30, 2020, NJNG had 22,420 residential and 9,184 commercial and industrial customers utilizing the transportation service.

Clean Energy Ventures

Our Clean Energy Ventures segment invests in, owns and operates clean energy projects, including commercial and residential solar installations located in New Jersey, Connecticut and Rhode Island.

As of September 30, 2020, Clean Energy Ventures has constructed a total of 357.4 MW of solar capacity in New Jersey that has qualified for ITCs, including a combination of residential and commercial net-metered and grid-connected solar systems. As part of its solar investment program, Clean Energy Ventures operates a residential solar program, The Sunlight Advantage®, which provides qualifying homeowners with the opportunity to have a solar system installed at their home with no installation or maintenance expenses. Clean Energy Ventures owns, operates and maintains the system over the life of the lease in exchange for monthly lease payments. The program is operated by Clean Energy Ventures using qualified contracting partners in addition to strategic suppliers for material standardization and sourcing. The residential solar lease and PPA market is highly competitive, with a large number of companies operating in New Jersey. Clean Energy Ventures competes on price, quality and brand reputation, leveraging its partner network and customer referrals.

Clean Energy Ventures' commercial solar projects are sourced through various channels and include both net-metered and grid-connected systems. Net-metered projects involve the sale of energy to a host and grid-connected systems into the wholesale energy markets. Project construction is competitively sourced through third parties. New Jersey has the sixth largest solar market in the U.S., according to the Solar Energy Industries Association®, with a large number of firms competing in all facets of the market including development, financing and construction.

Our solar systems are registered and certified with the BPU's Office of Clean Energy and qualified to produce RECs. One REC is created for every MWh of electricity produced by a solar generator. Clean Energy Ventures sells SRECs generated to a variety of counterparties, including electric load-serving entities that serve electric customers in New Jersey and are required to comply with the solar carve-out of the Renewable Portfolio Standard, a regulation that requires the increased production of energy from renewable energy sources. Solar projects are also currently eligible for federal ITCs in the year that they are placed into service. In December 2019, the BPU established the TREC as the interim program successor to the SREC program. TRECs provide a fixed compensation base multiplied by an assigned project factor in order to determine their value. The project factor is determined by the type and location of the project, as defined. All TRECs generated are required to be purchased monthly by a TREC program administrator as appointed by the BPU.

Clean Energy Ventures is subject to various risks including those associated with adverse federal and state legislation and regulatory policies, construction delays that can impact the timing or eligibility of tax incentives, technological changes and the future market of SRECs and TRECs. See *Item 1A. Risk Factors* for additional information regarding these risks.

Energy Services

Our Energy Services segment consists of unregulated wholesale and retail natural gas operations and provides producer and asset management services to a diverse customer base across North America. Energy Services has acquired contractual rights to natural gas transportation and storage assets it utilizes to implement its strategic and opportunistic market strategies. The rights to these assets were acquired in anticipation of delivering natural gas, performing asset management services for customers or identifying strategic opportunities that exist in or between the market areas that it serves. These opportunities are driven by price differentials between market locations and/or time periods. Energy Services' activities are conducted in the market areas in which it has strong expertise, including the U.S. and Canada. Energy Services differentiates itself in the marketplace based on price, reliability and quality of service. Its competitors include wholesale marketing and trading companies, utilities, natural gas producers and financial institutions. Energy Services' portfolio of customers includes regulated natural gas distribution companies, industrial companies, electric generators, natural gas/liquids processors, retail aggregators, wholesale marketers and natural gas producers.

While focusing on maintaining a low-risk operating and counterparty credit profile, Energy Services' activities specifically consist of the following elements:

- Providing natural gas portfolio management services to nonaffiliated and our affiliated natural gas utility, electric generation facilities and natural gas producers;
- Managing strategies for new and existing natural gas transportation and storage assets to capture value from changes in price due to location or timing differences as a means to generate financial margin (as defined below);
- Managing transactional logistics to minimize the cost of natural gas delivery to customers while maintaining security of supply. Transactions utilize the most optimal and advantageous natural gas supply transportation routing available within its contractual asset portfolio and various market areas; and
- Managing economic hedging programs that are designed to mitigate the impact of changes in market prices on financial margin generated on its natural gas transportation and storage commitments.

In fiscal 2020, Energy Services did not purchase over 10 percent of its natural gas from any one supplier.

Transportation and Natural Gas Storage Transactions

Energy Services focuses on creating value from the use of its physical assets, which are typically amassed through contractual rights to natural gas transportation and storage capacity. These assets become more valuable when favorable price changes occur that impact the value between or within market areas and across time periods. On a forward basis, Energy Services may hedge these price differentials through the use of financial instruments. In addition, Energy Services may seek to optimize these assets on a daily basis, as market conditions warrant, by evaluating natural gas supply and transportation availability within its portfolio. This enables Energy Services to capture geographic pricing differences across various regions, as delivered natural gas prices may change favorably as a result of market conditions. Energy Services may, for example, initiate positions when intrinsic financial margin is present, and then enhance that financial margin as prices change across regions or time periods.

Energy Services also engages in park-and-loan transactions with storage and pipeline operators, where Energy Services will either borrow (receive a loan of) natural gas with an obligation to repay the storage or pipeline operator at a later date or "park" natural gas with an obligation to withdraw at a later date. In these cases, Energy Services evaluates the economics of the transaction to determine if it can capture pricing differentials in the marketplace and generate financial margin. Energy Services evaluates deal attributes such as fixed fees, calendar spread value from deal inception until volumes are scheduled to be returned and/or repaid, as well as the time value of money. If this evaluation demonstrates that financial margin exists, Energy Services may enter into the transaction and hedge with natural gas futures contracts, thereby locking in financial margin.

Energy Services maintains inventory balances to satisfy existing or anticipated sales of natural gas to its counterparties and/or to create additional value, as described above. During fiscal 2020 and 2019, Energy Services managed and sold 526.7 Bcf and 584.9 Bcf of natural gas, respectively. In addition, as of September 30, 2020 and 2019, Energy Services had 34.3 Bcf or \$57.4 million of natural gas in storage and 25.6 Bcf or \$52.4 million of natural gas in storage, respectively.

ITEM 1. BUSINESS Continued)

Weather/Seasonality

Energy Services activities are typically seasonal in nature as a result of changes in the supply and demand for natural gas. Demand for natural gas is generally higher during the winter months when there may also be supply constraints; however, during periods of milder temperatures, demand can decrease. In addition, demand for natural gas can also be high during periods of extreme heat in the summer months, resulting from the need for additional natural gas supply for natural gas-fired electric generation facilities. Accordingly, Energy Services can be subject to variations in earnings and working capital throughout the year as a result of changes in weather.

Volatility

Energy Services' activities are also subject to price volatility or supply/demand dynamics within its North American wholesale markets, including in the Northeastern, Appalachian, Mid-Continent and Southeast regions. Changes in natural gas supply can affect capacity values and Energy Services' financial margin, which, as described below, is generated from the optimization of transportation and storage assets. With its focus on risk management, Energy Services continues to diversify its revenue stream by identifying new growth opportunities in producer and asset management services. Energy Services monitors changing market dynamics and strategically adjusts its portfolio of transportation and storage assets, which currently includes an average of approximately 35bcf of firm storage and 1.4bcf/d of firm transportation capacity.

Financial Margin

To economically hedge the commodity price risk associated with its existing and anticipated commitments for the purchase and sale of natural gas, Energy Services enters into a variety of derivative instruments including, but not limited to, futures contracts, physical forward contracts, financial swaps and options. These derivative instruments are accounted for at fair value with changes in fair value recognized in earnings as they occur. Energy Services views "financial margin" as a key internal financial metric. Energy Services' financial margin, which is a non-GAAP financial measure, represents revenues earned from the sale of natural gas less costs of natural gas sold including any transportation and storage costs, and excluding any accounting impact from changes in the fair value of certain derivative instruments. For additional information regarding financial margin, see *Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Energy Services Segment*.

Risk Management

In conducting its business, Energy Services mitigates risk by following formal risk management guidelines, including transaction limits, segregation of duties and formal contract and credit review approval processes. Energy Services continuously monitors and seeks to reduce the risk associated with its counterparty credit exposures. Our Risk Management Committee oversees compliance with these established guidelines.

Storage and Transportation

Our Storage and Transportation segment, formerly known as our Midstream segment, includes investments in FERC-regulated interstate natural gas storage and transportation assets and is comprised of the following subsidiaries:

- NJR Steckman Ridge Storage Company, which holds our 50 percent equity investment in Steckman Ridge. Steckman Ridge is a Delaware limited partnership, jointly owned and controlled by our subsidiaries and subsidiaries of Enbridge Inc., which built, owns and operates a natural gas storage facility with up to 12 Bcf of working natural gas capacity in Bedford County, Pennsylvania. The facility has direct access to the TETCO and Eastern Gas Transmission and Storage, Inc. pipelines and has access to the Northeast and Mid-Atlantic markets; and
- NJR Midstream Company, formerly NJR Pipeline Company, which includes our 20 percent equity investment in PennEast, which is expected to construct a 120-mile, FERC-regulated interstate natural gas pipeline system that will extend from northern Pennsylvania to western New Jersey; Leaf River Energy Center LLC, which owns and operates a 32.2 million Dth salt dome natural gas facility, located in southeastern Mississippi; and FERC-regulated Adelphia Gateway, an indirect wholly-owned subsidiary of NJR, which acquired all of Talen's membership interests in IEC, an existing 84-mile pipeline in southeastern Pennsylvania. See *Note 19. Acquisitions and Dispositions* for more information.

ITEM 1. BUSINESS Continued)

OTHER BUSINESS OPERATIONS

Home Services and Other

Home Services and Other operations consist primarily of the following unregulated affiliates:

- NJRHS, which provides heating, ventilation and cooling service, sales and installation of appliances to approximately 107,000 service contract customers, as well as installation of solar equipment;
- NJR Plumbing Services, Inc., which provides plumbing repair and installation services;
- New Jersey Resources Corporation, a diversified energy services holding company;
- CR&R, which holds commercial real estate; and
- NJR Service Corporation, which provides shared administrative and financial services to the Company and all of its subsidiaries and affiliates.

ENVIRONMENT

We, along with our subsidiaries, are subject to legislation and regulation by federal, state and local authorities with respect to environmental matters. We believe that we are, in all material respects, in compliance with all applicable environmental laws and regulations.

NJNG is responsible for the environmental remediation of identified former MGP sites, which contain contaminated residues from former gas manufacturing operations that ceased at these sites by the mid-1950s and, in some cases, had been discontinued many years earlier. NJNG periodically, and at least annually, performs an environmental review of the former MGP sites, including a review of potential estimated liabilities related to the investigation and remedial action on these sites. Based on this review, NJNG has estimated that the total future expenditures to remediate and monitor the former MGP sites for which it is responsible will range from approximately \$143.1 million to \$181.7 million.

NJNG's estimate of these liabilities is based upon known and measurable facts, existing technology and enacted laws and regulations in place when the review was completed in fiscal 2020. Where it is probable that costs will be incurred, and the information is sufficient to establish a range of possible liability, NJNG accrues the most likely amount in the range. If no point within the range is more likely than the other, it is NJNG's policy to accrue the lower end of the range. As of September 30, 2020, NJNG recorded an MGP remediation liability and a corresponding regulatory asset of \$150.6 million on the Consolidated Balance Sheets, based on the most likely amount; however, actual costs may differ from these estimates.

HUMAN CAPITAL RESOURCES

Employee Overview

NJR fundamentally believes that its employees make the Company a unique, successful organization – in creativity, commitment, ingenuity, hard work and innovation. NJR employees fulfill the responsibilities that enable the Company to deliver natural gas service to its customers; to be a leader in clean energy investments; to grow its storage and transportation energy business; and, to earn the loyalty of its retail home services customers. NJR also is committed to provide every appropriate resource to ensure its employees' safety. Through initiatives that start at the top, NJR has invested time, energy and manpower to foster a culture where safety is top-of-mind at all times, and where achieving safety goals is a shared priority for every NJR employee.

As of September 30, 2020, the Company and our subsidiaries employed 1,156 employees compared with 1,108 employees as of September 30, 2019. Of the total number of employees, NJNG had 469 and 460 and NJRHS had 101 and 101 Union or Represented employees as of September 30, 2020 and 2019, respectively. NJNG and NJRHS have collective bargaining agreements with the Union, which is affiliated with the American Federation of Labor and Congress of Industrial Organizations, that expire on December 7, 2021 and April 2, 2023, respectively. The labor agreements cover wage increases and other benefits, including the defined benefit pension (which was closed to all employees hired on or after January 1, 2012, with the exception of certain rehires who are eligible to resume active participation), the postemployment benefit plan (which was closed to all employees hired on or after January 1, 2012) and the enhanced 401(k) retirement savings plan. We consider our relationship with employees, including those covered by collective bargaining agreements, to be in good standing.

New Jersey Resources Corporation

Part I

ITEM 1. BUSINESS Continued

The Company depends on its key personnel to successfully operate its businesses, including its executive officers, senior corporate management and management at its operating units. NJR seeks to attract and retain its employees by offering competitive compensation packages including base and incentive compensation (and in certain instances share-based compensation and retention incentives), attractive benefits and opportunities for advancement and rewarding careers. NJR periodically reviews and adjusts, if needed, its employees' total compensation (including salaries, annual cash incentive compensation, other cash and equity incentives, and benefits) to ensure that it is competitive within the industry and is consistent with our level of performance. NJR has also implemented enterprise-wide talent development and succession planning programs designed to identify future and/or replacement candidates for key positions. In addition to compensation, NJR promotes numerous charitable, philanthropic, and social awareness programs that not only support the communities served, but also provide experiences for employees to promote a collaborative and rewarding work environment.

Further, in order to take advantage of available opportunities and successfully implement our long-term strategy, NJR must be able to employ, train and retain the necessary skilled personnel. As a result, NJR supports and utilizes various training and educational programs and has developed additional company-wide and project-specific employee training and educational programs. NJR continues key programs focused on employee safety, leadership development, work-life balance, talent management, health and wellness, diversity and inclusion as well as employee engagement. Moreover, diversity, inclusion and employee engagement are integral to NJR's vision, strategy and business success. NJR prides itself on a culture that respects co-workers and values concern for others. Fostering an environment that values diversity, inclusion and ethics helps create an inclusive organization that is able to embrace, leverage and respect the differences of employees, customers and the communities where we live, work and serve.

NJR regularly evaluates employees and their productivity against future demand expectations and historical trends. NJR employees continue to maintain high levels of engagement, satisfaction and retention according to NJR's annual employee survey. From time to time, NJR may reduce or add resources in certain areas in an effort to align with changing demands.

NJR's Board of Directors' Role in Human Capital Resource Management

NJR's Board of Directors believes that human capital management is an important component of the Company's continued growth and success, and is essential for our ability to attract, retain and develop talented and skilled employees. We pride ourselves on a culture that respects co-workers and values concern for others.

Management regularly reports to the LDCC of the Board of Directors on human capital management topics, including corporate culture, diversity and inclusion, employee development and compensation and benefits. The LDCC has oversight of talent retention and development and succession planning, and the Board of Director's provides input on important decisions in each of these areas.

Each year, NJR conducts an employee feedback survey designed to help the Company measure overall employee engagement. The feedback employees provide during the survey helps NJR evaluate employee programs and benefits and monitor its current practices for potential areas of improvement. The LDCC maintains oversight of matters related to human capital management and in that capacity reviews the results of the employee feedback survey.

Employee Benefits

The LDCC believes employee benefits are an essential component of the Company's competitive total compensation package. These benefits are designed to attract and retain our employees and include medical, health and dental insurance, long-term disability insurance, accidental death and disability insurance, travel and accident insurance, and our 401(k) Plan. As part of the 401(k) Plan, NJR generally matches 80 percent of the first 6 percent of compensation contributed by the employee into the 401(k) Plan, subject to the Internal Revenue Code and NJR's 401(k) Plan limits. The matching contribution is limited to 70 percent for represented employees of NJRHS. Additionally, for employees who are not eligible to participate in the defined benefit plans, NJR contributes between 3.5 percent and 4.5 percent of base compensation, depending upon years of service, into the 401(k) Plan on their behalf.

AVAILABLE INFORMATION AND CORPORATE GOVERNANCE DOCUMENTS

The following reports and any amendments to those reports are available free of charge on our website at <https://investor.njresources.com/financials/sec-filings/default.aspx> as soon as reasonably possible after filing or furnishing them with the SEC:

- Annual reports on Form 10-K;
- Quarterly reports on Form 10-Q; and
- Current reports on Form 8-K.

New Jersey Resources Corporation

Part I

ITEM 1. BUSINESS (Continued)

The following documents are available free of charge on our website (<https://investor.njresources.com/governance/governance-documents/default.aspx>):

- Amended and Restated Bylaws;
- Corporate Governance Guidelines;
- Wholesale Trading Code of Conduct;
- NJR Code of Conduct;
- Charters of the following Board of Directors Committees: Audit, Leadership Development and Compensation and Nominating/Corporate Governance;
- Audit Complaint Procedure;
- Communicating with Non-Management Directors Procedure; and
- Statement of Policy with Respect to Related Person Transactions.

In Part III of this Form 10-K, we incorporate certain information by reference from our Proxy Statement for our 2021 Annual Meeting of Shareowners. We expect to file that Proxy Statement with the SEC on or about December 11, 2020. We will make it available on our website as soon as reasonably possible following that filing date. Please refer to the Proxy Statement when it is available.

A printed copy of each document is available free of charge to any shareowner who requests it by contacting the Corporate Secretary at New Jersey Resources Corporation, 1415 Wyckoff Road, Wall, New Jersey 07719.

INFORMATION ABOUT OUR EXECUTIVE OFFICERS

The Company's Executive Officers and their age, position and business experience during the past five years are below.

Name	Age	Officer since	Business experience during last five years
Stephen D. Westhoven	52	2004	President and Chief Executive Officer (October 2019 - present) President and Chief Operating Officer (October 2018 - September 2019) Executive Vice President and Chief Operating Officer (November 2017 - September 2018) Senior Vice President and Chief Operating Officer, NJRES and NJRCEV (October 2016 - October 2017) Senior Vice President, NJRES (May 2010 - September 2016)
Patrick J. Migliaccio	46	2013	Senior Vice President and Chief Financial Officer (January 2016 - present) Vice President, Finance and Accounting (November 2014 - December 2015)
Amanda E. Mullan	54	2015	Senior Vice President and Chief Human Resources Officer (January 2017 - present) Vice President and Chief Human Resources Officer (April 2015 - December 2016)
Amy Cradic	49	2018	Senior Vice President and Chief Operating Officer of Non-Utility Businesses, Strategy and External Affairs (March 2020 - present) Vice President, Corporate Strategy and External Affairs (January 2020 - February 2020) Vice President, Government Affairs and Policy (January 2018 - December 2019) Chief of Staff, Office of New Jersey Governor Chris Christie (April 2016 - January 2018) Chief Policy Advisor, Office of New Jersey Governor Chris Christie (December 2013 - March 2016)
Nancy A. Washington	56	2017	Senior Vice President and General Counsel (March 2017 - present) Senior Vice President and Chief Litigation Counsel, CIT Group Inc., a Livingston, NJ-based financial services firm (September 2010 - March 2017)

ITEM 1A. RISK FACTORS

When considering any investment in our securities, investors should consider the following risk factors, as well as the information contained under the caption "Information Concerning Forward-Looking Statements," in analyzing our present and future business performance. While this list is not exhaustive, management also places no priority or likelihood based on their descriptions or order of presentation. Unless indicated otherwise or the content requires otherwise, references below to "we," "us," and "our" should be read to refer to the Company and its subsidiaries and affiliates.

Risks Related to the Ongoing COVID-19 Pandemic and Other Extreme Events

The Company and our subsidiaries and affiliates are subject to risk associated with the ongoing novel coronavirus, COVID-19 pandemic, which could materially and adversely impact our business, including our financial condition, results from operations, liquidity, cash flows and the market value of our common stock.

New Jersey Resources Corporation

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ITEM 1A. RISK FACTORS (Continued)

COVID-19 has been declared a pandemic by the World Health Organization and the Centers for Disease Control and Prevention and has spread globally, including throughout the U.S. In response, the U.S. federal government and many jurisdictions, including without limitation, New Jersey, Pennsylvania, Mississippi and Texas have instituted emergency orders, restrictions on travel, limitations on public gatherings and non-essential business, shelter-in-place requirements and government shutdowns. These emergency orders and restrictions have significantly disrupted economic activity in the jurisdictions in which we operate and have caused volatility in the capital markets.

The effects of the ongoing COVID-19 pandemic and related government responses could include extended disruptions to supply chains and capital markets, reduced labor availability and productivity and a prolonged reduction in economic activity. We are currently evaluating the potential prolonged impacts that the ongoing COVID-19 pandemic may have on our future operating results and liquidity, which include:

- impacts related to the health, safety, productivity and availability of our employees and contractors;
- reduced demand for energy and forecasted customer growth;
- our ability to develop, construct and operate facilities;
- suspension of collection activities and the inability to shutoff natural gas services for nonpayment;
- reduced demand for commercial, industrial and residential natural gas services;
- deterioration of the credit quality of our counterparties;
- increases in costs and supply chain delays and disruptions;
- delays and disruptions to capital construction and infrastructure operations and maintenance programs, including delays in the permitting process and base rate cases;
- delays and disruptions to financing plans and increasing costs related thereto;
- impacts on pension valuations and increased pension and post-retirement plan costs and funding requirements;
- deterioration in our financial metrics or the business environment that impacts our credit ratings;
- impacts to our liquidity position and cost of and ability to access funds from financial institutions and capital markets;
- impacts on our legal and regulatory matters, including the potential for delayed state regulatory filings and recovery of invested capital, as well as delays in newly enacted and proposed state regulatory actions and federal laws;
- exacerbation of other risks that may impact us; and
- other unpredictable events.

These uncertain economic conditions may also result in the inability of our customers to pay for utility and certain non-utility services, which could affect the collectability and recognition of our revenues and adversely affect our financial results.

While we have implemented our business continuity plan (including without limitation employee travel restrictions, employee remote work locations and cancellation of physical participation in meetings, events, and conferences) to conform to government restrictions and best practices encouraged by federal, state, and local government and regulatory authorities, if a large proportion of our employees in essential capacities were to contract COVID-19, there is no certainty that such measures will be sufficient to mitigate an adverse impact to our operations.

The situation surrounding the ongoing COVID-19 pandemic remains fluid and the likelihood of material impacts therefrom increases the longer the pandemic impacts activity levels in the U.S. As of September 30, 2020, the ongoing COVID-19 pandemic has not had a material impact on the Company and our subsidiaries and affiliates; however, the ultimate severity and duration of the COVID-19 pandemic and the responses thereto are uncertain and we cannot predict whether they will have a material impact on our liquidity, financial condition, results of operations or cash flows and when and to what extent normal economic and operating conditions can resume.

We may be adversely impacted by natural disasters, pandemic illness (including COVID-19), terrorist activities and other extreme events to which we may be unable to promptly respond.

Local or national natural disasters, pandemic illness (including COVID-19), terrorist activities, catastrophic failure of the interstate pipeline system and other extreme events are a threat to our assets and operations. Companies in our industry that are located in our service territory may face a heightened risk due to exposure to acts of terrorism that could target or impact our natural gas distribution, transmission and storage facilities and disrupt our operations and ability to meet customer requirements. In addition, the threat of terrorist activities could lead to increased economic instability and volatility in the price of natural gas that could affect our operations. Natural disasters or actual or threatened terrorist activities may also disrupt capital markets and our ability to raise capital or may impact our suppliers or our customers directly. A local disaster or

New Jersey Resources Corporation

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ITEM 1A. RISK FACTORS (Continued)

pandemic illness (including COVID-19) could result in part of our workforce being unable to operate or maintain our infrastructure or perform other tasks necessary to conduct our business. In addition, these risks could result in loss of human life, significant damage to property, environmental damage, impairment of our operations and substantial loss to the Company. Our regulators may not allow us to recover from our customers part or all of the increased cost related to the foregoing events, which could negatively affect our financial condition, results of operations and cash flows.

A slow or inadequate response to events that could cause business interruption may have an adverse impact on operations and earnings. We may be unable to obtain sufficient insurance to cover all risks associated with local and national disasters, pandemic illness, terrorist activities, catastrophic failure of the interstate pipeline system and other events, which could increase the risk that an event adversely affects our financial condition, results of operations and cash flows.

Risk Related to Our Business Operations

We may be unable to obtain governmental approvals, property rights and/or financing for the construction, development and operation of our proposed energy investments and projects in a timely manner or at all.

Construction, development and operation of energy investments, such as Leaf River and other natural gas storage facilities, NJNG infrastructure improvements, such as SRL and NJ RISE, pipeline transportation systems, such as PennEast and Adelpia Gateway Pipeline project, and solar energy projects are subject to federal and state regulatory oversight and require certain property rights, such as easements and rights-of-way from public and private property owners, as well as regulatory approvals, including environmental and other permits and licenses for such facilities and systems. We or our joint venture partnerships may be unable to obtain, in a cost-efficient or timely manner, all such needed property rights, permits and licenses to successfully construct and develop our energy facilities and systems. Successful financing of our energy investments requires participation by willing financial institutions and lenders, as well as acquisition of capital at favorable interest rates. If we do not obtain the necessary regulatory approvals, property rights and financing, our equity method investments could be impaired. Such impairment could have a materially adverse effect on our financial condition, results of operations and cash flows.

Our investments in solar energy projects are subject to substantial risks and uncertainties.

Our investments in commercial and residential solar energy projects are dependent, in part, upon current state regulatory incentives and federal tax credits in order for the projects to be economically viable. Our return on investment for these solar projects is based substantially on our eligibility for ITCs and the future market value of SRECs that are traded in a competitive marketplace in the State of New Jersey. These projects face the risk that the current state regulatory programs and tax laws may expire or be adversely modified. Specifically, the legislature in New Jersey ordered the BPU to close the current SREC market to new projects and transition to a new incentive program to support long-term solar growth. If the BPU does not execute on the legislative requirements to effect this transition in an orderly manner, protect investor value and support long term industry growth, this could result in an oversupply of SRECs and a corresponding decrease in SREC prices. A sustained decrease in the value of SRECs could negatively impact the return on our investments and could impair our portfolio of solar assets.

In addition, there are risks associated with our ability to develop and manage such projects profitably, including logistical risks and potential delays related to construction, permitting, regulatory approvals (including any approvals by the BPU required pursuant to solar energy legislation in the State of New Jersey, and similar approvals required by the State of Connecticut and State of Rhode Island) and electric grid interconnection, as well as the operational risk that the projects in service will not perform according to expectations due to equipment failure, suboptimal weather conditions or other economic factors beyond our control. All of the aforementioned risks could reduce the availability of viable solar energy projects for development. Furthermore, at the development or acquisition stage, our ability to predict actual performance results may be hindered or inaccurate and the projects may not perform as predicted.

NJNG and Energy Services rely on storage, transportation assets and suppliers, which they do not own or control, to deliver natural gas.

NJNG and Energy Services depend on natural gas pipelines and other transportation and storage facilities owned and operated by third parties to deliver natural gas to wholesale and retail markets and to provide retail energy services to customers. Their ability to provide natural gas for their present and projected sales will depend upon their suppliers' ability to obtain and deliver additional supplies of natural gas, as well as NJNG's ability to acquire supplies directly from new sources. Factors beyond the control of NJNG, its suppliers and the independent suppliers that have obligations to provide natural gas to certain NJNG customers may affect NJNG's ability to deliver such supplies. These factors include other parties' control over

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ITEM 1A. RISK FACTORS (Continued)

the drilling of new wells and the facilities to transport natural gas to NJNG's citygate stations, development of additional interstate pipeline infrastructure, availability of supply sources, competition for the acquisition of natural gas, priority allocations, impact of severe weather disruptions to natural gas supplies and the regulatory and pricing policies of federal and state regulatory agencies, as well as the availability of Canadian reserves for export to the U.S. Energy deregulation legislation may increase competition among natural gas utilities and impact the quantities of natural gas requirements needed for sales service. Energy Services also relies on a firm supply source to meet its energy management obligations to its customers. If supply, transportation or storage is disrupted, including for reasons of force majeure, the ability of NJNG and Energy Services to sell and deliver their products and services may be hindered. As a result, they may be responsible for damages incurred by their customers, such as the additional cost of acquiring alternative supply at then-current market rates. Particularly for Energy Services, these conditions could have a material impact on our financial condition, results of operations and cash flows.

Energy Services' earnings and cash flows are dependent upon optimization of its physical assets.

Energy Services' earnings and cash flows are based, in part, on its ability to optimize its portfolio of contractually based natural gas storage and pipeline assets. The optimization strategy involves utilizing its physical assets to take advantage of differences in natural gas prices between geographic locations and/or time periods. Any change among various pricing points could affect these differentials. In addition, significant increases in the supply of natural gas in Energy Services' market areas, including as a result of increased production along the Marcellus Shale, can reduce Energy Services' ability to take advantage of pricing fluctuations in the future. Changes in pricing dynamics and supply could have an adverse impact on Energy Services' optimization activities, earnings and cash flows. Energy Services incurs fixed demand fees to acquire its contractual rights to transportation and storage assets. Should commodity prices at various locations or time periods change in such a way that Energy Services is not able to recoup these costs from its customers, the cash flows and earnings at Energy Services, and ultimately the Company, could be adversely impacted.

Changes in weather conditions may affect earnings and cash flows.

Weather conditions and other natural phenomena can have an adverse impact on our earnings and cash flows. Severe weather conditions can impact suppliers and the pipelines that deliver natural gas to NJNG's distribution system. Extended mild weather, during either the winter period or summer period, can have a significant impact on demand for and the cost of natural gas. While we believe the CIP mitigates the impact of weather variations on NJNG's utility gross margin, severe weather conditions may have an impact on the ability of suppliers and pipelines to deliver the natural gas to NJNG, which can negatively affect our earnings. The CIP does not mitigate the impact of severe weather conditions on our cash flows.

Future results at Energy Services are subject to volatility in the natural gas market due to weather. Variations in weather may affect earnings and working capital needs throughout the year. During periods of milder temperatures, demand and volatility in the natural gas market may decrease, which can negatively impact Energy Services' earnings and cash flows.

Failure to attract and retain an appropriately qualified employee workforce could adversely affect operations.

Our ability to implement our business strategy and serve our customers is dependent upon our continuing ability to attract and retain talented professionals and a technically skilled workforce, and being able to transfer the knowledge and expertise of our workforce to new employees as our aging employees retire. Failure to hire and adequately train replacement employees, including the transfer of significant internal historical knowledge and expertise to the new employees, or the future availability and cost of contract labor could adversely affect the ability to manage and operate our business. Furthermore, NJNG and NJRHS have collective bargaining agreements with the Union that expire on December 7, 2021 and April 2, 2023, respectively. Disputes with the Union over terms and conditions of the agreements could result in instability in our labor relationship and work stoppages that could impair the timely delivery of natural gas and other services from our utility and Home Services business, which could strain relationships with customers and state regulators and cause a loss of revenues that could adversely affect our results of operations. Our collective bargaining agreements may also increase the cost of employing our natural gas distribution segment and Home Services workforce, affect our ability to continue offering market-based salaries and employee benefits, limit our flexibility in dealing with our workforce and limit our ability to change work rules and practices and implement other efficiency-related improvements to successfully compete in today's challenging marketplace.

Our success as a company depends upon our ability to attract, effectively transition, motivate and retain key employees and identify and develop talent to succeed senior management. We depend on senior executive officers and other key personnel to develop, implement and execute on our overall business strategy. The inability to recruit and retain or effectively transition key personnel or the unexpected loss of key personnel may adversely affect our operations.

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ITEM 1A. RISK FACTORS (Continued)

Uncertainties associated with our Adelphia Gateway Pipeline project could adversely affect our business, results of operations, financial condition and cash flows.

We acquired Adelphia Gateway in January 2020, which involves the operation of a natural gas transmission pipeline extending approximately 90 miles through eastern Pennsylvania. As part of the Adelphia Gateway Pipeline project, we expect to convert the remaining sections of the southern mainline of the pipeline to transport natural gas. Any delays in the expected timeframe relating to converting the southern mainline of the pipeline to transport natural gas could cause disruption and create uncertainties, which could have an adverse effect on our business, results of operations, financial condition and cash flows.

Risk Related to Technologies

Failure to keep pace with technological change may limit customer growth and have an adverse effect on our operations.

Advances in technology and changes in laws or regulations are reducing the cost of alternative methods of producing energy. In addition, customers are increasingly expecting enhanced communications regarding their electric and natural gas services, which, in some cases, may involve additional investments in technology. New technologies may require us to make significant expenditures to remain competitive and may result in the obsolescence of certain of our operating assets.

Our future success will depend, in part, on our ability to anticipate and successfully adapt to technological changes and to offer services that meet customer demand. Failure to adapt to advances in technology and manage the related costs could make us less competitive and negatively impact our financial condition, results of operations and cash flows.

Cyberattacks or failure of information technology systems could adversely affect our business operations, financial condition and results of operations.

We continue to place ever-greater reliance on technological tools that support our business operations and corporate functions, including tools that help us manage our natural gas distribution and energy trading operations and infrastructure. The failure of, or security breaches related to, these technologies could materially adversely affect our business operations, financial position, results of operations and cash flows.

We rely on information technology to manage our natural gas distribution and storage, energy trading and other corporate operations; maintain customer, employee, Company and vendor data; and prepare our financial statements and perform other critical business processes. This technology may fail due to cyberattack, physical disruption, design and implementation defects or human error. Disruption or failure of business operations and information technology systems could harm our facilities or otherwise adversely impact our ability to safely deliver natural gas to our customers, serve our customers effectively or manage our assets. Additionally, an attack on, or failure of, information technology systems could result in the unauthorized release of customer, employee or other confidential or sensitive data. Any of the foregoing events could adversely affect our business reputation, diminish customer confidence, disrupt operations, subject us to financial liability or increased regulation, increase our costs and expose us to material legal claims and liability.

There is no guarantee that redundancies built into our networks and technology, or the procedures we have implemented to protect against cyberattack and other unauthorized access to secured data, are adequate to safeguard against all failures of technology or security breaches.

Risk Related to Acquisition and Investment Strategies

Any acquisitions that we may undertake involve risks and uncertainties. We may not realize the anticipated synergies, cost savings and growth opportunities as a result of these transactions.

The integration of acquisitions require significant time and resources. Investments of resources are required to support any acquisition, which could result in significant ongoing operating expenses, and we may experience challenges when combining separate business cultures, information technology systems and employees, and those challenges may divert senior management's time and attention. If we fail to successfully integrate assets and liabilities through the entities which we acquire, we may not fully realize all of the growth opportunities, benefits expected from the transaction, cost savings and other synergies and, as a result, the fair value of assets acquired could be impaired. We assess long-lived assets, including intangible assets associated with acquisitions, for impairment whenever events or circumstances indicate that an asset's carrying amount may not be recoverable. To the extent the value of long-lived assets become impaired, the impairment charges could have a material impact on our financial condition and results of operations.

ITEM 1A. RISK FACTORS (Continued)

The benefits that we expect to achieve from acquisitions will depend, in part, on our ability to realize anticipated growth opportunities and other synergies with our existing businesses. The success of these transactions will depend on our ability to integrate these transactions within our existing businesses in a timely and seamless manner. We may experience challenges when combining separate business cultures, information technology systems and employees. Even if we are able to complete an integration successfully, we may not fully realize all the growth opportunities, cost savings and other synergies that we expect.

Investing through partnerships or joint ventures decreases our ability to manage risk.

We have utilized joint ventures through partnerships for certain Storage and Transportation investments, including Steckman Ridge and PennEast. Although we currently have no specific plans to do so, we may acquire interests in other joint ventures or partnerships in the future. In these joint ventures or partnerships, we may not have the right or power to direct the management and policies of the joint ventures or partnerships, and other participants or investors may take action contrary to our instructions or requests and against our policies and objectives. In addition, the other participants may become bankrupt or have economic or other business interests or goals that are inconsistent with those of NJR and our subsidiaries and affiliates. Our financial condition, results of operations or cash flows could be harmed if a joint venture participant acts contrary to our interests.

Risk Related to Regulations and Litigation

We are subject to governmental regulation. Compliance with current and future regulatory requirements and procurement of necessary approvals, permits and certificates may result in substantial costs to us.

We are subject to substantial regulation from federal, state and local authorities. We are required to comply with numerous laws and regulations and to obtain numerous authorizations, permits, approvals and certificates from governmental agencies. These agencies regulate various aspects of our business, including customer rates, services, construction and natural gas pipeline operations.

FERC has regulatory authority over some of our operations, including sales of natural gas in the wholesale and retail markets and the purchase and sale of interstate pipeline and storage capacity, including Steckman Ridge, Leaf River and Adelphia Gateway. FERC will also have regulatory authority over the operations of PennEast. Any Congressional legislation or agency regulation that would alter these or other similar statutory and regulatory structures in a way to significantly raise costs that could not be recovered in rates from customers, that would reduce the availability of supply or capacity or that would reduce our competitiveness could negatively impact our earnings. In addition, changes in and compliance with laws such as the Pipeline Safety, Regulatory Certainty and Job Creation Act of 2011 could increase federal regulatory oversight and administrative costs that may not be recovered in rates from customers, which could have an adverse effect on our earnings.

We cannot predict the impact of any future revisions or changes in interpretations of existing regulations or the adoption of new laws and applicable regulations. Changes in regulations or the imposition of additional regulations could influence our operating environment and may result in substantial costs to us.

Our costs of compliance with present and future environmental laws are significant and could adversely affect our cash flows and profitability.

Our operations are subject to extensive federal, state and local environmental statutes, rules and regulations relating to air quality, water quality, waste management, natural resources and site remediation. Compliance with these laws and regulations may require us to expend significant financial resources to, among other things, conduct site remediation and perform environmental monitoring. If we fail to comply with applicable environmental laws and regulations, even if we are unable to do so due to factors beyond our control, we may be subject to civil liabilities or criminal penalties and may be required to incur significant expenditures to come into compliance. Additionally, any alleged violations of environmental laws and regulations may require us to expend significant resources in our defense against alleged violations.

Furthermore, the U.S. Congress has for some time been considering various forms of climate change legislation. In addition, in July 2019, the State of New Jersey amended the GWRA, which targets 80 percent reduction in greenhouse gas emissions economy-wide by 2050. The amendments to the GWRA require NJDEP to publish a report detailing measures to accomplish the goals of the GWRA, and within 18 months of the report, mandates that NJDEP promulgate regulations to achieve environmental targets. The policies in the state's Energy Master Plan, currently in draft form, could be used to inform future regulations.

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ITEM 1A. RISK FACTORS (Continued)

There is a possibility that the final form of such legislation at the federal level and regulations at the state level could impact our costs and put upward pressure on natural gas prices. Higher cost levels could impact the competitive position of natural gas and negatively affect our growth opportunities, cash flows and earnings.

Risks related to the regulation of NJNG could affect the rates it is able to charge, its costs and its profitability.

NJNG is subject to regulation by federal, state and local authorities. These authorities regulate many aspects of NJNG's distribution and transmission operations, including construction and maintenance of facilities, operations, safety, tariff rates that NJNG can charge customers, rates of return, the authorized cost of capital, recovery of pipeline replacement, environmental remediation costs and relationships with its affiliates. NJNG's ability to construct rate based assets timely and obtain rate increases, including base rate increases, extend its BGSS incentive and CIP programs and maintain its currently authorized rates of return may be impacted by events, including regulatory or legislative actions. There can be no assurance that NJNG will be able to obtain rate increases and continue its BGSS incentive, CIP, RAC and SAVEGREEN programs or continue to earn its currently authorized rates of return.

Our regulated operations are subject to certain operating risks incidental to handling, storing, transporting and providing customers with natural gas.

Our regulated operations are subject to all operating hazards and risks incidental to handling, storing, transporting and providing customers with natural gas, including our natural gas vehicle refueling stations and LNG facilities. These risks include catastrophic failure of the interstate pipeline system, explosions, pollution, release of toxic substances, fires, storms, safety issues and other adverse weather conditions and hazards, each of which could result in damage to or destruction of facilities or damage to persons and property. We could suffer substantial losses should any of these events occur. Moreover, as a result, NJNG has been, and likely will be, a defendant in legal proceedings and litigation arising in the ordinary course of business. Although NJNG maintains insurance coverage, insurance may not be sufficient to cover all material expenses related to these risks.

We are involved in legal or administrative proceedings before various courts and governmental bodies that could adversely affect our results of operations, cash flows and financial condition.

In the ordinary conduct of business, we are involved in legal or administrative proceedings before various courts and governmental bodies with respect to general claims, rates, permitting, taxes, environmental issues, natural gas cost prudence reviews and other matters. Adverse decisions regarding these matters, to the extent they require us to make payments in excess of amounts provided for in our financial statements or are not covered by insurance or indemnity rights, could adversely affect our results of operations, cash flows and financial condition.

Risk Related to our Markets

We are exposed to market risk and may incur losses in our wholesale business.

Our transportation and storage portfolios consist of contracts to transport and store natural gas. The value of our transportation and storage portfolio could be negatively impacted if the value of these contracts changes in a direction or manner that we do not anticipate. In addition, upon expiration of these transportation and storage contracts, to the extent that they are renewed or replaced at less favorable terms, our results of operations and cash flows could be adversely affected.

Major changes in the supply and price of natural gas may affect financial results.

While NJRES and NJNG expect to meet customers' demand for natural gas for the foreseeable future, factors affecting suppliers and other third parties, including the inability to develop additional interstate pipeline infrastructure, lack of supply sources, increased competition, further deregulation, transportation costs, possible climate change legislation, energy efficiency mandates or changes in consumer behaviors, transportation availability and drilling for new natural gas resources, may impact the supply and price of natural gas. In addition, any significant disruption in the availability of supplies of natural gas could result in increased supply costs, higher prices for customers and potential supply disruptions to customers.

NJRES and NJNG actively hedge against the fluctuation in the price of natural gas by entering into forward and financial contracts with third parties. Should these third parties fail to perform, and regulators not allow the pass-through of expended funds to customers, it may result in a loss that could have a material impact on our financial condition, results of operations and cash flows.

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ITEM 1A. RISK FACTORS (Continued)

Changes in customer growth may affect earnings and cash flows.

NJNG's ability to increase its utility gross margin is dependent upon the new construction housing market, as well as the conversion of customers to natural gas from other fuel sources. During periods of extended economic downturns, prolonged weakness in housing markets or slowdowns in the conversion market, there could be an adverse impact on NJNG's utility gross margin, earnings and cash flows. Furthermore, while our estimates regarding customer growth are based in part upon information from third parties, the estimates have not been verified by an independent source and are subject to the aforementioned risks and uncertainties, which could cause actual results to materially deviate from the estimates.

Adverse economic conditions, including inflation, increased natural gas costs, foreclosures and business failures, could adversely impact NJNG's customer collections and increase our level of indebtedness.

Inflation may cause increases in certain operating and capital costs. We continually review the adequacy of NJNG's base tariff rates in relation to the increasing cost of providing service and the inherent regulatory lag in adjusting those rates. The ability to control operating expenses is an important factor that will influence future results.

Rapid increases in the price of purchased natural gas may cause NJNG to experience a significant increase in short-term debt because it must pay suppliers for natural gas when it is purchased, which can be significantly in advance of when these costs may be recovered through the collection of monthly bills for natural gas delivered to customers. Increases in purchased natural gas costs also slow collection efforts as customers are more likely to delay the payment of their natural gas bills, leading to higher-than-normal accounts receivable.

Our economic hedging activities that are designed to protect against commodity and financial market risks, including the use of derivative contracts in the normal course of our business, may cause fluctuations in reported financial results and financial losses that negatively impact results of operations and our stock price.

We use derivatives, including futures, forwards, options, swaps and foreign exchange contracts, to manage commodity, financial market and foreign currency risks. The timing of the recognition of gains or losses associated with our economic hedges in accordance with GAAP does not always coincide with the gains or losses on the items being hedged. The difference in accounting can result in volatility in reported results, even though the expected profit margin is essentially unchanged from the dates the transactions were consummated.

In addition, we could recognize financial losses on these contracts as a result of volatility in the market values of the underlying commodities or if a counterparty fails to perform under a contract. In the absence of actively quoted market prices and pricing information from external sources, the valuation of these financial instruments can involve management's judgment or use of estimates. As a result, changes in the underlying assumptions or use of alternative valuation methods could adversely affect the value of the reported fair value of these contracts.

Risk Related to Credit and Liquidity

NJR is a holding company and depends on its operating subsidiaries to meet its financial obligations.

NJR is a holding company with no significant assets other than possible cash investments and the stock of its operating subsidiaries. We rely exclusively on dividends from our subsidiaries, on intercompany loans from our unregulated subsidiaries, and on the repayments of principal and interest from intercompany loans and reimbursement of expenses from our subsidiaries for our cash flows. Our ability to pay dividends on our common stock and to pay principal and interest on our outstanding debt depends on the payment of dividends to us by our subsidiaries or the repayment of loans to us by our subsidiaries. The extent to which our subsidiaries are unable to pay dividends or repay funds to us may adversely affect our ability to pay dividends to holders of our common stock and principal and interest to holders of our debt.

Credit rating downgrades could increase financing costs, limit access to the financial markets and negatively affect NJR and its subsidiaries.

Rating agencies Moody's and Fitch currently rate NJNG's debt as investment grade. If such ratings are downgraded below investment grade, borrowing costs could increase, as will the costs of maintaining certain contractual relationships and obtaining future financing. Even if ratings are downgraded without falling below investment grade, NJR and NJNG could face increased borrowing costs under their current and future credit facilities. Our ability to borrow and costs of borrowing have a

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ITEM 1A. RISK FACTORS (Continued)

direct impact on our subsidiaries' ability to execute their operating strategies, particularly in the case of NJNG, which relies heavily upon capital expenditures financed by its credit facility.

If we suffer a reduction in our credit and borrowing capacity or in our ability to issue parental guarantees, the business prospects of Energy Services, Clean Energy Ventures and Storage and Transportation, which rely on our creditworthiness, would be adversely affected. Energy Services could possibly be required to comply with various margin or other credit enhancement obligations under its trading and marketing contracts, and it may be unable to continue to trade or be able to do so only on less favorable terms with certain counterparties. Clean Energy Ventures could be required to seek alternative financing for its projects, and may be unable to obtain such financing or able to do so only on less favorable terms. In addition, we may not be able to finance our capital obligations to PennEast or for the conversion of the southern end of Adelphia Gateway.

Additionally, lower credit ratings could adversely affect relationships with NJNG's state regulators, who may be unwilling to allow NJNG to pass along increased costs to its natural gas customers.

If we are unable to access the financial markets or there are adverse conditions in the equity or credit markets, it could affect management's ability to execute our business plans.

We rely on access to both short-term and long-term credit markets as significant sources of liquidity for capital requirements not satisfied by our cash flow from operations. Any deterioration in our financial condition could hamper our ability to access the equity or credit markets or otherwise obtain debt financing on terms favorable to us or at all. In addition, because certain state regulatory approvals may be necessary for NJNG to incur debt, NJNG may be unable to access credit markets on a timely basis. External events could also increase the cost of borrowing or adversely affect our ability to access the financial markets. Such external events could include the following:

- economic weakness and/or political instability in the U.S. or in the regions where we operate;
- political conditions, such as a shutdown of the U.S. federal government;
- financial difficulties of unrelated energy companies;
- capital market conditions generally;
- volatility in the equity markets;
- market prices for natural gas;
- the overall health of the natural gas utility industry; and
- fluctuations in interest rates, particularly with respect to NJNG's variable rate debt instruments.

Our ability to secure short-term financing is subject to conditions in the credit markets. A prolonged constriction of credit availability could affect management's ability to execute our business plan. An inability to access capital may limit our ability to pursue improvements or acquisitions that we may otherwise rely on for both current operations and future growth.

Energy Services and NJNG execute derivative transactions with financial institutions as a part of their economic hedging strategy and could incur losses associated with the inability of a financial counterparty to meet or perform under its obligations as a result of adverse conditions in the credit markets or their ability to access capital or post collateral.

Failure by NJR and/or NJNG to comply with debt covenants may impact our financial condition.

Our long-term debt obligations contain financial covenants related to debt-to-capital ratios and, in the case of NJNG, an interest coverage ratio. These debt obligations also contain provisions that put limitations on our ability to finance future operations or capital needs or to expand or pursue certain business activities. For example, certain of these agreements contain provisions that, among other things, put limitations on our ability to make loans or investments, make material changes to the nature of our businesses, merge, consolidate or engage in asset sales, grant liens or make negative pledges. Furthermore, the debt obligations and our sale leaseback agreements contain covenants and other provisions requiring us to provide timely delivery of accurate financial statements prepared in accordance with GAAP. The failure to comply with any of these covenants could result in an event of default, which, if not cured or waived, could result in the acceleration of outstanding debt obligations and/or the inability to borrow under existing revolving credit facilities and term loans. We have relied, and continue to rely, upon short-term bank borrowings or commercial paper supported by our revolving credit facilities to finance the execution of a portion of our operating strategies. NJNG is dependent on these capital sources to purchase its natural gas supply and maintain its properties. The acceleration of our outstanding debt obligations and our inability to borrow under the existing revolving credit facilities would cause a material adverse change in NJR's and NJNG's financial condition.

ITEM 1A. RISK FACTORS (Continued)

Risks Related to Tax and Accounting Matters

A change in our effective tax rate as a result of a failure to qualify for ITCs or being delayed in qualifying for ITCs due to delays or failures to complete planned solar energy projects within the safe harbor period may have a material impact on our earnings.

GAAP requires that we apply an effective tax rate to interim periods that is consistent with our estimated annual effective tax rate. As a result, we project quarterly the annual effective tax rate and then adjust the tax expense recorded in that quarter to reflect the projected annual effective tax rate. The amount of the quarterly adjustment is based on information and assumptions, which are subject to change and may have a material impact on our quarterly and annual NFE. Factors we consider in estimating the probability of projects being completed during the fiscal year include, but are not limited to, Board of Directors approval, construction logistics, permitting, interconnection completion and execution of various contracts, including PPAs. If we fail to qualify for ITCs or are delayed in qualifying for some ITCs during the fiscal year due to delays or failures to complete planned solar energy projects as scheduled, our quarterly and annual net income and NFE may be materially impacted. This could have a material adverse impact on our financial condition, results of operations and cash flows.

The cost of providing pension and postemployment health care benefits to eligible former employees is subject to changes in pension fund values, interest rates and changing demographics and may have a material adverse effect on our financial results.

We have two defined benefit pension plans and two OPEB plans for the benefit of eligible full-time employees and qualified retirees, which were closed to all employees hired on or after January 1, 2012. The cost of providing these benefits to eligible current and former employees is subject to changes in the market value of the pension and OPEB fund assets, changing discount rates and changing actuarial assumptions based upon demographics, including longer life expectancy of beneficiaries, an expected increase in the number of eligible former employees over the next five years, impacts from healthcare legislation and increases in health care costs.

Significant declines in equity markets and/or reductions in bond yields can have a material adverse effect on the funded status of our pension and OPEB plans. In these circumstances, we may be required to recognize increased pension and OPEB expenses and/or be required to make additional cash contributions into the plans.

The funded status of these plans, and the related cost reflected in our financial statements, are affected by various factors that are subject to an inherent degree of uncertainty. Under the Pension Protection Act of 2006, losses of asset values may necessitate increased funding of the plans in the future to meet minimum federal government requirements. A significant decrease in the asset values of these plans can result in funding obligations earlier than we had originally planned, which would have a negative impact on cash flows from operations, decrease our borrowing capacity and increase our interest expense.

Changes in tax laws or regulations may negatively affect our results of operations, net income, financial condition and cash flows.

We are subject to taxation by various taxing authorities at the federal, state and local levels. Any future change in tax laws or interpretation of such laws could adversely affect our results of operations, net income, financial condition and cash flows. In addition, we cannot predict how our federal and state regulators will apply such tax change in our future rates.

A valuation allowance may be required for our deferred tax assets.

During fiscal 2018, as a result of the Tax Act's decrease to the federal statutory corporate tax rate, we revalued our deferred tax assets and liabilities at the enactment date to reflect the rates expected to be in effect when the deferred tax assets and liabilities are realized or settled. These adjustments are based on assumptions we made with respect to our book versus tax differences and the timing of when those differences will reverse. Our deferred tax assets are comprised primarily of investment tax credits and state net operating losses. Any further revaluation of our deferred tax assets that may be required in the future could have a material adverse impact on our financial condition and results of operations.

Significant regulatory assets recorded by NJNG could be disallowed for recovery from customers in the future.

NJNG records regulatory assets on its financial statements to reflect the ratemaking and regulatory decision-making authority of the BPU as allowed by GAAP. The creation of a regulatory asset allows for the deferral of costs, which, absent a

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ITEM 1A. RISK FACTORS (Continued)

mechanism to recover such costs from customers in rates approved by the BPU, would be charged to expense on its income statement in the period incurred. Primary regulatory assets that are subject to BPU approval include the recovery of BGSS and USF costs, remediation costs associated with NJNG's MGP sites, CIP, NJCEP, economic stimulus plans, certain deferred income taxes and pension and other postemployment benefit plans. If there were to be a change in regulatory positions surrounding the collection of these deferred costs, there could be a material impact on NJNG's existing tariff or a future base rate case, as well as our financial condition, results of operations and cash flows.

Risks Related to Takeovers

Our restated certificate of incorporation, as amended, and amended and restated bylaws may delay or prevent a transaction that shareowners would view as favorable.

Our restated certificate of incorporation, as amended and amended and restated bylaws, as well as New Jersey law, contain provisions that could delay, defer or prevent an unsolicited change in control of NJR, which may negatively affect the market price of our common stock or the ability of stockholders to participate in a transaction in which they might otherwise receive a premium for their shares over the then-current market price. These provisions may also prevent changes in management. In addition, our Board is authorized to issue preferred stock without stockholder approval on such terms as our Board may determine. Our common shareowners will be subject to, and may be negatively affected by, the rights of any preferred stock that may be issued in the future. In addition, we are subject to the New Jersey Shareholders' Protection Act, which could delay or prevent a change of control of NJR.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None

ITEM 2. PROPERTIES

Natural Gas Distribution Segment

As of September 30, 2020, NJNG owns approximately 7,392 miles of distribution main, 7,630 miles of service main, 221 miles of transmission main and 566,249 meters. Mains are primarily located under public roads. Where mains are located under private property, NJNG has obtained easements from the owners of record.

Additionally, NJNG owns and operates two LNG storage plants in Stafford Township, Ocean County; and Howell Township, Monmouth County. The two LNG plants have an aggregate estimated maximum capacity of approximately 170,000 Dths per day and 1 Bcf of total capacity. These facilities are used for peaking natural gas supply and for emergencies. NJNG's Liquefaction facility is also located on the Howell Township property and allows NJNG to convert natural gas into LNG to fill NJNG's existing LNG storage tanks.

NJNG owns four service centers located in Rockaway Township, Morris County; Atlantic Highlands and Wall Township, Monmouth County; and Lakewood, Ocean County. These service centers house storerooms, garages, natural gas distribution and administrative offices. NJNG leases its headquarters and customer service facilities in Wall Township, Monmouth County; a customer service office in Asbury Park, Monmouth County; and a service center in Manahawkin, Ocean County. These customer service offices support customer contact, marketing, economic development and other functions.

Substantially all of NJNG's properties, not expressly excepted or duly released, are subject to the lien of the Mortgage Indenture as security for NJNG's mortgage bonds, which totaled \$1 billion as of September 30, 2020. In addition, under the terms of the Mortgage Indenture, NJNG could have issued up to \$1 billion of additional first mortgage bonds as of September 30, 2020.

Clean Energy Ventures Segment

As of September 30, 2020, Clean Energy Ventures has various solar contracts, including lease agreements and easements, allowing the installation, operation and maintenance of solar equipment and access to the various properties, including commercial and residential rooftops throughout the State of New Jersey. In addition to the lease agreements and easements, Clean Energy Ventures owns solar panels with a total of 357.4 MW of capacity, 79.5 acres of land in Vineland, Cumberland County and 101.75 acres of land in Fairfield Township, Cumberland County.

Clean Energy Ventures leases office space in Wall Township, Monmouth County.

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ITEM 2. PROPERTIES (Continued)

Energy Services Segment

As of September 30, 2020, Energy Services leases office space in Wall Township, New Jersey; Charlotte, North Carolina; and Allentown, Pennsylvania.

Storage and Transportation Segment

As of September 30, 2020, Adelphia Gateway owns 11.48 acres of land in Delaware County, Pennsylvania, 20 acres in Bucks County, Pennsylvania, 119.4 acres in Northampton County, Pennsylvania and 17.7 acres in Montgomery County, Pennsylvania and leases office space in Wall Township, New Jersey. Leaf River owns 43.94 acres of land and a 5,000 square foot building in Smith County, Mississippi, 65.4 acres in Jasper County, Mississippi and 3.53 acres in Clarke County, Mississippi and leases office space in Houston, Texas.

All Other Business Operations

As of September 30, 2020, CR&R's real estate portfolio consisted of 23 acres of undeveloped land in Atlantic County, New Jersey. NJRHS leases service centers in Dover, New Jersey and Wall Township, New Jersey. NJR Service Corporation leases office space in Red Bank, New Jersey.

Capital Expenditure Program

See *Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations* for a discussion of anticipated fiscal 2021 and 2022 capital expenditures, as applicable to our reporting segments and business operations.

ITEM 3. LEGAL PROCEEDINGS

Manufactured Gas Plant Remediation

NJNG is responsible for the remedial cleanup of certain former MGP sites, dating back to gas operations in the late 1800s and early 1900s, which contain contaminated residues from former gas manufacturing operations. NJNG is currently involved in administrative proceedings with the NJDEP, and participating in various studies and investigations by outside consultants, to determine the nature and extent of any such contaminated residues and to develop appropriate programs of remedial action, where warranted, under NJDEP regulations.

NJNG periodically, and at least annually, performs an environmental review of former MGP sites located in Atlantic Highlands, Berkeley, Long Branch, Manchester, Toms River, and Freehold, New Jersey, collectively, the "former MGP sites", including a review of potential liability for investigation and remedial action. NJNG estimated at the time of the most recent review the total future expenditures at the former MGP sites for which it is responsible, including potential liabilities for further and continued natural resource damages that may be brought by the NJDEP for alleged injury to groundwater or other natural resources concerning these sites. As we have not yet completed the remedial investigation of the site, the total amount of potential costs of all remedial actions at the MGP site in Freehold, New Jersey, cannot be reasonably estimated at this time.

The estimated total future expenditures for all former MGP sites will range from approximately \$143.1 million to \$181.7 million. NJNG's estimate of these liabilities is based upon known facts, existing technology and enacted laws and regulations in place when the review was completed. Where it is probable that costs will be incurred, and the information is sufficient to establish a range of possible liability, NJNG accrues the most likely amount in the range. If no point within the range is more likely than the other, we accrue at the lower end of the range. Accordingly, NJNG recorded an MGP remediation liability and a corresponding regulatory asset on the Consolidated Balance Sheets of \$150.6 million as of September 30, 2020 and \$131.1 million as of September 30, 2019, based on the most likely amount. The remediation liability at September 30, 2020 includes adjustments for actual expenditures during fiscal 2020. The actual costs to be incurred by NJNG are dependent upon several factors, including final determination of remedial action, changing technologies and governmental regulations, the ultimate ability of other responsible parties to pay and insurance recoveries, if any.

In June 2019, NJNG initiated a preliminary assessment of a site in Aberdeen, New Jersey to determine prior ownership and if former MGP operations were active at the location. As of September 30, 2019, costs associated with preliminary assessment activities were considered immaterial and included as a component of NJNG's annual SBC application to recover remediation expenses. The preliminary assessment and site investigation activities are ongoing at the Aberdeen site. The estimated costs to complete the preliminary assessment and site investigation phase is included in the MGP remediation liability and corresponding regulatory asset on the Consolidated Balance Sheet at September 30, 2020. NJNG will continue to gather information to determine whether the obligation exists to undertake remedial action.

New Jersey Resources Corporation
Part I

ITEM 3. LEGAL PROCEEDINGS (Continued)

NJNG recovers its remediation expenditures, including carrying costs, over rolling seven-year periods pursuant to a RAC approved by the BPU. On September 9, 2020, the BPU approved NJNG's request for an increase in the RAC, which increased the annual recovery from \$8.5 million to \$9.7 million and is effective October 1, 2020. As of September 30, 2020, \$36.5 million of previously incurred remediation costs, net of recoveries from customers and insurance proceeds, are included in regulatory assets on the Consolidated Balance Sheets. NJNG will continue to seek recovery of MGP-related costs through the RAC. If any future regulatory position indicates that the recovery of such costs is not probable, the related non-recoverable costs would be charged to income in the period of such determination.

General

The Company is involved, and from time to time in the future may be involved, in a number of pending and threatened judicial, regulatory and arbitration proceedings relating to matters that arise in the ordinary course of business. In view of the inherent difficulty of predicting the outcome of litigation matters, particularly when such matters are in their early stages or where the claimants seek indeterminate damages, the Company cannot state with confidence what the eventual outcome of the pending litigation will be, what the timing of the ultimate resolution of these matters will be, or what the eventual loss, fines or penalties related to each pending matter will be, if any. In accordance with applicable accounting guidance, NJR establishes accruals for litigation for those matters that present loss contingencies as to which it is both probable that a loss will be incurred and the amount of such loss can be reasonably estimated. NJR also discloses contingent matters for which there is a reasonable possibility of a loss. Based upon currently available information, NJR believes that the results of litigation that is currently pending, taken together, will not have a materially adverse effect on the Company's financial condition, results of operations or cash flows. The actual results of resolving the pending litigation matters may be substantially higher than the amounts accrued.

The foregoing statements about NJR's litigation are based upon the Company's judgments, assumptions and estimates and are necessarily subjective and uncertain. The Company has a number of threatened and pending litigation matters at various stages.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable

New Jersey Resources Corporation Part II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

NJR's Common Stock is traded on the New York Stock Exchange under the ticker symbol NJR. As of October 27, 2020, NJR had 60,383 holders of record of its common stock.

Performance Graph

The performance graph and table below illustrates a five-year comparison of cumulative total returns based on an initial investment of \$100 in our common stock, as compared with the S&P 500 Stock Index, the S&P 500 Utilities Industry Index and the customized peer company group listed below, referred to herein as the Peer Group. The Peer Group companies were selected based on similarities to the Company's business model, size and other growth and business factors.



Cumulative Total Return	2015	2016	2017	2018	2019	2020
NJR	\$100.00	\$112.67	\$148.40	\$166.62	\$167.49	\$104.21
S&P 500 Utilities	\$100.00	\$117.37	\$131.49	\$135.34	\$172.02	\$163.47
S&P 500	\$100.00	\$115.43	\$136.91	\$161.43	\$168.30	\$193.80
Peer Group	\$100.00	\$126.37	\$144.57	\$150.79	\$178.99	\$146.25

The 10 companies in the Peer Group are: Atmos Energy Corporation; Avista Corporation; Black Hills Corporation; National Fuel Gas Company; NiSource Inc.; Northwest Natural Gas Company; ONE Gas, Inc.; South Jersey Industries, Inc.; Southwest Gas Corporation; and Spire Inc.

This performance graph and accompanying information shall not be deemed "filed" for purposes of Section 18 of the Exchange Act, or incorporated by reference into any of the Company's filings under the Securities Act, or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

In 1996, the Board of Directors authorized the Company to implement a share repurchase program, which has been expanded seven times since the inception of the program, authorizing a total of 19.5 million shares of common stock for repurchase. The share repurchase plan allows us to purchase our outstanding shares on the open market or in negotiated transactions, based on market and other conditions. We are not required to purchase any specific number of shares and may discontinue or suspend the program at any time. The share repurchase plan will expire when we have repurchased all shares authorized for repurchase thereunder, unless it is terminated earlier by action of our Board of Directors or additional shares are authorized for repurchase.

The following table sets forth NJR's repurchase activity for the quarter ended September 30, 2020:

Period	Total Number of Shares (or Units) Purchased	Average Price Paid per Share (or Unit)	Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares (or Units) That May Yet Be Purchased Under the Plans or Programs
7/01/20 - 7/31/20	—	\$ —	—	2,431,053
8/01/20 - 8/31/20	—	\$ —	—	2,431,053
9/01/20 - 9/30/20	—	\$ —	—	2,431,053
Total	—	\$ —	—	2,431,053

New Jersey Resources Corporation
Part II

ITEM 6. SELECTED FINANCIAL DATA

CONSOLIDATED FINANCIAL STATISTICS

(Thousands, except per share data)

Fiscal Years Ended September 30,	2020	2019	2018	2017	2016
SELECTED FINANCIAL DATA					
Operating revenues	\$ 1,953,668	\$ 2,592,045	\$ 2,915,109	\$ 2,268,617	\$ 1,880,905
Natural gas purchases	\$ 1,304,719	\$ 2,044,302	\$ 2,275,342	\$ 1,703,767	\$ 1,352,686
Net income	\$ 193,919	\$ 169,505	\$ 233,436	\$ 132,065	\$ 131,672
Total assets	\$ 5,569,802	\$ 4,372,985	\$ 4,143,664	\$ 3,928,507	\$ 3,718,570
Common stock equity	\$ 1,844,692	\$ 1,551,717	\$ 1,418,978	\$ 1,236,643	\$ 1,166,591
Long-term debt ⁽¹⁾ ⁽²⁾	\$ 2,259,466	\$ 1,537,177	\$ 1,180,619	\$ 997,080	\$ 1,055,038
COMMON STOCK DATA					
Earnings per share-basic	\$2.05	\$1.90	\$2.66	\$1.53	\$1.53
Earnings per share-diluted	\$2.04	\$1.89	\$2.64	\$1.52	\$1.52
Dividends declared per share	\$1.27	\$1.19	\$1.11	\$1.038	\$0.975
NON-GAAP RECONCILIATION					
Net income	\$ 193,919	\$ 169,505	\$ 233,436	\$ 132,065	\$ 131,672
Add:					
Unrealized loss (gain) on derivative instruments and related transactions	(9,644)	2,881	26,770	(11,241)	46,883
Tax effect	2,296	(711)	(4,512)	4,062	(17,018)
Effects of economic hedging related to natural gas inventory	12,690	4,309	(22,570)	38,470	(36,816)
Tax effect	(3,016)	(1,024)	7,362	(13,964)	13,364
Net financial earnings ⁽³⁾	\$ 196,245	\$ 174,960	\$ 240,486	\$ 149,392	\$ 138,085
Basic earnings per share	\$2.05	\$1.90	\$2.66	\$1.53	\$1.53
Add:					
Unrealized loss (gain) on derivative instruments and related transactions	(0.10)	0.03	0.31	(0.13)	0.55
Tax effect	0.02	(0.01)	(0.05)	0.05	(0.20)
Effects of economic hedging related to natural gas inventory	0.13	0.05	(0.26)	0.45	(0.43)
Tax effect	(0.03)	(0.01)	0.08	(0.17)	0.16
Net financial earnings per share-basic ⁽³⁾	\$2.07	\$1.96	\$2.74	\$1.73	\$1.61
Diluted earnings per share	\$2.04	\$1.89	\$2.64	\$1.52	\$1.52
Add:					
Unrealized loss (gain) on derivative instruments and related transactions	(0.10)	0.03	0.30	(0.13)	0.54
Tax effect	0.02	(0.01)	(0.05)	0.05	(0.20)
Effects of economic hedging related to natural gas inventory	0.13	0.05	(0.25)	0.44	(0.42)
Tax effect	(0.03)	(0.01)	0.08	(0.17)	0.15
Net financial earnings per share-diluted ⁽³⁾	\$2.06	\$1.95	\$2.72	\$1.71	\$1.59

(1) Includes long-term financial leases of \$63.7 million, \$25 million, \$26.4 million, \$28.9 million and \$30.7 million, respectively.

(2) Includes long-term solar asset financing obligation of \$105.5 million, \$80.4 million, \$89.8 million, \$28.2 million and \$0, respectively.

(3) NFE is a non-GAAP financial measure that eliminates the timing differences surrounding the recognition of certain derivative gains or losses, to effectively match the earnings effects of economic hedges associated with the physical sale or purchase of natural gas and, therefore, eliminate the impact of volatility to GAAP earnings associated with the related derivative instruments. For further discussion of this financial measure, see the Energy Services segment discussion in *Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations*.

New Jersey Resources Corporation
Part II

ITEM 6. SELECTED FINANCIAL DATA (Continued)

NJNG OPERATING STATISTICS

Fiscal Years Ended September 30,	2020	2019	2018	2017	2016
Operating revenues (\$ in thousands)					
Residential	\$ 500,271	\$ 450,515	\$ 441,486	\$ 395,315	\$ 345,597
Commercial, industrial and other	98,463	104,372	95,351	98,777	80,994
Firm transportation	66,871	57,513	65,256	73,206	69,696
Total residential and commercial	665,605	612,400	602,093	567,298	496,287
Interruptible	6,322	6,637	7,522	7,970	8,867
Total system	671,927	619,037	609,615	575,268	505,154
BGSS incentive programs	57,996	91,756	122,250	120,369	89,192
Total operating revenues	\$ 729,923	\$ 710,793	\$ 731,865	\$ 695,637	\$ 594,346
Throughput (Bcf)					
Residential	44.6	46.0	45.5	40.7	36.9
Commercial, industrial and other	8.2	9.7	8.9	8.7	7.3
Firm transportation	13.3	13.7	15.5	14.4	14.1
Total residential and commercial	66.1	69.4	69.9	63.8	58.3
Interruptible	30.9	39.0	46.2	55.0	61.5
Total system	97.0	108.4	116.1	118.8	119.8
BGSS incentive programs	118.4	123.8	150.2	178.4	216.7
Total throughput	215.4	232.2	266.3	297.2	336.5
Customers at year-end					
Residential	497,779	486,474	474,495	460,013	448,273
Commercial, industrial and other	28,735	28,992	28,037	26,947	26,218
Firm transportation	31,604	32,107	36,126	42,790	46,608
Total residential and commercial	558,118	547,573	538,658	529,750	521,099
Interruptible	29	32	31	33	34
BGSS incentive programs	19	21	28	27	30
Total customers at year-end	558,166	547,626	538,717	529,810	521,163
Interest coverage ratio ⁽¹⁾	8.29	6.57	6.35	7.96	8.97
Average therm use per customer					
Residential	895	945	959	885	824
Commercial, industrial and other	8,683	10,198	10,992	11,183	11,378
Degree days	4,254	4,506	4,537	4,129	3,867
Weather as a percent of normal ⁽²⁾	92.8 %	99.0 %	99.5 %	90.0 %	82.5 %
Number of employees	721	709	686	680	670

(1) NJNG's income from operations divided by interest expense.

(2) Normal heating degree days are based on a 20-year average, calculated based upon three reference areas representative of NJNG's service territory.

(3) Operating revenue presents sales tax, net during fiscal 2020 and 2019, due to the adoption of ASC 606, *Revenue from Contracts with Customers*. Prior to fiscal 2019, operating revenue only included sales tax on operating revenues excluding tax-exempt sales.

New Jersey Resources Corporation
Part II

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Critical Accounting Policies

We prepare our financial statements in accordance with GAAP. Application of these accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosures of contingencies during the reporting period. We regularly evaluate our estimates, including those related to the calculation of the fair value of derivative instruments, regulatory assets, income taxes, pension and postemployment benefits other than pensions and contingencies related to environmental matters and litigation. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. In the normal course of business, estimated amounts are subsequently adjusted to actual results that may differ from estimates.

Regulatory Accounting

NJNG maintains its accounts in accordance with the FERC Uniform System of Accounts as prescribed by the BPU and recognizes the impact of regulatory decisions on its financial statements. As a result of the ratemaking process, NJNG is required to apply the accounting principles in ASC 980, *Regulated Operations*, which differ in certain respects from those applied by unregulated businesses. Specifically, NJNG records regulatory assets when it is probable that certain operating costs will be recoverable from customers in future periods and records regulatory liabilities associated with probable future obligations to customers.

Regulatory decisions can have an impact on the recovery of costs, the rate of return earned on investment, and the timing and amount of assets to be recovered by rates. The BPU's regulation of rates is premised on the full recovery of prudently incurred costs and a reasonable rate of return on invested capital. Decisions to be made by the BPU in the future will impact the accounting for regulated operations, including decisions about the amount of allowable costs and return on invested capital included in rates and any refunds that may be required. If the BPU indicates that recovery of all or a portion of a regulatory asset is not probable or does not allow for recovery of and a reasonable return on investments in property plant and equipment, a charge to income would be made in the period of such determination.

Environmental Costs

At the end of each fiscal year, NJNG, with the assistance of an independent consulting firm, updates the environmental review of its MGP sites, including its potential liability for investigation and remedial action. From this review, NJNG estimates expenditures necessary to remediate and monitor these MGP sites. NJNG's estimate of these liabilities is developed from then-currently available facts, existing technology and current laws and regulations.

In accordance with accounting standards for contingencies, NJNG's policy is to record a liability when it is probable that the cost will be incurred and can be reasonably estimated. NJNG will determine a range of liabilities and will record the most likely amount. If no point within the range is more likely than any other, NJNG will accrue the lower end of the range. Since we believe that recovery of these expenditures, as well as related litigation costs, is possible through the regulatory process, we have recorded a regulatory asset corresponding to the related accrued liability. Accordingly, NJNG recorded an MGP remediation liability and a corresponding regulatory asset on the Consolidated Balance Sheets, which is based on the most likely amount.

The actual costs to be incurred by NJNG are dependent upon several factors, including final determination of remedial action, changing technologies and governmental regulations and the ultimate ability of other responsible parties to pay, as well as the potential impact of any litigation and any insurance recoveries. Previously incurred remediation costs, net of recoveries from customers and insurance proceeds received are included in regulatory assets on the Consolidated Balance Sheets.

If there are changes in the regulatory position surrounding these costs, or should actual expenditures vary significantly from estimates in that these costs are disallowed for recovery by the BPU, such costs would be charged to income in the period of such determination. See the *Legal Proceedings* section in *Note 15. Commitments and Contingent Liabilities* for more details.

New Jersey Resources Corporation

Part II

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Postemployment Employee Benefits

Our costs of providing postemployment employee benefits are dependent upon numerous factors, including actual plan experience and assumptions of future experience. Postemployment employee benefit costs are affected by actual employee demographics including age, compensation levels and employment periods, the level of contributions made to the plans, changes in long-term interest rates and the return on plan assets. Changes made to the provisions of the plans or healthcare legislation may also impact current and future postemployment employee benefit costs. Postemployment employee benefit costs may also be significantly affected by changes in key actuarial assumptions, including anticipated rates of return on plan assets, changes in mortality tables, health care cost trends and discount rates used in determining the PBO. In determining the PBO and cost amounts, assumptions can change from period to period and could result in material changes to net postemployment employee benefit periodic costs and the related liability recognized by us.

The remeasurement of plan assets and obligations for a significant event should occur as of the date of the significant event. We may use a practical expedient to remeasure the plan assets and obligations as of the nearest calendar month-end date. When performing interim remeasurements, we obtain new asset values, roll forward the obligation to reflect population changes and review the appropriateness of all assumptions, regardless of the reason for performing the interim remeasurement.

Our postemployment employee benefit plan assets consist primarily of U.S. equity securities, international equity securities, fixed-income investments and other assets, with a targeted allocation of 34 percent, 17 percent, 38 percent and 11 percent, respectively. Fluctuations in actual market returns, as well as changes in interest rates, may result in increased or decreased postemployment employee benefit costs in future periods. Postemployment employee benefit expenses are included in O&M and other income, net on the Consolidated Statements of Operations.

The following is a summary of a sensitivity analysis for each actuarial assumption:

Pension Plans

Actuarial Assumptions	Increase/ (Decrease)	Estimated Increase/(Decrease) on PBO (Thousands)	Estimated Increase/(Decrease) to Expense (Thousands)
Discount rate	1.00 %	\$(49,896)	\$(4,671)
Discount rate	(1.00) %	\$62,361	\$5,643
Rate of return on plan assets	1.00 %	n/a	\$(2,840)
Rate of return on plan assets	(1.00) %	n/a	\$2,839

Other Postemployment Benefits

Actuarial Assumptions	Increase/ (Decrease)	Estimated Increase/(Decrease) on PBO (Thousands)	Estimated Increase/(Decrease) to Expense (Thousands)
Discount rate	1.00 %	\$ (36,740)	\$ (3,608)
Discount rate	(1.00) %	\$ 47,260	\$ 4,486
Rate of return on plan assets	1.00 %	n/a	\$ (898)
Rate of return on plan assets	(1.00) %	n/a	\$ 898

Actuarial Assumptions	Increase/ (Decrease)	Estimated Increase/(Decrease) on PBO (Thousands)	Estimated Increase/(Decrease) to Expense (Thousands)
Health care cost trend rate	1.00 %	\$ 49,106	\$ 6,861
Health care cost trend rate	(1.00) %	\$ (38,844)	\$ (5,383)

Acquisitions

The Company follows the guidance in ASC 805, *Business Combinations*, for determining the appropriate accounting treatment for acquisitions. ASU No. 2017-01, *Clarifying the Definition of a Business*, provides an initial fair value screen to determine if substantially all of the fair value of the assets acquired is concentrated in a single asset or group of similar assets. If the initial screening test is not met, the set is considered a business based on whether there are inputs and substantive processes in place. Based on the results of this analysis and conclusion on an acquisition's classification of a business combination or an asset acquisition, the accounting treatment is derived.

New Jersey Resources Corporation

Part II

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

If the acquisition is deemed to be a business, the acquisition method of accounting is applied. Identifiable assets acquired and liabilities assumed at the acquisition date are recorded at fair value. If the transaction is deemed to be an asset purchase, the cost accumulation and allocation model is used whereby the assets and liabilities are recorded based on the purchase price and allocated to the individual assets and liabilities based on relative fair values.

The determination and allocation of fair values to the identifiable assets acquired and liabilities assumed are based on various assumptions and valuation methodologies requiring considerable management judgment. The most significant variables in these valuations are discount rates and the number of years on which to base the cash flow projections, as well as other assumptions and estimates used to determine the cash inflows and outflows. Management determines discount rates based on the risk inherent in the acquired assets and related cash flows. The valuation of an acquired business is based on available information at the acquisition date and assumptions that are believed to be reasonable. However, a change in facts and circumstances as of the acquisition date can result in subsequent adjustments during the measurement period, but no later than one year from the acquisition date.

Investments in Equity Investees

The Company accounts for its investments in Steckman Ridge and PennEast, using the equity method of accounting where it is not the primary beneficiary, as defined under ASC 810, *Consolidation*, in that its respective ownership interests are 50 percent or less and/or it has significant influence over operating and management decisions. The Company's share of earnings is recognized as equity in earnings of affiliates on the Consolidated Statements of Operations.

Equity method investments are reviewed for impairment when changes in facts and circumstances indicate that the current fair value may be less than the asset's carrying amount. Factors that the Company analyzes in determining whether an impairment in its equity investments exists include reviewing the financial condition and near-term prospects of the investees, including economic conditions and trends in the general market, significant delays in or failure to complete significant projects, unfavorable regulatory or legal actions expected to substantially impact future earnings potential and lower than expected cash distributions from investees. If the Company determines the decline in the value of its equity method investment is other than temporary, an impairment charge is recorded in an amount equal to the excess of the carrying value of the asset over its fair value.

On September 10, 2019, the Third Circuit issued an order overturning the U.S. District Court for the District of New Jersey's order granting PennEast condemnation and immediate access in accordance with the Natural Gas Act to certain properties in which New Jersey holds an interest. The Petition for Panel Rehearing or Rehearing En Banc filed with the Third Circuit was denied on November 5, 2019.

On October 8, 2019, the NJDEP issued a letter indicating that it deemed PennEast's freshwater wetlands permit application to be administratively incomplete and closed the matter without prejudice. On October 11, 2019, PennEast submitted a letter to the NJDEP objecting to its position that the freshwater wetlands permit application is administratively incomplete.

On November 14, 2019, PennEast announced that it will ask the Supreme Court of the U.S. to review the September 2019 decision by the Third Circuit.

As a result of the adverse court rulings, the Company evaluated its investment in PennEast for impairment and determined an impairment charge was not necessary. The Company estimated the fair value of its investment using probability-weighted scenarios of discounted future cash flows. Management made significant estimates and assumptions related to development options and legal outcomes, construction costs, timing of capital investments and in-service dates, revenues and discount rates. The discounted cash flow scenarios contemplate the impact of key assumptions of potential future court decisions and potential future management decisions and require management to make significant estimates regarding the likelihood of various scenarios and assumptions. It is reasonably possible that future unfavorable developments, such as a reduced likelihood of success from development options and legal outcomes, estimated increases in construction costs, increases in the discount rate or further significant delays, could result in an impairment of our equity method investment. Also, the use of alternate judgments and assumptions could result in a different calculation of fair value, which could ultimately result in the recognition of an impairment charge in the Consolidated Financial Statements. Higher probabilities were assumed related to those scenarios where the project is completed.

New Jersey Resources Corporation

Part II

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Due to the anticipated expiration of a customer contract for Steckman Ridge, the Company evaluated its investment in Steckman Ridge for other-than-temporary impairment and determined an impairment charge was not necessary.

The fair value of the Company's investment in Steckman Ridge was determined using a discounted cash flow method and utilized management's best estimates and assumptions related to expected future results, including the price and capacity of firm natural gas storage contracting, operations and maintenance costs, the nature and timing of major maintenance and capital investment, and discount rates. Fair value determinations require considerable judgment and are sensitive to changes in underlying assumptions and other factors. As a result, it is reasonably possible that unfavorable developments, such as the failure to execute storage contracts and other services for available capacity at anticipated price levels could result in an other-than temporary impairment charge in the Consolidated Financial Statements.

For further information on these investments, see *Note 7. Investments in Equity Investees*.

Impairment of Long-lived assets

Property, plant and equipment and finite-lived intangible assets are reviewed periodically for impairment when changes in facts and circumstances indicate that the carrying amount of an asset may not be fully recoverable in accordance with the appropriate accounting guidance. Factors that the Company analyzes in determining whether an impairment in its long-lived assets exists include determining if a significant decrease in the market price of a long-lived asset is present; a significant adverse change in the extent in which a long-lived asset is being used in its physical condition; legal proceedings or factors; significant business climate changes, accumulations of costs in significant excess of the amounts expected; a current-period operating or cash flow loss coupled with historical negative cash flows or expected future negative cash flows; and current expectations that more likely than not, a long-lived asset will be sold or otherwise disposed of significantly before the end of its estimated useful life. When an impairment indicator is present, the Company determines if the carrying value of the asset is recoverable by comparing it to its expected undiscounted future cash flows. If the carrying value of the asset is greater than the expected undiscounted future cash flows, an impairment charge is recorded in an amount equal to the excess of the carrying value of the asset over its fair value.

Derivative Instruments

We record our derivative instruments held as assets and liabilities at fair value on the Consolidated Balance Sheets. In addition, since we choose not to designate any of our physical and financial natural gas commodity derivatives as accounting hedges, changes in the fair value of Energy Services' commodity derivatives are recognized in earnings, as they occur, as a component of operating revenues or natural gas purchases on the Consolidated Statements of Operations. Changes in the fair value of foreign exchange contracts are recognized in natural gas purchases on the Consolidated Statements of Operations.

The fair value of derivative instruments is determined by reference to quoted market prices of listed exchange-traded contracts, published price quotations, pipeline tariff information or a combination of those items. Energy Services' portfolio is valued using the most current and reasonable market information. If the price underlying a physical commodity transaction does not represent a visible and liquid market, Energy Services may utilize additional published pipeline tariff information and/or other services to determine an equivalent market price. As of September 30, 2020, the fair value of its derivative assets and liabilities reported on the Consolidated Balance Sheets that is based on such pricing is considered immaterial.

Should there be a significant change in the underlying market prices or pricing assumptions, Energy Services may experience a significant impact on its financial position, results of operations and cash flows. Refer to *Item 7A. Quantitative and Qualitative Disclosures About Market Risks* for a sensitivity analysis related to the impact to derivative fair values resulting from changes in commodity prices. The valuation methods we use to determine fair values remained consistent for fiscal 2020, 2019 and 2018. We apply a discount to our derivative assets to factor in an adjustment associated with the credit risk of its physical natural gas counterparties and to our derivative liabilities to factor in an adjustment associated with its own credit risk. We determine this amount by using historical default probabilities corresponding to the appropriate S&P issuer ratings. Since the majority of our counterparties are rated investment grade, this results in an immaterial credit risk adjustment.

Gains and losses associated with derivatives utilized by NJNG to manage the price risk inherent in its natural gas purchasing activities are recoverable through its BGSS, subject to BPU approval. Accordingly, the offset to the change in fair value of these derivatives is recorded as either a regulatory asset or liability on the Consolidated Balance Sheets.

New Jersey Resources Corporation

Part II

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Clean Energy Ventures hedges certain of its expected production of SRECs through forward and futures contracts. Clean Energy Ventures intends to physically deliver all SRECs it sells and recognizes SREC revenue as operating revenue on the Consolidated Statements of Operations upon delivery of the underlying SREC.

We have not designated any derivatives as fair value or cash flow hedges as of September 30, 2020 and 2019.

Income Taxes

The determination of our provision for income taxes requires the use of estimates and the interpretation and application of tax laws. Judgment is required in assessing the deductibility and recoverability of certain tax benefits. We use the asset and liability method to determine and record deferred tax assets and liabilities, representing future tax benefits and taxes payable, which result from the differences in basis recorded in GAAP financial statements and amounts recorded in the income tax returns. The deferred tax assets and liabilities are recorded utilizing the statutorily enacted tax rates expected to be in effect at the time the assets are realized, and/or the liabilities settled. An offsetting valuation allowance is recorded when it is more likely than not that some or all of the deferred income tax assets won't be realized. Any significant changes to the estimates and judgments with respect to the interpretations, timing or deductibility could result in a material change to earnings and cash flows. For a more detailed description of Income Taxes see *Note 13. Income Taxes* in the accompanying Consolidated Financial Statements.

For state income tax and other taxes, estimates and judgments are required with respect to the apportionment among the various jurisdictions. In addition, we operate within multiple tax jurisdictions and are subject to audits in these jurisdictions. These audits can involve complex issues, which may require an extended period of time to resolve. We maintain a liability for the estimate of potential income tax exposure and, in our opinion, adequate provisions for income taxes have been made for all years reported. Any significant changes to the estimates and judgments with respect to the apportionment factor could result in a material change to earnings and cash flows.

Occasionally, the federal and state taxing authorities determine that it is necessary to make certain changes to the income tax laws. These changes may include but are not limited to changes in the tax rates and/or the treatment of certain items of income or expense. Accounting guidance requires that the Company reflect the effect of tax laws or tax rates at the date of enactment. Additionally, the Company is required to re-measure its deferred tax assets and liabilities as of the date of enactment. For non-regulated entities, the effect of changes in tax rates and/or tax laws are required to be included in income from continuing operations for the period that includes the enactment date. For regulated entities, if as the result of an action by a regulator it is probable that the future increase or decrease in taxes payable for items such as changes in tax law or rates will be recovered from or returned to customers through future rates, an asset or liability shall be recognized for that probable increase or decrease in future revenue. Accounting guidance also requires that regulatory liabilities/assets be considered a temporary difference for which a deferred tax asset/liability shall be recognized.

Accounting guidance requires that we establish reserves for uncertain tax positions when it is more likely than not that the positions will not be sustained when challenged by taxing authorities. Any changes to the estimates and judgments with respect to the interpretations, timing or deductibility could result in a change to earnings and cash flows. Interest and penalties related to unrecognized tax benefits, if any, are recognized within income tax expense and accrued interest, and penalties are recognized within accrued taxes on the Consolidated Balance Sheets.

To the extent that NJNG invests in property that qualifies for ITCs, the ITC is deferred and amortized to income over the life of the equipment in accordance with regulatory treatment. In general, for our unregulated subsidiaries, we recognize ITCs as a reduction to income tax expense when the property is placed in service.

Changes to the federal statutes related to ITCs, which have the effect of reducing or eliminating the credits, could have a negative impact on earnings and cash flows.

Recently Issued Accounting Standards

Refer to *Note 2. Summary of Significant Accounting Policies* in the accompanying Consolidated Financial Statements for discussion of recently issued accounting standards.

New Jersey Resources Corporation

Part II

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Management's Overview

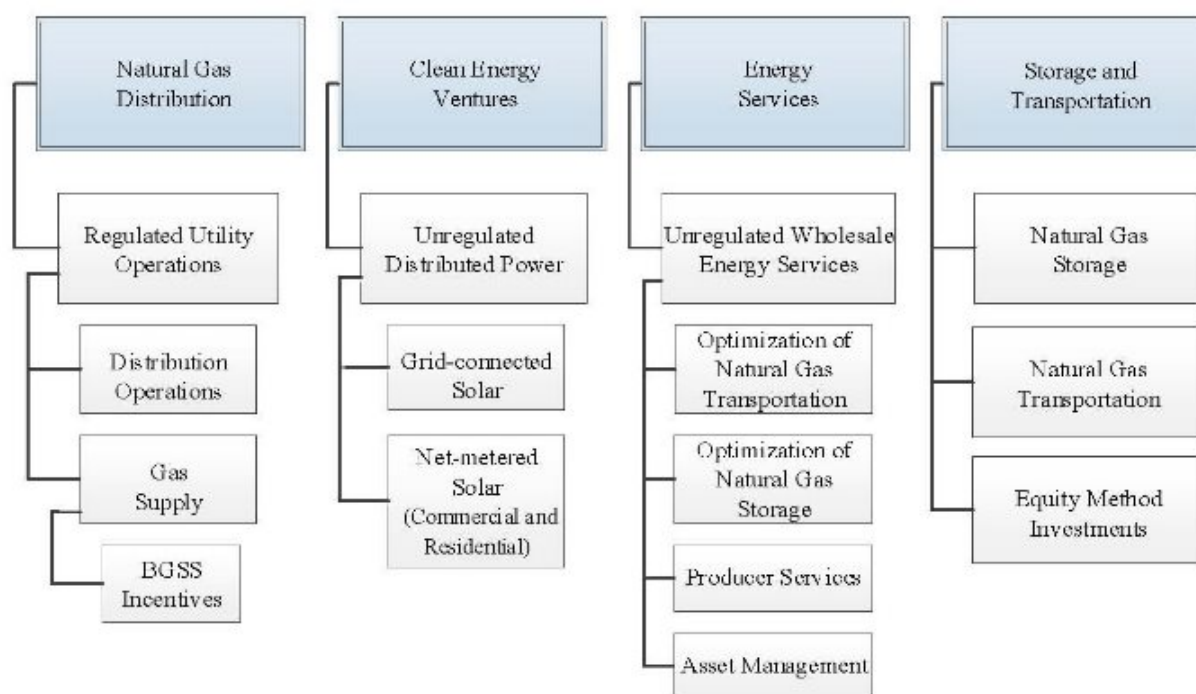
Consolidated

NJR is a diversified energy services holding company providing retail natural gas service in New Jersey and wholesale natural gas and related energy services to customers in the U.S. and Canada. In addition, we invest in clean energy projects, natural gas storage and transportation assets and provide various repair, sales and installation services. A more detailed description of our organizational structure can be found in *Item 1. Business*.

The following sections include a discussion of results for fiscal 2020 compared to fiscal 2019. The comparative results for fiscal 2019 with fiscal 2018 have been omitted from this Form 10-K, but may be found in *Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations* on Form 10-K of our Annual Report for the fiscal year ended September 30, 2019, filed with the SEC on November 22, 2019.

Reporting Segments

We have four primary reporting segments as presented in the chart below:



In addition to our four reporting segments, we have non-utility operations that either provide corporate support services or do not meet the criteria to be treated as a separate reporting segment. These operations, which comprise Home Services and Other, include: appliance repair services, sales and installations at NJRHS and commercial real estate holdings at CR&R.

Impacts of the COVID-19 Pandemic

We are closely monitoring developments related to the COVID-19 pandemic and are taking steps intended to limit potential exposure for our employees and those we serve. We have also taken proactive steps to ensure business continuity in the safe operation of our business. Both NJR and NJNG continue to have sufficient liquidity to meet their current obligations, and business operations remain fundamentally unchanged at this time. This is, however, a rapidly evolving situation, and we cannot predict the extent or duration of the outbreak, the effects of the pandemic on the global, national or local economy or its effects on our financial condition, results of operations and cash flows. We cannot predict the nature and extent of impacts to future operations. We will continue to monitor developments affecting our employees, customers and operations and take additional steps to address the COVID-19 pandemic and its impacts, as necessary.

New Jersey Resources Corporation
Part II

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Operating Results

A summary of our consolidated results in net income and assets by reporting segment and operations for the fiscal years ended September 30, is as follows:

<i>(Thousands)</i>	2020		2019		2018	
	Net Income	Assets	Net Income	Assets	Net Income	Assets
Natural Gas Distribution	\$ 126,902	\$ 3,531,477	\$ 78,062	\$ 3,064,309	\$ 84,048	\$ 2,663,054
Clean Energy Ventures	53,023	1,015,073	77,473	864,323	75,849	865,018
Energy Services	(11,008)	244,836	(1,268)	290,847	53,139	396,852
Storage and Transportation	18,311	844,799	14,689	240,955	24,367	242,069
Home Services and Other	5,784	138,375	1,637	104,411	(3,555)	114,732
Intercompany ⁽¹⁾	907	(204,758)	(1,088)	(191,860)	(412)	(138,061)
Total	\$ 193,919	\$ 5,569,802	\$ 169,505	\$ 4,372,985	\$ 233,436	\$ 4,143,664

(1) Consists of transactions between subsidiaries that are eliminated in consolidation.

The increase in net income of \$24.4 million during fiscal 2020, compared with fiscal 2019, was driven primarily by increased earnings at our Natural Gas Distribution segment due to higher base rates resulting from the base rate case in November 2019, partially offset by decreased earnings at Energy Services resulting from warmer weather, which lead to decreased demand, lower natural gas prices and ultimately decreased volatility in the wholesale natural gas markets and decreased earnings at Clean Energy Ventures resulting from a decrease in ITC recognition, as well as the absence of wind revenue in fiscal 2020. The primary drivers of the changes noted above are described in more detail in the individual segment discussions.

The increase in assets during fiscal 2020, compared with fiscal 2019, was due primarily to the acquisition of Leaf River and Adelphia Gateway within our Storage and Transportation segment, increases in utility plant and solar asset investment within our Natural Gas Distribution segment and Clean Energy Ventures segment, respectively, and the recognition of a right-of-use asset upon adoption of *ASC 842 - Leases* on October 1, 2019.

Non-GAAP Financial Measures

Our management uses NFE, a non-GAAP financial measure, when evaluating our operating results. Energy Services economically hedges its natural gas inventory with financial derivative instruments. NFE is a measure of the earnings based on eliminating timing differences surrounding the recognition of certain gains or losses, to effectively match the earnings effects of the economic hedges with the physical sale of natural gas and, therefore, eliminates the impact of volatility to GAAP earnings associated with the derivative instruments. There is a related tax effect on current and deferred income tax expense corresponding with this non-GAAP measure. To the extent we utilize forwards, futures or other derivatives to hedge forecasted SREC production, unrealized gains and losses are also eliminated for NFE purposes.

GAAP requires us, during the interim periods, to estimate our annual effective tax rate and use this rate to calculate the year-to-date tax provision. We also determine an annual estimated effective tax rate for NFE purposes and calculate a quarterly tax adjustment based on the difference between our forecasted net income and our forecasted NFE for the fiscal year. Since the annual estimated effective tax rate is based on certain forecasted assumptions, including estimates surrounding completion of Clean Energy Ventures projects, the rate and resulting NFE are subject to change. No adjustment is needed during the fourth quarter, since the actual effective tax rate is calculated at fiscal year-end.

Non-GAAP financial measures are not in accordance with, or an alternative to, GAAP and should be considered in addition to, and not as a substitute for or a replacement of, the comparable GAAP measure and should be read in conjunction with those GAAP results.

New Jersey Resources Corporation

Part II

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Below is a reconciliation of consolidated net income, the most directly comparable GAAP measure, to NFE for the fiscal years ended September 30:

(Thousands, except per share data)	2020	2019	2018
Net income	\$ 193,919	\$ 169,505	\$ 233,436
Add:			
Unrealized (gain) loss on derivative instruments and related transactions	(9,644)	2,881	26,770
Tax effect	2,296	(711)	(4,512)
Effects of economic hedging related to natural gas inventory ⁽¹⁾	12,690	4,309	(22,570)
Tax effect	(3,016)	(1,024)	7,362
Net financial earnings	\$ 196,245	\$ 174,960	\$ 240,486
Basic earnings per share	\$ 2.05	\$ 1.90	\$ 2.66
Add:			
Unrealized (gain) loss on derivative instruments and related transactions	(0.10)	0.03	0.31
Tax effect	0.02	(0.01)	(0.05)
Effects of economic hedging related to natural gas inventory ⁽¹⁾	0.13	0.05	(0.26)
Tax effect	(0.03)	(0.01)	0.08
Basic net financial earnings per share	\$ 2.07	\$ 1.96	\$ 2.74

(1) Effects of hedging natural gas inventory transactions where the economic impact is realized in a future period.

NFE by reporting segment and other operations for the fiscal years ended September 30, discussed in more detail within the operating results sections of each segment, is summarized as follows:

(Thousands)	2020		2019		2018	
Natural Gas Distribution	\$ 126,902	65 %	\$ 78,062	45 %	\$ 84,048	35 %
Clean Energy Ventures	53,023	27	77,473	44	75,849	32
Energy Services	(7,873)	(4)	2,918	2	60,378	25
Storage and Transportation	18,311	9	14,689	8	24,367	10
Home Services and Other	5,784	3	1,911	1	(3,829)	(2)
Eliminations ⁽¹⁾	98	—	(93)	—	(327)	—
Total	\$ 196,245	100 %	\$ 174,960	100 %	\$ 240,486	100 %

(1) Consists of transactions between subsidiaries that are eliminated in consolidation.

The increase in NFE of \$21.3 million during fiscal 2020, compared with fiscal 2019, was driven primarily by increased base rates at our Natural Gas Distribution and Transportation segments, partially offset by lower financial margin generated at Energy Services resulting from warmer weather, which led to decreased demand, lower natural gas prices and ultimately decreased volatility in the wholesale natural gas markets and decreased earnings at Clean Energy Ventures, as previously discussed.

Natural Gas Distribution Segment

Overview

Our Natural Gas Distribution segment is comprised of NJNG, a natural gas utility that provides regulated retail natural gas service throughout Monmouth, Ocean, Morris, Middlesex and Burlington counties in New Jersey to approximately 558,000 residential and commercial customers in its service territory and also participates in the off-system sales and capacity release markets. The business is subject to various risks, including those risks associated with COVID-19 and may include but are not limited to impacts to customer growth and customer usage, customer collections, the timing and costs of capital expenditures and construction of infrastructure projects, operating and financing costs, fluctuations in commodity prices and customer conservation efforts. In addition, NJNG may be subject to adverse economic conditions, certain regulatory actions, environmental remediation and severe weather conditions. It is often difficult to predict the impact of events or trends associated with these risks.

NJNG's business is seasonal by nature, as weather conditions directly influence the volume of natural gas delivered to customers on an annual basis. Specifically, customer demand substantially increases during the winter months when natural gas is used for heating purposes. As a result, NJNG receives most of its natural gas distribution revenues during the first and second fiscal quarters and is subject to variations in earnings and working capital during the fiscal year.

New Jersey Resources Corporation Part II

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

As a regulated company, NJNG is required to recognize the impact of regulatory decisions on its financial statements. See *Note 4. Regulation* in the accompanying Consolidated Financial Statements for a more detailed discussion on regulatory actions, including filings related to programs and associated expenditures, as well as rate requests related to recovery of capital investments and operating costs.

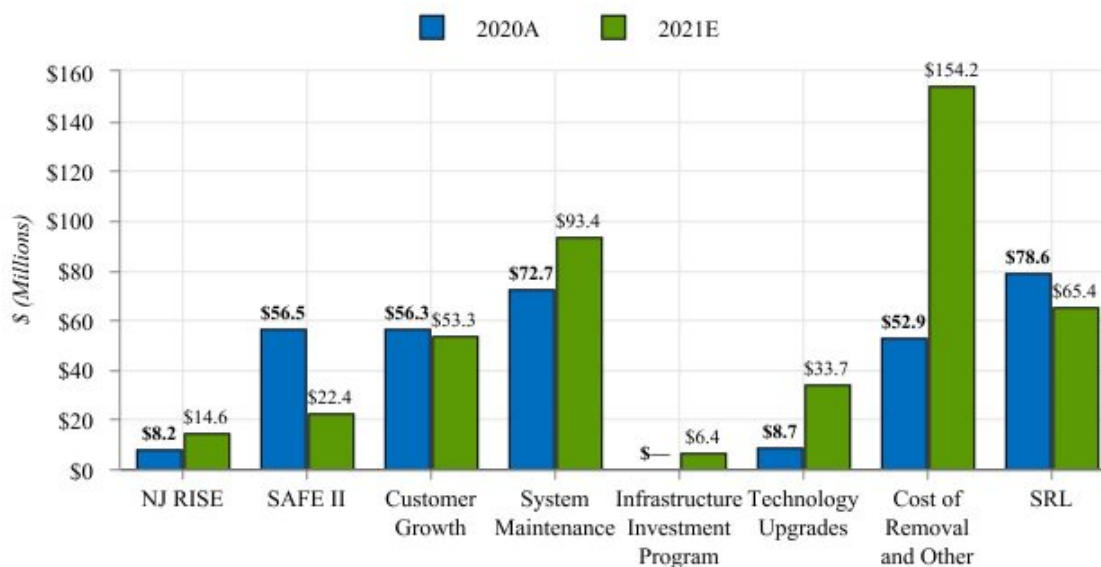
NJNG's operations are managed with the goal of providing safe and reliable service, growing its customer base, diversifying its utility gross margin, promoting clean energy programs and mitigating the risks discussed above.

Base Rate Case

On March 29, 2019, NJNG filed a base rate case with the BPU requesting a natural gas revenue increase of \$128.2 million, including a change in NJNG's overall rate of return on rate base to 7.87 percent. NJNG was also seeking permission to request recovery for SRL in a future filing, upon completion of the project. On July 2, 2019, NJNG filed an update with actual information through May 31, 2019, which reflected a revenue increase of \$129.8 million. On September 30, 2019, NJNG filed a second update with actual information through August 31, 2019, which reflected a revenue increase of \$134.3 million. On November 13, 2019, the BPU issued an order adopting a stipulation of settlement approving a \$62.2 million increase to base rates, effective November 15, 2019. The increase includes an overall rate of return on rate base of 6.95 percent, return on common equity of 9.6 percent, a common equity ratio of 54 percent and a depreciation rate of 2.78 percent.

Infrastructure Projects

NJNG has significant annual capital expenditures associated with the management of its natural gas distribution and transmission system, including new utility plant associated with customer growth and its associated PIM and infrastructure programs. Below is a summary of NJNG's capital expenditures, including accruals for fiscal 2020 and estimates for expected investments over the next fiscal year:



Estimated capital expenditures are reviewed on a regular basis and may vary based on the ongoing effects of regulatory oversight, environmental regulations, unforeseen events and the ability to access capital.

Infrastructure Investment Program

On February 28, 2019, NJNG filed a petition with the BPU seeking authority to implement a five-year Infrastructure Investment Program. The IIP consists of two components: transmission and distribution investments and information technology replacement and enhancements. The total investment for the IIP is approximately \$507 million. All approved investments will be recovered through annual filings to adjust base rates. On October 28, 2020, the BPU approved the

New Jersey Resources Corporation

Part II

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Company's transmission and distribution component of the IIP for \$150 million over five years, effective November 1, 2020. NJNG voluntarily withdrew the information technology upgrade component and will seek to recover associated costs in future rate case proceedings.

SAFE II and NJ RISE

NJNG continues to implement BPU-approved infrastructure projects that are designed to enhance the reliability and integrity of NJNG's natural gas distribution system.

The BPU approved the 5-year SAFE II program and the associated rate mechanism to replace the remaining unprotected steel mains and services from NJNG's natural gas distribution system at an estimated cost of approximately \$200 million, excluding AFUDC. With the approval of SAFE II, \$157.5 million was approved for accelerated cost recovery methodology. The remaining \$42.5 million in capital expenditures must be requested for recovery in base rate cases, of which \$23.4 million was approved in NJNG's most recent base rate case.

The BPU approved NJNG's NJ RISE capital infrastructure program, which consists of six capital investment projects estimated to cost \$102.5 million, excluding AFUDC, for natural gas distribution storm hardening and mitigation projects, along with associated depreciation expense. These system enhancements are intended to minimize service impacts during extreme weather events to customers in the most storm-prone areas of NJNG's service territory. Recovery of NJ RISE investments is included in NJNG's base rates.

In September 2019, the BPU approved NJNG's annual petition requesting a rate increase of \$7.8 million, effective October 1, 2019.

On March 30, 2020, NJNG filed a petition with the BPU requesting a rate increase of approximately \$7.4 million for the recovery associated with NJ RISE and SAFE II capital investment costs of approximately \$57.9 million. On July 24, 2020, the Company updated this filing with actual information through June 30, 2020 and the revised rate increase requested was \$7.1 million based on \$55.1 million of actual capital investments. On September 9, 2020, the BPU approved the increase to base rate revenue, effective October 1, 2020.

Southern Reliability Link

The SRL is an approximately 30-mile, 30-inch transmission main designed to support improved system reliability and integrity in the southern portion of NJNG's service territory. Construction began on the project in December 2018 and is estimated to cost between \$250 million and \$270 million upon completion. Costs associated with SRL will be requested for recovery in a future base rate case.

Customer Growth

In conducting NJNG's business, management focuses on factors it believes may have significant influence on its future financial results. NJNG's policy is to work with all stakeholders, including customers, regulators and policymakers, to achieve favorable results. These factors include the rate of NJNG's customer growth in its service territory, which can be influenced by political and regulatory policies, the delivered cost of natural gas compared with competing fuels, interest rates and general economic and business conditions. NJNG's total customers as of September 30, include the following:

	2020	2019	2018
Firm customers			
Residential	497,779	486,474	474,495
Commercial, industrial & other	28,735	28,992	28,037
Residential transport	22,420	22,870	26,490
Commercial transport	9,184	9,237	9,636
Total firm customers	558,118	547,573	538,658
Other	48	53	59
Total customers	558,166	547,626	538,717

During fiscal 2020, NJNG added 8,349 new customers, which represents a new customer growth rate of approximately 1.5 percent. During that same time period, NJNG converted 260 existing customers to natural gas heat and other services. This

New Jersey Resources Corporation

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ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

customer growth, as well as commercial customers who switched from interruptible to firm natural gas service, will contribute approximately \$6.2 million, on an annualized basis, to utility gross margin. NJNG also added 9,711 and 9,596 new customers and converted 218 and 613 existing customers to natural gas heat and other services during the fiscal years ended September 30, 2019 and 2018, respectively.

NJNG continues to expect to add approximately 28,000 to 30,000 new customers during the three-year period of fiscal 2021 to 2023. NJNG's estimates are based on information from municipalities and developers, as well as external industry analysts and management's experience. NJNG estimates that approximately 65 percent of the growth will come from new construction markets and 35 percent from customer conversions to natural gas from other fuel sources. See the *Natural Gas Distribution Segment Operating Results* section that follows for a definition and further discussion of utility gross margin.

Energy Efficiency Programs

SAVEGREEN conducts home energy audits and provides various grants, incentives and financing alternatives designed to encourage the installation of high-efficiency heating and cooling equipment and other energy efficiency upgrades. Depending on the specific incentive or approval, NJNG recovers costs associated with the programs over a two- to 10-year period through a tariff rider mechanism. On September 25, 2020, NJNG filed a petition with the BPU for an additional three-year SAVEGREEN program consisting of approximately \$127 million in direct investment, \$113 million in financing options, and approximately \$23 million in operation and maintenance expenses, to be effective July 1, 2021.

On December 18, 2018, the BPU approved a decrease in NJNG's EE recovery rate reflecting actual costs incurred through September 30, 2018, which resulted in an annual recovery of approximately \$8.8 million, effective January 1, 2019. On October 25, 2019, the BPU approved NJNG's annual filing to increase its EE recovery rate, which resulted in an annual recovery of approximately \$11.3 million, effective November 1, 2019. On May 29, 2020, NJNG filed a petition with the BPU to minimally decrease its EE recovery rate. Throughout the course of the proceeding, the Company updated the filing with additional actual information. Based on the updated information, the BPU approved the Company to maintain its existing rate, which will result in an annual recovery of approximately \$11.4 million, effective November 1, 2020.

The following table summarizes, since inception, loans, grants, rebates and related investments as of September 30:

(Thousands)	2020	2019
Loans	\$ 119,400	99,000
Grants, rebates and related investments	80,500	70,100
Total	\$ 199,900	169,100

Program recoveries from customers during the period ending September 30, 2020 and 2019, were \$10.3 million and \$11.6 million, respectively. The recovery includes a weighted average cost of capital that ranges from 6.69 percent to 7.76 percent, with a return on equity of 9.75 percent to 10.3 percent.

Conservation Incentive Program/BGSS

The CIP facilitates normalizing NJNG's utility gross margin for variances not only due to weather but also for other factors affecting customer usage, such as conservation and energy efficiency. Recovery of utility gross margin for the non-weather variance through the CIP is limited to the amount of certain natural gas supply cost savings achieved and is subject to a variable margin revenue test. Additionally, recovery of the CIP utility gross margin is subject to an annual earnings test. An annual review of the CIP must be filed by June 1, coincident with NJNG's annual BGSS filing, during which NJNG can request rate changes to the CIP. In May 2014, the BPU approved the continuation of the CIP program with no expiration date.

NJNG's total utility firm gross margin includes the following adjustments related to the CIP mechanism:

(Thousands)	2020	2019	2018
Weather ⁽¹⁾	\$ 17,882	\$ 2,699	\$ 205
Usage	292	(341)	(1,629)
Total	\$ 18,174	\$ 2,358	\$ (1,424)

(1) Compared with the CIP 20-year average, weather was 7.2 percent, 1 percent and 0.5 percent warmer-than-normal during fiscal 2020, 2019 and 2018, respectively.

New Jersey Resources Corporation

Part II

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Recovery of Natural Gas Costs

NJNG's cost of natural gas is passed through to our customers, without markup, by applying NJNG's authorized BGSS rate to actual terms delivered. There is no utility gross margin associated with BGSS costs; therefore, changes in such costs do not impact NJNG's earnings. NJNG monitors its actual natural gas costs in comparison to its BGSS rates to manage its cash flows associated with its allowed recovery of natural gas costs, which is facilitated through BPU-approved deferred accounting and the BGSS pricing mechanism. Accordingly, NJNG occasionally adjusts its periodic BGSS rates or can issue credits or refunds, as appropriate, for its residential and small commercial customers when the commodity cost varies from the existing BGSS rate. BGSS rates for its large commercial customers are adjusted monthly based on NYMEX prices.

NJNG's residential and commercial markets are currently open to competition, and its rates are segregated between BGSS (i.e., natural gas commodity) and delivery (i.e., transportation) components. NJNG earns utility gross margin through the delivery of natural gas to its customers and, therefore, is not negatively affected by customers who use its transportation service and purchase natural gas from another supplier. Under an existing order from the BPU, BGSS can be provided by suppliers other than the state's natural gas utilities; however, customers who purchase natural gas from another supplier continue to use NJNG for transportation service.

On December 28, 2018, NJNG notified the BPU that it would implement a BGSS increase effective February 1, 2019, which resulted in an increase in revenues credited to BGSS of \$10.9 million through September 30, 2019.

On March 27, 2020, the BPU approved, on a final basis, a decrease to NJNG's BGSS rate for residential and small commercial customers, an increase to its balancing charge rate, resulting in a \$2 million decrease to the annual revenues credited to BGSS, as well as changes to the CIP rates, which resulted in a \$10.6 million annual recovery increase, effective October 1, 2019.

On May 29, 2020, NJNG filed its annual petition with the BPU to decrease its BGSS rate for residential and small commercial customers, decrease its balancing charge and modify its CIP rates. On September 9, 2020, the BPU approved NJNG's petition, effective October 1, 2020, which will result in a \$7.7 million overall net decrease to the annual recovery. The balancing charge rate includes the cost of balancing natural gas deliveries with customer usage for sales and transportation customers and balancing charge revenues are credited to BGSS.

On November 20, 2020, NJNG submitted notification that it will provide an estimated \$10 million in BGSS bill credits in December 2020

Refer to *Note 4. Regulation - BGSS and CIP* in the accompanying Consolidated Financial Statements for a further discussion of NJNG's periodic BGSS and CIP rate adjustments.

BGSS Incentive Programs

NJNG is eligible to receive financial incentives for reducing BGSS costs through a series of utility gross margin-sharing programs that include off-system sales, capacity release and storage incentive programs. These programs are designed to encourage better utilization and hedging of NJNG's natural gas supply, transportation and storage assets. Depending on the program, NJNG shares 80 or 85 percent of utility gross margin generated by these programs with firm customers. Utility gross margin from incentive programs was \$9.5 million, \$8.4 million and \$12.5 million during the fiscal years ended September 30, 2020, 2019 and 2018, respectively.

Hedging

In order to provide relative price stability to its natural gas supply portfolio, NJNG employs a hedging strategy with the goal of having at least 75 percent of the Company's projected winter periodic BGSS natural gas sales volumes hedged by each November 1 and at least 25 percent of the projected periodic BGSS natural gas sales hedged for the following April-through-March period. This is accomplished with the use of various financial instruments including futures, swaps and options used in conjunction with commodity and/or weather-related hedging activity.

New Jersey Resources Corporation

Part II

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Commodity prices

Our Natural Gas Distribution segment is affected by the price of natural gas, which can have a significant impact on our cash flows, short-term financing costs, the price of natural gas charged to our customers through the BGSS clause, our ability to collect accounts receivable, which impacts our bad debt expense, and our ability to maintain a competitive advantage over other energy sources.

Natural gas commodity prices may experience high volatility as shown in the graph below, which illustrates the daily natural gas prices⁽¹⁾ in the Northeast market region, also known as TETCO M-3.



(1) Data sourced from S&P Global Platts.

The maximum price per MMBtu was \$5.59, \$9.17 and \$94.93 and the minimum price was \$0.68, \$1.09 and \$0.53 for the fiscal years ended September 30, 2020, 2019 and 2018, respectively. A more detailed discussion of the impacts of the price of natural gas on operating revenues, natural gas purchases and cash flows can be found in the *Results of Operations* and *Cash Flow* sections of *Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations*.

Societal Benefits Charge

USF

NJNG's qualifying customers are eligible for the USF program, which is administered by the New Jersey Department of Community Affairs, to help make energy bills more affordable. In September 2018, the BPU approved NJNG's annual USF compliance filing to increase the statewide USF rate, which will result in a \$1 million annual increase, effective October 1, 2018. On June 24, 2019, NJNG filed its annual USF compliance filing proposing an increase to the statewide USF rate, which will result in the annual recovery increasing by \$1.2 million, effective October 1, 2019. On June 25, 2020, NJNG filed its annual USF compliance filing proposing a decrease to the statewide USF rate, which will result in annual decreases of approximately \$400,000. On September 23, 2020, the BPU approved the decrease, effective October 1, 2020. Refer to *Note 4. Regulation - Societal Benefits Clause* in the accompanying Consolidated Financial Statements for a further discussion of NJNG's USF rates.

New Jersey Resources Corporation
Part II

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Environmental Remediation

NJNG is responsible for the environmental remediation of former MGP sites, which contain contaminated residues from former gas manufacturing operations that ceased operating at these sites by the mid-1950s and, in some cases, had been discontinued many years earlier. Actual MGP remediation costs may vary from management's estimates due to the developing nature of remediation requirements, regulatory decisions by the NJDEP and related litigation. NJNG reviews these costs at the end of each fiscal year and adjusts its liability and corresponding regulatory asset as necessary to reflect its expected future remediation obligation. Accordingly, NJNG recognized a regulatory asset and an obligation of \$150.6 million as of September 30, 2020, an increase of \$19.5 million compared with the prior fiscal period. On September 27, 2019, NJNG filed its annual SBC application requesting to recover remediation expenses, including an increase in the RAC, of approximately \$1.4 million annually and an increase to the NJCEP factor, which will result in an annual increase of approximately \$3.3 million, to be effective April 1, 2020. On March 16, 2020, a stipulation was signed in NJNG's annual SBC application including recovery of remediation expenses, an increase in the RAC of approximately \$1.2 million annually and an annual decrease to the NJCEP factor of \$600,000. The BPU approved the stipulation on September 9, 2020. On September 29, 2020, NJNG filed its annual SBC application requesting to recover remediation expenses, including an increase in the RAC, of approximately \$1.3 million annually and an increase to the NJCEP factor, which will result in an annual increase of approximately \$6 million, effective April 1, 2021.

In June 2019, NJNG initiated a preliminary assessment of a site in Aberdeen, New Jersey to determine prior ownership and if there were former MGP operations active at the location. The Company is in the process of conducting site investigation activities to identify and evaluate the nature and extent of MGP-related contaminants present at the location. The costs associated with preliminary assessment and site investigation activities are considered immaterial and are included as a component of NJNG's annual SBC application to recover remediation expenses. We will continue to gather information to further refine and enhance its estimate of potential costs for this site as it becomes available. See *Note 15. Commitments and Contingent Liabilities* for a more detailed description.

Other regulatory filings and a more detailed discussion of the filings in this section can be found in *Note 4. Regulation* in the accompanying Consolidated Financial Statements.

Operating Results

NJNG's operating results for the fiscal years ended September 30, are as follows:

<i>(Thousands)</i>	2020	2019	2018
Operating revenues	\$ 729,923	\$ 710,793	\$ 731,865
Operating expenses			
Natural gas purchases ^{(1) (2)}	287,307	336,489	333,208
Operation and maintenance	162,792	171,198	203,627
Regulatory rider expense ⁽³⁾	34,529	33,937	38,969
Depreciation and amortization	71,883	57,980	53,208
Total operating expenses	556,511	599,604	629,012
Operating income	173,412	111,189	102,853
Other income, net	11,486	2,441	4,584
Interest expense, net of capitalized interest	30,975	26,134	25,299
Income tax provision (benefit)	27,021	9,434	(1,910)
Net income	\$ 126,902	\$ 78,062	\$ 84,048

(1) Includes the purchased cost of the natural gas, fees paid to pipelines and storage facilities, adjustments as a result of BGSS incentive programs and hedging transactions. These expenses are passed through to customers and are offset by corresponding revenues.

(2) Includes related party transactions of approximately \$11.5 million, \$16.2 million and \$57.2 million during fiscal 2020, 2019 and 2018, respectively, a portion of which are eliminated in consolidation.

(3) Consists of expenses associated with state-mandated programs, the RAC and energy efficiency programs, and are calculated on a per-therm basis. These expenses are passed through to customers and are offset by corresponding revenues.

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ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Operating Revenues and Natural Gas Purchases

Operating revenues increased 2.7 percent during fiscal 2020 compared with fiscal 2019. Natural gas purchases decreased 14.6 percent during fiscal 2020 compared with fiscal 2019. The factors contributing to the increases (decreases) in operating revenues and natural gas purchases during fiscal 2020, are as follows:

(Thousands)	2020 v. 2019	
	Operating revenue	Natural gas purchases
Base rate impact	\$ 55,348	\$ —
CIP adjustments	15,816	—
SAFE II/NJ RISE	7,728	—
Firm sales	(27,461)	(13,217)
BGSS incentives	(33,761)	(34,834)
Average BGSS rates	(5,258)	(5,258)
Other ⁽¹⁾	6,718	4,127
Total increase (decrease)	\$ 19,130	\$ (49,182)

(1) Other includes changes in rider rates, including those related to EE, NJCEP and other programs.

Non-GAAP Financial Measures

Management uses utility gross margin, a non-GAAP financial measure, when evaluating the operating results of NJNG. NJNG's utility gross margin is defined as natural gas revenues less natural gas purchases, sales tax and regulatory rider expenses, and may not be comparable to the definition of gross margin used by others in the natural gas distribution business and other industries. Management believes that utility gross margin provides a meaningful basis for evaluating utility operations since natural gas costs, sales tax and regulatory rider expenses are included in operating revenue and passed through to customers and, therefore, have no effect on utility gross margin. Non-GAAP financial measures are not in accordance with, or an alternative to, GAAP and should be considered in addition to, and not as a substitute for, the comparable GAAP measure.

Utility Gross Margin

A reconciliation of operating revenues, the closest GAAP financial measure to NJNG's utility gross margin, is as follows for the fiscal years ended September 30:

(Thousands)	2020	2019	2018
Operating revenues	\$ 729,923	\$ 710,793	\$ 731,865
Less:			
Natural gas purchases	287,307	336,489	333,208
Energy taxes	—	—	39,426
Regulatory rider expense	34,529	33,937	38,969
Utility gross margin	\$ 408,087	\$ 340,367	\$ 320,262

(1) Energy taxes does not include sales tax during fiscal 2020 and 2019, due to the adoption of ASC 606, *Revenue from Contracts with Customers*. Energy taxes includes only sales tax on operating revenues during fiscal 2018, excluding tax-exempt sales.

Utility gross margin consists of three components:

- utility firm gross margin generated from only the delivery component of either a sales tariff or a transportation tariff from residential and commercial customers who receive natural gas service from NJNG;
- BGSS incentive programs, where revenues generated or savings achieved from BPU-approved off-system sales, capacity release or storage incentive programs are shared between customers and NJNG; and
- utility gross margin generated from off-tariff customers, as well as interruptible customers.

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ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

The following provides more information on the components of utility gross margin and associated throughput (Bcf) of natural gas delivered to customers:

(\$ in thousands)	2020		2019		2018	
	Margin	Bcf	Margin	Bcf	Margin	Bcf
Utility gross margin/throughput						
Residential	\$ 275,033	44.6	\$ 224,597	46.0	\$ 203,195	45.5
Commercial, industrial and other	57,929	8.2	50,553	9.7	46,636	8.9
Firm transportation	60,199	13.3	51,069	13.7	51,880	15.5
Total utility firm gross margin/throughput	393,161	66.1	326,219	69.4	301,711	69.9
BGSS incentive programs	9,471	118.4	8,398	123.8	12,482	150.2
Interruptible/off-tariff agreements	5,455	30.9	5,750	39.0	6,069	46.2
Total utility gross margin/throughput	\$ 408,087	215.4	\$ 340,367	232.2	\$ 320,262	266.3

Utility Firm Gross Margin

Utility firm gross margin increased \$66.9 million during fiscal 2020 compared with fiscal 2019, due primarily to the increase in base rates, along with increased returns on infrastructure programs related to SAFE II and NJ RISE.

BGSS Incentive Programs

A description of the factors contributing to the increases (decreases) in utility gross margin generated by NJNG's BGSS incentive programs during fiscal 2020 is as follows:

(Thousands)	2020 v. 2019
Storage	\$ 1,217
Off-system sales	795
Capacity release	(939)
Total increase	\$ 1,073

The increase in utility gross margin was due primarily to an increase in storage incentive from market opportunities for low-cost storage injections and improved margins from off-system sales, partially offset by a decrease in capacity release volume.

Operation and Maintenance Expense

O&M expense decreased \$8.4 million during fiscal 2020 compared with fiscal 2019, due primarily to decreased consulting expenses related to technology improvements projects, partially offset by increased compensation costs.

Depreciation Expense

Depreciation expense increased \$13.9 million in fiscal 2020, compared with fiscal 2019, as a result of additional utility plant being placed into service, as well as an increase in the overall depreciation rate from 2.4 percent to 2.78 percent resulting from the settlement of the base rate case.

Interest Expense

Interest expense increased \$4.8 million in fiscal 2020, compared with fiscal 2019, due primarily to the increased outstanding long-term debt.

Other Income

Other income increased \$9 million during fiscal 2020, compared with fiscal 2019, due primarily to increased AFUDC earned on infrastructure projects.

Income Tax Provision

Income tax provision increased \$17.6 million during fiscal 2020, compared with fiscal 2019, due primarily to increased operating income.

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Part II

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Net Income

Net income increased \$48.8 million to \$126.9 million in fiscal 2020, compared with fiscal 2019, due primarily to the increase in operating revenues related to increased base rates and increased other income related to AFUDC earned on infrastructure projects, partially offset by the increases in depreciation, income tax expense and interest expense, as previously discussed.

Clean Energy Ventures Segment

Overview

Our Clean Energy Ventures segment actively pursues opportunities in the renewable energy markets. Clean Energy Ventures enters into various agreements to install solar net-metered systems for residential and commercial customers, as well as large commercial grid-connected projects. In addition, Clean Energy Ventures enters into various long-term agreements, including PPAs, to supply energy from commercial solar projects.

Capital expenditures related to clean energy projects are subject to change due to a variety of factors that may affect our ability to commence operations at these projects on a timely basis or at all, including logistics associated with the start-up of residential and commercial solar projects, such as timing of construction schedules, the permitting and regulatory process, any delays related to electric grid interconnection, economic trends, unforeseen events and the ability to access capital or allocation of capital to other investments or business opportunities. Clean Energy Ventures is also subject to risks associated with COVID-19, which may include impacts to residential solar customer growth and customer collections, our ability to identify and develop commercial solar asset investments, impacts to our supply chain and our ability to source materials for construction.

Through fiscal 2020, the primary contributors toward the value of qualifying clean energy projects are tax incentives and SRECs. Changes in the federal statutes related to the ITC or in the marketplace and/or relevant state legislation and regulatory policies affecting the market for solar renewable energy credits, could significantly affect future results.

Solar

Solar projects placed in service and related expenditures for the fiscal years ended September 30, are as follows:

(\$ in Thousands)	2020			2019			2018		
Placed in service	Projects	MW	Costs	Projects	MW	Costs	Projects	MW	Costs
Grid-connected ⁽¹⁾	9	60.1	\$ 121,516	3	29.0	\$ 64,684	3	33.7	\$ 70,216
Net-metered:									
Commercial ^{(1) (2)}	—	—	43	4	22.8	71,730	—	—	74
Residential	481	5.9	17,474	815	8.3	26,796	910	8.5	27,342
Total placed in service	490	66.0	\$ 139,033	822	60.1	\$ 163,210	913	42.2	\$ 97,632

(1) Includes projects subject to sale leaseback arrangements.

(2) Includes a 4.4 MW commercial solar project acquired in August 2019.

Since inception, Clean Energy Ventures has constructed a total of 357.4 MW of solar capacity and has an additional 8.1 MW under construction. Projects that were placed in service through December 31, 2019, qualify for a 30-percent federal ITC. The credit declines to 26 percent for property under construction during 2020, 22 percent for property under construction during 2021 and 10 percent for any property that is under construction after 2021. Projects placed in service after December 31, 2019, may also qualify for a 30 percent federal ITC if five percent or more of the total costs of a solar property are incurred before the end of the applicable year and there are continuous efforts to advance towards completion of the project, based on the IRS guidance around the ITC safe harbor determination. We have taken steps to preserve the ITC at the higher rate for certain solar projects that are completed after the scheduled reduction in rates, in accordance with IRS guidance.

Clean Energy Ventures may enter into transactions to sell certain of its commercial solar assets concurrent with agreements to lease the assets back over a period of five to 15 years. The Company will continue to operate the solar assets and are responsible for related expenses and entitled to retain the revenue generated from SRECs, TRECs and energy sales. The ITCs and other tax benefits associated with these solar projects transfer to the buyer as applicable; however, the lease payments are structured so that Clean Energy Ventures is compensated for the transfer of the related tax incentives. Accordingly, for solar projects financed under sale leasebacks for which the assets were sold during the first 5 years of in-service life, Clean Energy Ventures recognizes the equivalent value of the ITC in other income on the Consolidated Statements of Operations over the respective five-year ITC recapture periods, starting with the second year of the lease. During fiscal 2020 and 2018, Clean

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ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Energy Ventures received proceeds of \$42.9 million and \$70.2 million, respectively, in connection with the sale leaseback of commercial solar assets. Clean Energy Ventures did not enter into any sale leaseback transactions for its commercial solar assets during fiscal 2019.

Excluding the project costs related to the commercial solar projects that were included in the sale leaseback transactions, the Company had \$124 million, \$163.2 million and \$27.4 million of solar-related capital expenditures that were placed in service and ITC-eligible during fiscal 2020, 2019 and 2018, respectively, which were recognized in income tax (benefit) provision on the Consolidated Statements of Operations.

As part of its solar investment portfolio, Clean Energy Ventures operates a residential solar program, The Sunlight Advantage®, which provides qualifying homeowners the opportunity to have a solar system installed at their home with no installation or maintenance expenses. Clean Energy Ventures owns, operates and maintains the system over the life of the contract in exchange for monthly lease payments.

Once a solar installation has received the proper certifications and commences operations, each MWh of electricity produced creates an SREC that represents the renewable energy attribute of the solar-electricity generated that can be sold to third parties, predominantly load-serving entities that are required to comply with the solar requirements under New Jersey's renewable portfolio standard.

In December 2019, the BPU established the TREC as pursuant to the successor program to the SREC program. TRECs provide a fixed compensation base multiplied by an assigned project factor in order to determine their value. The project factor is determined by the type and location of the project, as defined. All TRECs generated are required to be purchased monthly by a TREC program administrator as appointed by the BPU.

SREC and TREC activity for the fiscal years ended September 30, is as follows:

	2020	2019	2018
Inventory balance as of October 1,	53,395	105,192	48,357
SRECs generated	389,716	311,803	245,147
TRECS generated	9,270	—	—
SRECs delivered	(408,100)	(363,600)	(188,312)
Inventory balance as of September 30,	44,281	53,395	105,192

The average SREC sales price was \$199 in fiscal 2020, \$207 in fiscal 2019 and \$217 in fiscal 2018 and the average TREC price was \$144 in fiscal 2020.

Clean Energy Ventures hedges a portion of its expected SREC production through the use of forward sales contracts. The following table reflects the hedged percentage of SREC inventory and projected SREC production related to its in-service commercial and residential assets:

Energy Year ⁽¹⁾	Percent of SRECs Hedged
2021	99%
2022	93%
2023	59%
2024	22%

(1) Energy years are compliance periods for New Jersey's renewable portfolio standard that run from June 1 to May 31.

There are no direct costs associated with the production of SRECs and TRECs by our solar assets. All related costs are included as a component of O&M expenses on the Consolidated Statements of Operations, including such expenses as facility maintenance and various fees.

Onshore Wind

Clean Energy Ventures invested in small to mid-size onshore wind projects. In February 2019, Clean Energy Ventures finalized the sale of its remaining wind assets to a subsidiary of Skyline Renewables LLC for total proceeds of \$208.6 million. The transaction generated a pre-tax gain of \$645,000, which was recognized as a component of O&M expense on the Consolidated Statements of Operations.

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ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Operating Results

Clean Energy Ventures' financial results for the fiscal years ended September 30, are summarized as follows:

<i>(Thousands)</i>	2020	2019	2018
Operating revenues	\$ 102,617	\$ 98,099	\$ 71,375
Operating expenses			
Operation and maintenance	30,310	28,614	27,058
Depreciation and amortization	37,855	32,997	31,877
Total operating expenses	68,165	61,611	58,935
Operating income	34,452	36,488	12,440
Other income, net	6,420	6,910	1,797
Interest expense, net	20,253	14,846	18,320
Income tax benefit	(32,404)	(48,921)	(79,932)
Net income	\$ 53,023	\$ 77,473	\$ 75,849

Operating Revenues

Operating revenues increased \$4.5 million in fiscal 2020, compared with fiscal 2019, due primarily to increased SREC and electricity sales, partially offset by the sale of the remaining wind assets in February 2019.

Operation and Maintenance Expense

O&M expense increased \$1.7 million in fiscal 2020, compared with fiscal 2019, due primarily to increased project maintenance expenses, partially offset by a decrease in shared corporate costs, as well as a pre-tax gain of \$645,000, associated with the sale of the remaining wind assets in February 2019, that did not recur.

Depreciation Expense

Depreciation expense increased \$4.9 million in fiscal 2020, compared with fiscal 2019, as a result of increases in solar capital additions placed in service, partially offset by the change in estimated useful lives of our commercial solar assets in the fourth quarter of fiscal 2020.

Income Tax Benefit

Income tax benefit decreased \$16.5 million during fiscal 2020, compared with fiscal 2019, due primarily to decreased ITCs recognized.

Income tax benefit during fiscal 2020 and 2019 includes \$41.9 million and \$61.9 million, respectively, of ITCs associated with solar projects that were completed and placed into service during the corresponding fiscal year. Income tax benefit during fiscal 2019 includes \$3.8 million of PTCs associated with our former wind projects. Clean Energy Ventures recognized \$37.1 million and \$56.8 million related to tax credits, net of deferred taxes, during fiscal 2020 and 2019, respectively.

Net Income

Net income in fiscal 2020 decreased \$24.5 million, compared with fiscal 2019, due primarily to decreased ITCs recognized and increased depreciation expense, partially offset by increased revenue, as previously discussed.

Energy Services Segment

Overview

Energy Services markets and sells natural gas to wholesale and retail customers and manages natural gas transportation and storage assets throughout major market areas across North America. Energy Services maintains a strategic portfolio of natural gas transportation and storage contracts that it utilizes in conjunction with its market expertise to provide service and value to its customers. Availability of these transportation and storage contracts allows Energy Services to generate market opportunities by capturing price differentials over specific time horizons and between geographic market locations.

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ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Energy Services also provides management of transportation and storage assets for natural gas producers and regulated utilities. These management transactions typically involve the release of producer/utility-owned storage and/or transportation capacity in combination with an obligation to purchase and/or deliver physical natural gas. In addition to the contractual purchase and/or sale of physical natural gas, Energy Services generates or pays fee-based margin in exchange for its active management and may provide the producer and/or utility with additional margin based on actual results.

In conjunction with the active management of these contracts, Energy Services generates financial margin by identifying market opportunities and simultaneously entering into natural gas purchase/sale, storage or transportation contracts and financial derivative contracts. In cases where storage is utilized to fulfill these contracts, these forecast sales and/or purchases are economically hedged through the use of financial derivative contracts. The financial derivative contracts consist primarily of exchange-traded futures, options and swap contracts, and are frequently used to lock in anticipated transactional cash flows and to help manage volatility in natural gas market prices. Generally, when its transportation and storage contracts are exposed to periods of increased market volatility, Energy Services is able to implement strategies that allow it to capture margin by improving the respective time or geographic spreads on a forward basis.

Energy Services accounts for its physical commodity contracts and its financial derivative instruments at fair value on the Consolidated Balance Sheets. Changes in the fair value of physical commodity contracts and financial derivative instruments are included in earnings as a component of operating revenue or natural gas purchases on the Consolidated Statements of Operations. Volatility in reported net income at Energy Services can occur over periods of time due to changes in the fair value of derivatives, as well as timing differences related to certain transactions. Unrealized gains and losses can fluctuate as a result of changes in the price of natural gas, SRECs and foreign currency from the original transaction price. Volatility in earnings can also occur as a result of timing differences between the settlement of financial derivatives and the sale of the underlying physical commodity. For example, when a financial instrument settles and the physical natural gas is injected into inventory, the realized gains and losses associated with the financial instrument are recognized in earnings. However, the gains and losses associated with the physical natural gas are not recognized in earnings until the natural gas inventory is withdrawn from storage and sold, at which time Energy Services realizes the entire margin on the transaction.

Operating Results

Energy Services' financial results for the fiscal years ended September 30, are summarized as follows:

<i>(Thousands)</i>	2020	2019	2018
Operating revenues ⁽¹⁾	\$ 1,030,419	\$ 1,742,791	\$ 2,112,804
Operating expenses			
Natural gas purchases (including demand charges ⁽²⁾⁽³⁾)	1,024,579	1,719,519	1,995,335
Operation and maintenance ⁽⁴⁾	17,368	20,943	35,616
Depreciation and amortization	123	118	76
Total operating expenses	1,042,070	1,740,580	2,031,027
Operating income (loss)	(11,651)	2,211	81,777
Other income	304	153	303
Interest expense, net	3,276	5,205	3,945
Income tax (benefit) provision	(3,615)	(1,573)	24,996
Net (loss) income	\$ (11,008)	\$ (1,268)	\$ 53,139

(1) Includes related party transactions of approximately \$1.1 million, \$8.2 million and \$48.3 million during fiscal 2020, 2019 and 2018, respectively, which are eliminated in consolidation.

(2) Costs associated with pipeline and storage capacity that are expensed over the term of the related contracts, which generally varies from less than one year to 10 years.

(3) Includes related party transactions of approximately \$183,000, \$3.4 million and \$4.5 million during fiscal 2020, 2019 and 2018, respectively, a portion of which are eliminated in consolidation.

(4) Includes energy and other taxes due to change in presentation in the Consolidated Statements of Operations.

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Part II

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

As of September 30, Energy Services' portfolio of financial derivative instruments are composed of:

<i>(in Bcf)</i>	2020	2019	2018
Net short futures contracts	29.3	34.6	24.3
Net long options	—	1.0	—

Operating Revenues and Natural Gas Purchases

During fiscal 2020, operating revenues decreased \$712.4 million and natural gas purchases decreased \$694.9 million, due primarily to warmer weather compared to the prior period, which led to decreased demand and lower natural gas prices, increased natural gas in storage and ultimately decreased volatility in the wholesale natural gas markets.

Future results at Energy Services are contingent upon natural gas market price volatility driven by variations in both the supply and demand balances caused by weather and other factors. As a result, variations in weather patterns in the key market areas served may affect earnings during the fiscal year. Changes in market fundamentals, such as an increase in supply and decrease in demand due to milder temperatures, and reduced volatility, can negatively impact Energy Services' earnings. See *Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Natural Gas Distribution Segment* for TETCO M-3 Daily Prices, which illustrates the daily natural gas prices in the Northeast market region.

Operation and Maintenance Expense

O&M expense decreased \$3.6 million during fiscal 2020, compared with fiscal 2019, due primarily to decreased compensation costs.

Income Tax Benefit

Income taxes increased \$2 million during fiscal 2020, compared with fiscal 2019, due primarily to decreased operating income.

Net Loss

Net loss increased \$9.7 million during fiscal 2020, compared with fiscal 2019, due primarily to lower operating income, partially offset by the related increase in income tax benefit, as previously discussed.

Non-GAAP Financial Measures

Management uses financial margin and NFE, non-GAAP financial measures, when evaluating the operating results of Energy Services. Financial margin and NFE are based on removing timing differences associated with certain derivative instruments, as discussed above. There is a related tax effect on current and deferred income tax expense corresponding with NFE.

Management views these measures as representative of the overall expected economic result and uses these measures to compare Energy Services' results against established benchmarks and earnings targets as these measures eliminate the impact of volatility on GAAP earnings as a result of timing differences associated with the settlement of derivative instruments. To the extent that there are unanticipated impacts from changes in the market value related to the effectiveness of economic hedges, Energy Services' actual non-GAAP results can differ from the results anticipated at the outset of the transaction. Non-GAAP financial measures are not in accordance with, or an alternative to, GAAP and should be considered in addition to, and not as a substitute for, the comparable GAAP measure.

When Energy Services reconciles the most directly comparable GAAP measure to both financial margin and NFE, the current period unrealized gains and losses on derivatives are excluded as a reconciling item. Financial margin and NFE also exclude the effects of economic hedging of the value of our natural gas in storage and, therefore, only include realized gains and losses related to natural gas withdrawn from storage, effectively matching the full earnings effects of the derivatives with realized margins on the related physical natural gas flows.

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ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Financial Margin

The following table is a computation of Energy Services' financial margin for the fiscal years ended September 30.

<i>(Thousands)</i>	2020	2019	2018
Operating revenues	\$ 1,030,419	\$ 1,742,791	\$ 2,112,804
Less: Natural gas purchases	1,024,579	1,719,519	1,995,335
Add:			
Unrealized (gain) loss on derivative instruments and related transactions ⁽¹⁾	(8,583)	1,195	26,728
Effects of economic hedging related to natural gas inventory ⁽²⁾	12,690	4,309	(22,570)
Financial margin	\$ 9,947	\$ 28,776	\$ 121,627

(1) Includes unrealized (gains) losses related to an intercompany transaction between NJNG and Energy Services that have been eliminated in consolidation of approximately \$(809,000), \$995,000 and \$85,000 for the fiscal years ended September 30, 2020, 2019 and 2018, respectively.

(2) Effects of hedging natural gas inventory transactions where the economic impact is realized in a future period.

A reconciliation of operating income, the closest GAAP financial measure to Energy Services' financial margin, is as follows for the fiscal years ended September 30:

<i>(Thousands)</i>	2020	2019	2018
Operating (loss) income	\$ (11,651)	\$ 2,211	\$ 81,777
Add:			
Operation and maintenance	17,368	20,943	35,616
Depreciation and amortization	123	118	76
Subtotal	5,840	23,272	117,469
Add:			
Unrealized (gain) loss on derivative instruments and related transactions	(8,583)	1,195	26,728
Effects of economic hedging related to natural gas inventory	12,690	4,309	(22,570)
Financial margin	\$ 9,947	\$ 28,776	\$ 121,627

Financial margin decreased \$18.8 million during fiscal 2020, compared with fiscal 2019, due primarily to warmer weather compared to the prior period, which led to decreased demand and lower natural gas prices, increased natural gas in storage and ultimately decreased volatility in the wholesale natural gas markets.

Net Financial Earnings

A reconciliation of Energy Services' net income (loss), the most directly comparable GAAP financial measure to NFE, is as follows for the fiscal years ended September 30:

<i>(Thousands)</i>	2020	2019	2018
Net (loss) income	\$ (11,008)	\$ (1,268)	\$ 53,139
Add:			
Unrealized (gain) loss on derivative instruments and related transactions	(8,583)	1,195	26,728
Tax effect ⁽¹⁾	2,044	(294)	(4,281)
Effects of economic hedging related to natural gas inventory	12,690	4,309	(22,570)
Tax effect	(3,016)	(1,024)	7,362
Net financial earnings	\$ (7,873)	\$ 2,918	\$ 60,378

(1) Includes taxes related to an intercompany transaction between NJNG and Energy Services that have been eliminated in consolidation of approximately \$252,000, \$(310,000) and \$(337,000) for the fiscal years ended September 30, 2020, 2019 and 2018, respectively.

NFE decreased \$10.8 million during fiscal 2020, compared with fiscal 2019, due primarily to lower financial margin, as previously discussed.

Future results are subject to Energy Services' ability to expand its wholesale sales and service activities and are contingent upon many other factors, including an adequate number of appropriate and credit-qualified counterparties in an active and liquid natural marketplace; volatility in the natural gas market due to weather or other fundamental market factors impacting supply and/or demand; transportation, storage and/or other market arbitrage opportunities; sufficient liquidity in the overall energy trading market; and continued access to liquidity in the capital markets.

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Part II

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Storage and Transportation Segment, formerly Midstream

Overview

Our Storage and Transportation segment invests in natural gas assets, such as natural gas storage and transportation facilities. We believe that acquiring, owning and developing these storage and transportation assets, which operate under a tariff structure that has either regulated or market-based rates, can provide us a growth opportunity. Our Storage and Transportation segment is subject to various risks, including the construction, development and operation of our storage and transportation assets, obtaining necessary governmental, environmental and regulatory approvals, our ability to obtain necessary property rights and our ability to obtain financing at reasonable costs for the constructions and maintenance of our assets. In addition, our storage and transportation assets may be subject to risk associated with the COVID-19 pandemic, such as disruption to supply chain and availability of critical equipment and supplies, disruptions to the availability of our specialized workforce and contractors and changes to demand for natural gas, transportation and other downstream activities.

Our Storage and Transportation segment is comprised of a 50 percent ownership interest in Steckman Ridge, a storage facility that operates under market-based rates and a 20 percent ownership interest in PennEast, a natural gas pipeline. NJR Midstream Company acquired 100 percent of Leaf River for \$367.5 million, on October 11, 2019. Leaf River owns and operates a 32.2 million Dth salt dome natural gas storage facility that operates under market-based rates. In addition, on January 13, 2020, Adelphia Gateway, acquired all of Talen's membership interests in IEC, an existing 84-mile pipeline in southeastern Pennsylvania, including related assets and rights of way, for a base purchase price of \$166 million. Adelphia Gateway operates under cost of service rates but can enter into negotiated rates with counterparties. The northern portion of the pipeline was operational upon acquisition and it currently serves two natural gas generation facilities. The conversion of the southern portion of the pipeline to natural gas began in October 2020 upon receipt of the Notice to Proceed from FERC.

Through our subsidiary NJR Pipeline Company, we are a 20 percent investor in PennEast, a partnership whose purpose is to construct and operate a 120-mile natural gas pipeline that will extend from northeast Pennsylvania to western New Jersey. PennEast received a Certificate of Public Convenience and Necessity for the project from FERC on January 19, 2018.

On September 10, 2019, the Third Circuit issued an order overturning the U.S. District Court for the District of New Jersey's order granting PennEast condemnation and immediate access in accordance with the Natural Gas Act to certain properties in which the State of New Jersey holds an interest. A Petition for Rehearing was denied by the Third Circuit on November 5, 2019.

On October 8, 2019, the NJDEP issued a letter indicating that it deemed PennEast's freshwater wetlands permit application to be administratively incomplete and closed the matter without prejudice. On October 11, 2019, PennEast submitted a letter to the NJDEP objecting to its position that the application is administratively incomplete. PennEast's objections were rejected by the NJDEP on November 18, 2019.

On October 4, 2019, PennEast filed a petition for Declaratory Order with FERC requesting an interpretation of the eminent domain authority of a FERC certificate holder under the Natural Gas Act. The Declaratory Order was granted on January 30, 2020.

On January 30, 2020, PennEast filed an amendment with FERC to construct the PennEast pipeline in two phases. Phase one consists of construction of a 68-mile pipeline in Pennsylvania from the eastern Marcellus Shale region in Luzerne County that would terminate in Northampton County. Phase two includes construction of the remaining original certificated route in Pennsylvania and New Jersey. Construction could begin following approval by FERC of the phased approach and receipt of any remaining governmental and regulatory permits.

On February 18, 2020, PennEast filed a writ of certiorari with the Supreme Court of the U.S. to review the September 10, 2019 Third Circuit decision. On June 29, 2020, the Supreme Court requested that the Solicitor General of the U.S. file a brief that expresses the views on the question of the use of eminent domain to acquire state owned lands for pipeline construction.

We evaluated our investment in PennEast for an other-than-temporary impairment and determined an impairment charge was not necessary. It is reasonably possible that future unfavorable developments, such as a reduced likelihood of success from development options and legal outcomes, estimated increases in construction costs, increases in the discount rate, or further significant delays, could result in an impairment of our equity method investment. Also, the use of alternate judgments and assumptions could result in a different calculation of fair value, which could ultimately result in the recognition of an impairment charge in the Consolidated Financial Statements.

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ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Due to the anticipated expiration of a customer contract for Steckman Ridge, the Company evaluated its investment in Steckman Ridge for other-than-temporary impairment and determined an impairment charge was not necessary.

The fair value of the Company's investment in Steckman Ridge was determined using a discounted cash flow method and utilized management's best estimates and assumptions related to expected future results, including the price and capacity of firm natural gas storage contracting, operations and maintenance costs, the nature and timing of major maintenance and capital investment, and discount rates. Fair value determinations require considerable judgment and are sensitive to changes in underlying assumptions and other factors. As a result, it is reasonably possible that unfavorable developments, such as the failure to execute storage contracts and other services for available capacity at anticipated price levels could result in an other-than temporary impairment charge in the Consolidated Financial Statements.

As of September 30, 2020, our investments in Steckman Ridge and PennEast were \$112.4 million and \$96 million, respectively.

Operating Results

The financial results of our Storage and Transportation segment for the fiscal years ended September 30, are summarized as follows:

(Thousands)	2020	2019	2018
Operating revenues ⁽¹⁾	\$ 44,728	\$ —	\$ —
Operating expenses			
Natural gas purchases	1,122	—	—
Operation and maintenance	21,862	4,043	4,448
Depreciation and amortization	9,293	6	6
Total operating expenses	32,277	4,049	4,454
Operating income	12,451	(4,049)	(4,454)
Other income, net	7,328	7,345	5,775
Interest expense, net	13,124	2,185	1,667
Income tax provision	4,247	2,254	(8,548)
Equity in earnings of affiliates	15,903	15,832	16,165
Net income	\$ 18,311	\$ 14,689	\$ 24,367

(1) Includes related party transactions of approximately \$2.7 million, which are eliminated in consolidation.

Operating revenue in fiscal 2020 increased \$44.7 million, due to operating revenues at Leaf River and Adelphia Gateway that were not present during fiscal 2019.

Equity in earnings of affiliates remained flat during fiscal 2020, compared with fiscal 2019, due primarily to decreases in storage revenue at Steckman Ridge, offset by an increase in AFUDC earned at PennEast.

O&M and depreciation expenses increased \$17.8 million and \$9.3 million, respectively during fiscal 2020, compared with fiscal 2019, due primarily to operations of Leaf River and Adelphia Gateway during fiscal 2020.

Interest expense, net increased \$10.9 million during fiscal 2020, compared with fiscal 2019, due primarily to increased debt service requirements related to the acquisition of Leaf River and Adelphia Gateway.

Income tax provision increased \$2 million during fiscal 2020, compared with fiscal 2019, due primarily to the increased operating income generated at Leaf River and Adelphia Gateway.

Net income in fiscal 2020 increased \$3.6 million, compared with fiscal 2019, due primarily to an increased revenue, partially offset by increased O&M and interest expense, as previously discussed.

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Part II

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Home Services and Other Operations

Overview

The financial results of Home Services and Other consist primarily of the operating results of NJRHS. NJRHS provides service, sales and installation of appliances to approximately 107,000 service contract customers. Home Services and Other also includes organizational expenses incurred at NJR and rental income at CR&R.

Operating Results

The condensed consolidated financial results of Home Services and Other for the fiscal years ended September 30, are summarized as follows:

(Thousands)	2020	2019	2018
Operating revenues	\$ 51,017	\$ 50,902	\$ 50,057
Operation and maintenance ⁽¹⁾	\$ 41,529	\$ 44,846	\$ 46,561
Income tax (benefit) provision	\$ (2,478)	\$ 1,428	\$ 11,944
Net income (loss)	\$ 5,784	\$ 1,637	\$ (3,555)

(1) Includes energy and other taxes due to change in presentation in the Consolidated Statements of Operations.

O&M expense decreased \$3.3 million during fiscal 2020, compared with fiscal 2019, due primarily to lower consulting expenses related to technology improvement projects that were higher in the prior year, partially offset by increased compensation and shared corporate costs in the current period.

Income tax expenses decreased \$3.9 million during fiscal 2020, compared with fiscal 2019, due primarily to tax credits and impacts of New Jersey corporate business tax reform.

Net income increased \$4.1 million during fiscal 2020, compared with fiscal 2019, due primarily to changes in income taxes noted above.

Non-GAAP Financial Measures

NFE is based on removing timing differences associated with NJR's variable-for-fixed interest rate swap. Non-GAAP financial measures are not in accordance with, or an alternative to, GAAP, and should be considered in addition to, and not as a substitute, for the comparable GAAP measure. A reconciliation of Home Services and Other's net income for the fiscal years ended September 30, to the GAAP financial measure most directly comparable to NFE, is as follows:

(Thousands)	2020	2019	2018
Net income (loss)	\$ 5,784	\$ 1,637	\$ (3,555)
Add:			
Unrealized loss (gain) on derivative instruments and related transactions	—	381	(381)
Tax effect	—	(107)	107
Net financial earnings (loss)	\$ 5,784	\$ 1,911	\$ (3,829)

Liquidity and Capital Resources

Our objective is to maintain an efficient consolidated capital structure that reflects the different characteristics of each reporting segment and business operations and provides adequate financial flexibility for accessing capital markets as required.

Our consolidated capital structure as of September 30, was as follows:

	2020	2019
Common stock equity	43 %	50 %
Long-term debt	53	49
Short-term debt	4	1
Total	100 %	100 %

Common Stock Equity

We satisfy our external common equity requirements, if any, through issuances of our common stock, including the proceeds from stock issuances under our DRP. The DRP allows us, at our option, to use treasury shares or newly issued shares

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ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

to raise capital. NJR raised approximately \$18.1 million and \$16.7 million of equity through the DRP by issuing approximately 520,000 and 351,000 shares of treasury stock, fiscal 2020 and 2019, respectively. During the fiscal 2019, NJR raised approximately \$57.4 million of equity by issuing approximately 1,181,000 shares of common stock through the waiver discount feature of the DRP. There were no shares of common stock issued through the waiver discount feature of the DRP during fiscal 2020.

On December 4, 2019, we completed an equity offering of 6,545,454 common shares, consisting of 5,333,334 common shares issued directly by NJR and 1,212,120 common shares issuable pursuant to forward sales agreements with investment banks. The issuance of 5,333,334 common shares resulted in proceeds of approximately \$212.9 million, net of issuance costs, and was reflected in shareholders' equity and as a financing activity on the statement of cash flows.

Under the forward sale agreements, a total of 1,212,120 common shares were borrowed from third parties and sold to the underwriters. Each forward sale agreement allows us, at our election and prior to September 30, 2020, to physically settle the forward sale agreements by issuing common shares in exchange for net proceeds at the then-applicable forward sale price specified by the agreement, which was initially \$40.0125 per share, or, alternatively, to settle the forward sale agreements in whole or in part through the delivery or receipt of shares or cash. The forward sale price is subject to adjustment daily based on a floating interest rate factor and will decrease with respect to certain fixed amounts specified in the agreements, such as dividends.

On September 18, 2020, the Company amended our forward sale agreements to extend the maturity date of such forward sales agreements from September 30, 2020 to September 10, 2021. As of September 30, 2020, if we had elected to net settle the forward sale agreements, we would have received \$14 million under a cash settlement or 543,150 common shares under a net share settlement.

In 1996, the Board of Directors authorized us to implement a share repurchase program, which has been expanded seven times since the inception of the program, authorizing a total of 19.5 million shares of common stock for repurchase. As of September 30, 2020, we have repurchased a total of approximately 17.1 million shares and may repurchase an additional 2.4 million shares under the approved program. There were no shares of common stock shares repurchased during fiscal 2020 and 2019.

Debt

NJR and its unregulated subsidiaries generally rely on cash flows generated from operating activities and the utilization of committed credit facilities to provide liquidity to meet working capital and short-term debt financing requirements. NJNG also relies on the issuance of commercial paper for short-term funding. NJR and NJNG periodically access the capital markets to fund long-lived assets through the issuance of long-term debt securities.

We believe that our existing borrowing availability, equity proceeds and cash flows from operations will be sufficient to satisfy our working capital, capital expenditures and dividend requirements for the next 12 months. NJR, NJNG, Clean Energy Ventures, Transportation and Storage and Energy Services currently anticipate that each of their financing requirements for the next 12 months will be met primarily through the issuance of short and long-term debt, meter and solar sale leasebacks.

We believe that as of September 30, 2020, NJR and NJNG were, and currently are, in compliance with all existing debt covenants, both financial and non-financial.

As a result of the COVID-19 pandemic there have been disruptions, uncertainty and volatility in the credit and capital markets. The Company has been able to obtain sufficient financing to meet its funding requirements for operations and capital expenditures.

Short-Term Debt

We use our short-term borrowings primarily to finance Energy Services' short-term liquidity needs, transportation and storage investments and PennEast contributions, share repurchases and, on an initial basis, Clean Energy Ventures' investments. Energy Services' use of high volume storage facilities and anticipated pipeline park-and-loan arrangements, combined with related economic hedging activities in the volatile wholesale natural gas market, create significant short-term cash requirements.

As of September 30, 2020, NJR had revolving credit facilities totaling \$675 million, with \$539.4 million available under the facilities. On July 23, 2020, the remaining borrowings for the \$350 million Bridge Facility were repaid.

New Jersey Resources Corporation

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ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

NJNG satisfies its debt needs by issuing short-term and long-term debt based on its financial profile. The seasonal nature of NJNG's operations creates large short-term cash requirements, primarily to finance natural gas purchases and customer accounts receivable. NJNG obtains working capital for these requirements, and for the temporary financing of construction and MGP remediation expenditures and energy tax payments, based on its financial profile, through the issuance of commercial paper supported by the NJNG Credit Facility or through short-term bank loans under the NJNG Credit Facility.

NJNG's commercial paper is sold through several commercial banks under an issuing and paying agency agreement and is supported by the \$250 million NJNG Credit Facility. As of September 30, 2020, the unused amount available under the NJNG Credit Facility, including amounts allocated to the backstop under the commercial paper program and the issuance of letters of credit, was \$249.3 million.

Short-term borrowings were as follows:

	Three Months Ended	Twelve Months Ended
(\$ in thousands)	September 30, 2020	
<u>NJR</u>		
Notes Payable to banks:		
Balance at end of period	\$ 125,350	\$ 125,350
Weighted average interest rate at end of period	1.49 %	1.49 %
Average balance for the period	\$ 178,400	\$ 404,823
Weighted average interest rate for average balance	1.07 %	1.93 %
Month end maximum for the period	\$ 336,300	\$ 416,300
<u>NJNG</u>		
Commercial Paper and Notes Payable to banks:		
Balance at end of period	\$ —	\$ —
Weighted average interest rate at end of period	— %	— %
Average balance for the period	\$ —	\$ 13,940
Weighted average interest rate for average balance	— %	1.61 %
Month end maximum for the period	\$ —	\$ 62,300

Due to the seasonal nature of natural gas prices and demand, and because inventory levels are built up during its natural gas injection season (April through October), NJR and NJNG's short-term borrowings tend to peak in the November through January time frame.

NJR

Based on its average borrowings during fiscal 2020, NJR's average interest rate was 1.93 percent, resulting in interest expense of approximately \$7.8 million.

As of September 30, 2020, NJR had seven letters of credit outstanding totaling \$10.3 million, which reduced the amount available under the NJR Credit Facility by the same amount. NJR does not anticipate that these letters of credit will be drawn upon by the counterparties.

On October 9, 2019, NJR entered into a \$350 million Bridge Facility, which was used primarily to finance the Leaf River acquisition. The Bridge Facility accrued interest at the LIBOR rate for a 1-month interest period plus 0.875 percent during the first 180 days, and 1.075 percent after 180 days, which was dependent on the credit rating of NJNG from Fitch and Moody's. The occurrence of an event of default under the Bridge Facility would have resulted in all loans and other obligations of NJR becoming immediately due and payable and the Bridge Facility being terminated. Loans under the Bridge Facility were required to be prepaid to the extent of new cash proceeds received upon the issuance of equity of NJR, the incurrence of indebtedness by NJR or its subsidiaries, the disposition of assets by NJR or its subsidiaries or upon other specified events, in each case subject to certain exceptions set forth in the Bridge Facility. The net proceeds from the December 2019 equity issuance were used to pay down the Bridge Facility. On April 23, 2020, the Bridge Facility was amended to clarify that the April 24, 2020 \$250 million revolving credit facility was not considered a debt issuance that requires prepayment of the Bridge Facility. On July 23, 2020, the outstanding borrowings were repaid in full.

On April 24, 2020, NJR entered into a 364-day, \$250 million revolving credit facility with an interest rate based on LIBOR plus 1.625 percent. After six months, all outstanding amounts under the credit facility would convert to a term loan and would be due on April 23, 2021. In connection with this credit facility, all outstanding borrowings under NJR's December 13,

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ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

2019, \$150 million revolving line of credit facility were repaid. On October 24, 2020, there was no balance outstanding on the \$250 million credit facility. As a result, the credit facility was considered terminated.

Neither NJNG nor its assets are obligated or pledged to support the NJR Credit Facility.

NJNG

As noted above, based on its average borrowings during fiscal 2020, NJNG's average interest rate was 1.61 percent, resulting in interest expense of approximately \$265,000.

As of September 30, 2020, NJNG had two letters of credit outstanding for \$731,000, which reduced the amount available under NJNG's committed credit facility by the same amount. NJNG does not anticipate that these letters of credit will be drawn upon by the counterparties.

Short-Term Debt Covenants

Borrowings under the NJR Credit Facility and NJNG Credit Facility are conditioned upon compliance with a maximum leverage ratio (consolidated total indebtedness to consolidated total capitalization as defined in the applicable agreements), of not more than .65 to 1.00 at any time. These revolving credit facilities contain customary representations and warranties for transactions of this type. They also contain customary events of default and certain covenants that will limit NJR's or NJNG's ability, beyond agreed upon thresholds, to, among other things:

- incur additional debt;
- incur liens and encumbrances;
- make dispositions of assets;
- enter into transactions with affiliates; and
- merge, consolidate, transfer, sell or lease all or substantially all of the borrowers' or guarantors' assets.

These covenants are subject to a number of exceptions and qualifications set forth in the applicable agreements.

Default Provisions

The agreements governing our long-term and short-term debt obligations include provisions that, if not complied with, could require early payment or similar actions. Default events include, but are not limited to, the following:

- defaults for non-payment;
- defaults for breach of representations and warranties;
- defaults for insolvency;
- defaults for non-performance of covenants;
- cross-defaults to other debt obligations of the borrower; and
- guarantor defaults.

The occurrence of an event of default under these agreements could result in all loans and other obligations of the borrower becoming immediately due and payable and the termination of the credit facilities or term loan.

Long-Term Debt

NJR

As of September 30, 2020, NJNG's long-term debt consisted of \$1.1 billion in fixed-rate debt issuances secured by the Mortgage Indenture, with maturities ranging from 2024 to 2060, and \$63.7 million in finance leases with various maturities ranging from 2021 to 2026.

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ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

As of September 30, 2020, NJR had the following outstanding:

- \$50 million of 3.25 percent senior notes due September 17, 2022;
- \$50 million of 3.20 percent senior notes due August 18, 2023;
- \$100 million of 3.48 percent senior notes due November 7, 2024;
- \$100 million of 3.54 percent senior notes due August 18, 2026;
- \$100 million of 3.96 percent senior notes due June 8, 2028;
- \$150 million of 3.29 percent senior notes due July 17, 2029;
- \$130 million of 3.50 percent senior notes due July 23, 2030;
- \$120 million of 3.13 percent senior notes due September 1, 2031;
- \$130 million of 3.60 percent senior notes due July 23, 2032; and
- \$80 million of 3.25 percent senior notes due September 1, 2033.

Neither NJNG nor its assets are obligated or pledged to support NJR's long-term debt.

On May 14, 2020, NJR entered into a Note Purchase Agreement for \$260 million of its senior notes, of which \$130 million are at a fixed interest rate of 3.5 percent, maturing in 2030, and \$130 million are at a fixed interest rate of 3.6 percent, maturing in 2032. On July 23, 2020, NJR issued all \$260 million of the senior notes. The senior notes are unsecured and guaranteed by certain unregulated subsidiaries of NJR.

On September 1, 2020, NJR entered into and issued a Note Purchase Agreement for \$200 million of its senior notes, of which \$120 million are at a fixed interest rate of 3.13 percent, maturing in 2031, and \$80 million are at a fixed interest rate of 3.25 percent, maturing in 2033. The senior notes are unsecured and guaranteed by certain unregulated subsidiaries of NJR.

NJNG

As of September 30, 2020, NJNG's long-term debt consisted of \$1.1 billion in fixed-rate debt issuances secured by the Mortgage Indenture, with maturities ranging from 2024 to 2060, and \$63.7 million in finance leases with various maturities ranging from 2021 to 2026.

On May 14, 2020, NJNG entered into a Note Purchase Agreement for \$125 million of its senior notes, of which \$100 million were at an interest rate of 3.13 percent, maturing in 2050, and \$25 million were at an interest rate of 3.33 percent, maturing in 2060. On June 30, 2020, NJNG issued \$50 million of 3.13 percent senior notes due June 30, 2050. On July 23, 2020, NJNG issued the remaining \$50 million of 3.13 percent senior notes due July 23, 2050 and \$25 million of 3.33 percent senior notes due July 23, 2060. The senior notes are secured by an equal principal amount of NJNG's FMBs issued under NJNG's Mortgage Indenture.

On September 1, 2020, NJNG entered into and issued a Note Purchase Agreement for \$75 million of its senior notes, of which \$25 million were at an interest rate of 2.87 percent, maturing in 2050, and \$50 million were at an interest rate of 2.97 percent, maturing in 2060. The senior notes are secured by an equal principal amount of NJNG's FMBs issued under NJNG's Mortgage Indenture.

NJR is not obligated directly or contingently with respect to the NJNG notes or the FMBs.

Long-Term Debt Covenants and Default Provisions

The NJR and NJNG long-term debt instruments contain customary representations and warranties for transactions of their type. They also contain customary events of default and certain covenants that will limit NJR or NJNG's ability beyond agreed upon thresholds to, among other things:

- incur additional debt (including a covenant that limits the amount of consolidated total debt of the borrower at the end of a fiscal quarter to 65 percent of the consolidated total capitalization of the borrower, as those terms are defined in the applicable agreements, and a covenant limiting priority debt to 20 percent of the borrower's consolidated total capitalization, as those terms are defined in the applicable agreements);
- incur liens and encumbrances;
- make loans and investments;
- make dispositions of assets;
- make dividends or restricted payments;
- enter into transactions with affiliates; and
- merge, consolidate, transfer, sell or lease substantially all of the borrower's assets.

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ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

The aforementioned covenants are subject to a number of exceptions and qualifications set forth in the applicable Note Purchase Agreements.

In addition, the FMB issued by NJNG under the Mortgage Indenture are subject to certain default provisions. Events of Default, as defined in the Mortgage Indenture, consist mainly of:

- failure for 30 days to pay interest when due;
- failure to pay principal or premium when due and payable;
- failure to make sinking fund payments when due;
- failure to comply with any other covenants of the Mortgage Indenture after 30 days' written notice from the Trustee;
- failure to pay or provide for judgments in excess of \$30 million in aggregate amount within 60 days of the entry thereof; or
- certain events that are or could be the basis of a bankruptcy, reorganization, insolvency or receivership proceeding.

Upon the occurrence and continuance of such an Event of Default, the Mortgage Indenture, subject to any provisions of law applicable thereto, provides that the Trustee may take possession and conduct the business of NJNG, may sell the trust estate or proceed to foreclose the lien of the Mortgage Indenture. The interest rate on defaulted principal and interest, to the extent permitted by law, on the FMB issued under the Mortgage Indenture is the rate stated in the applicable supplement or, if no such rate is stated, six percent per annum.

Sale Leaseback

NJNG

NJNG received \$4 million, \$9.9 million and \$7.8 million in fiscal 2020, 2019 and 2018, respectively, in connection with the sale leaseback of its natural gas meters. During fiscal 2020, 2019 and 2018, NJNG exercised early purchase options with respect to meter leases by making final principal payments of \$1.2 million, \$1.1 million and \$2.2 million, respectively. NJNG continues to evaluate this sale leaseback program based on current market conditions. As noted, natural gas meters are excepted from the lien on NJNG property under the Mortgage Indenture.

Clean Energy Ventures

During fiscal 2020, Clean Energy Ventures received proceeds of \$42.9 million in connection with the sale leaseback of three commercial solar projects. Clean Energy Ventures did not receive proceeds related to the sale leaseback of commercial solar assets during fiscal 2019. Clean Energy Ventures entered into transactions to sell certain of its commercial solar assets concurrent with agreements to lease the assets back over five to 15-year terms. These sale leasebacks are financing obligations secured by the solar assets, related future cash flows from SREC and energy sales and a continuing guaranty by NJR. ITCs and other tax benefits associated with these solar projects were transferred to the buyer. Clean Energy Ventures will continue to operate the solar projects and retain ownership of SRECs generated and has the option to renew the lease or repurchase the assets at the end of the lease term per the terms of the arrangement.

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ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Contractual Obligations

The following table is a summary of contractual cash obligations and financial commitments and their applicable payment due dates as of September 30, 2020:

(Thousands)	Total	Up to 1 Year	1-3 Years	3-5 Years	After 5 Years
Long-term debt ⁽¹⁾	\$ 3,358,967	\$ 73,138	\$ 244,411	\$ 352,193	\$ 2,689,225
Finance lease obligations ⁽¹⁾	76,617	54,992	10,626	8,675	2,324
Solar asset financing obligations ⁽¹⁾	108,013	12,928	25,929	21,888	47,268
Operating leases ⁽¹⁾	5,453	1,589	2,727	1,064	73
Short-term debt	125,350	125,350	—	—	—
New Jersey Clean Energy Program ⁽¹⁾	15,569	15,569	—	—	—
Construction obligations	19,341	19,341	—	—	—
Remediation expenditures ⁽²⁾	150,590	35,609	36,928	18,240	59,813
Natural gas supply purchase obligations-NJNG	4,377	4,377	—	—	—
Demand fee commitments-NJNG	1,156,597	124,660	291,617	184,325	555,995
Natural gas supply purchase obligations-Energy Services	152,870	151,270	1,600	—	—
Demand fee commitments-Energy Services	286,668	98,319	104,847	46,033	37,469
Total contractual cash obligations	\$ 5,460,412	\$ 717,142	\$ 718,685	\$ 632,418	\$ 3,392,167

(1) These obligations include an interest component, as defined under the related governing agreements or in accordance with the applicable tax statute.

(2) Expenditures are estimated. See *Note 15. Commitments and Contingent Liabilities* in the accompanying Consolidated Financial Statements.

NJR does not expect to be required to make additional contributions to fund the pension plans over the next three fiscal years based on current actuarial assumptions; however, funding requirements are uncertain and can depend significantly on changes in actuarial assumptions, returns on plan assets and changes in the demographics of eligible employees and covered dependents. In addition, as in the past, we may elect to make discretionary contributions to the plans in excess of the minimum required amount. We made no discretionary contributions to the pension plans in fiscal 2020 and 2019. There are no federal requirements to pre-fund OPEB benefits. However, we are required to fund certain amounts due to regulatory agreements with the BPU. We anticipate that the annual funding level of the OPEB plans will range from \$5 million to \$10 million annually over each of the next five years. Additional contributions may vary based on market conditions and various assumptions.

As of September 30, 2020, there were NJR guarantees covering approximately \$258 million of natural gas purchases and Energy Services demand fee commitments not yet reflected in accounts payable on the Consolidated Balance Sheets.

During fiscal 2020, committed and spent capital expenditures totaled \$333.9 million. During fiscal 2021 and 2022, NJNG's total capital expenditures are projected to be \$443.4 million and \$370.3 million, respectively. NJNG expects to fund its obligations with a combination of cash flow from operations, cash on hand, issuance of commercial paper, available capacity under its revolving credit facility and the issuance of long-term debt. As of September 30, 2020, NJNG's future MGP expenditures are estimated to be \$150.6 million. For a more detailed description of MGP see *Note 15. Commitments and Contingent Liabilities* in the accompanying Consolidated Financial Statements.

Estimated capital expenditures are reviewed on a regular basis and may vary based on the ongoing effects of regulatory constraints, environmental regulations, unforeseen events and the ability to access capital.

Clean Energy Ventures' expenditures include clean energy projects that support our goal to promote renewable energy. Accordingly, Clean Energy Ventures enters into agreements to install solar equipment involving both residential and commercial projects. We estimate the value of solar-related projects placed in service during fiscal 2021 to be between \$155 million and \$175 million.

Capital expenditures related to clean energy projects are subject to change due to a variety of factors that may affect our ability to commence operations at these projects on a timely basis or at all, including sourcing projects that meet our investment criteria, logistics associated with the start-up of residential and commercial solar projects, such as timing of construction schedules, the permitting and regulatory process, any delays related to electric grid interconnection, economic trends or unforeseen events and the ability to access capital or allocation of capital to other investments or business opportunities.

New Jersey Resources Corporation

Part II

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

During fiscal 2020, capital expenditures related to our storage and transportation investment in the Adelphia Gateway project were \$180.1 million, which includes the purchase price of \$166 million that was paid upon the close of the acquisition of the related assets in January 2020. We estimate expenditures related to the Adelphia Gateway project to be between \$136 million and \$156 million in fiscal 2021. Our Storage and Transportation segment had a total of \$2.1 million of expenditures related to our investment in the PennEast pipeline project. Expenditures on the PennEast pipeline are expected to total between \$7 million and \$8 million during fiscal 2021.

Energy Services does not currently anticipate any significant capital expenditures in fiscal 2021 and 2022.

Off-Balance-Sheet Arrangements

Our off-balance-sheet arrangements consist of guarantees covering approximately \$258 million of natural gas purchases, SREC sales and demand fee commitments, and nine outstanding letters of credit totaling \$11 million, as previously mentioned. See *Note 15. Commitments and Contingent Liabilities* and *Note 9. Debt* for more information.

Cash Flows

Operating Activities

Cash flows from operating activities during fiscal 2020 totaled \$213.5 million compared with \$194.1 million during fiscal 2019. Operating cash flows are primarily affected by variations in working capital, which can be impacted by several factors, including:

- seasonality of our business;
- fluctuations in wholesale natural gas prices and other energy prices, including changes in derivative asset and liability values;
- timing of storage injections and withdrawals;
- the deferral and recovery of natural gas costs;
- changes in contractual assets used to optimize margins related to natural gas transactions;
- broker margin requirements;
- impact of unusual weather patterns on our wholesale business;
- timing of the collections of receivables and payments of current liabilities;
- volumes of natural gas purchased and sold; and
- timing of SREC deliveries.

The increase of \$19.3 million in operating cash flows during fiscal 2020, compared with fiscal 2019, was due primarily to increased margin at our Natural Gas Distribution segment related to increased base rates.

Investing Activities

Cash flows used in investing activities totaled \$994 million during fiscal 2020, compared with \$287.4 million during fiscal 2019. The increase of \$706.6 million was due primarily to the acquisition of Leaf River and Adelphia Gateway and proceeds from the sale of our wind assets in February 2019, that did not recur in fiscal 2020.

Financing Activities

Financing cash flows generally are seasonal in nature and are impacted by the volatility in pricing in the natural gas and other energy markets. NJNG's inventory levels are built up during its natural gas injection season (April through October) and reduced during withdrawal season (November through March) in response to the supply requirements of its customers. Changes in financing cash flows can also be impacted by natural gas management and marketing activities at Energy Services and clean energy investments at Clean Energy Ventures.

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Part II

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Cash flows from financing activities during fiscal 2020 totaled \$895.9 million, compared with \$95.6 million during fiscal 2019. The increase of \$800.3 million was due primarily to the issuance of \$460 million and \$200 million of long-term debt at NJR and NJNG, respectively, and increased short-term debt activity at NJR primarily related to the acquisition of Leaf River and Adelphia Gateway, as well as proceeds of \$42.9 million from solar sale leasebacks at Clean Energy Ventures and proceeds from equity offering of \$212.9 million.

NJNG received \$4 million, \$9.9 million and \$7.8 million for fiscal 2020, 2019 and 2018, respectively, in connection with the sale leaseback of its natural gas meters. During fiscal 2020, 2019 and 2018, NJNG exercised early purchase options with respect to meter leases by making final principal payments of \$1.2 million, \$1.1 million and \$2.2 million, respectively. NJNG continues to evaluate the natural gas meter sale leaseback program based on current market conditions.

Credit Ratings

The table below summarizes NJNG's current credit ratings issued by two rating entities, Moody's and Fitch, as of September 30, 2020:

	Moody's	Fitch
Corporate Rating	N/A	A-
Commercial Paper	P-2	F-2
Senior Secured	A1	A+
Ratings Outlook	Stable	Stable

The Fitch ratings and outlook were reaffirmed on March 18, 2020. NJNG's Moody's and Fitch ratings are investment-grade ratings. NJR is not a rated entity.

On March 18, 2020, Moody's revised NJNG's secured rating from Aa3 to A1 and its commercial paper rating from P-1 to P-2 resulting from higher debt levels to fund the Company's elevated capital program. The outlook was increased to stable from negative. This action does not currently affect any of NJNG's long-term borrowing rates or credit facility pricing.

Although NJNG is not party to any lending agreements that would accelerate the maturity date of any obligation caused by a failure to maintain any specific credit rating, if such ratings are downgraded below investment grade, borrowing costs could increase, as would the costs of maintaining certain contractual relationships, and future financing and our access to capital markets would be reduced. Even if ratings are downgraded without falling below investment grade, NJR and NJNG could face increased borrowing costs under their credit facilities. A rating set forth above is not a recommendation to buy, sell or hold NJR's or NJNG's securities and may be subject to revision or withdrawal at any time. Each rating set forth above should be evaluated independently of any other rating.

The timing and mix of any external financings will target a common equity ratio that is consistent with maintaining NJNG's current short-term and long-term credit ratings.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Financial Risk Management

Commodity Market Risks

Natural gas is a nationally traded commodity. Its prices are determined effectively by the NYMEX, CME, ICE and over-the-counter markets. The prices on the NYMEX, CME, ICE and over-the-counter markets generally reflect the national balance of natural gas supply and demand, but are also significantly influenced from time to time by other events.

Our regulated and unregulated businesses are subject to market risk due to fluctuations in the price of natural gas. To economically hedge against such fluctuations, we have entered into forwards, futures, options and swap agreements. To manage these derivative instruments, we have well-defined risk management policies and procedures that include daily monitoring of volumetric limits and monetary guidelines. Our natural gas businesses are conducted through two of our operating subsidiaries. NJNG is a regulated utility that uses futures, options and swaps to provide relative price stability, and its recovery of natural gas

New Jersey Resources Corporation

Part II

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK (Continued)

costs is governed by the BPU. Energy Services uses futures, options, swaps and physical contracts to economically hedge purchases and sales of natural gas.

The following table reflects the changes in the fair market value of financial derivatives related to natural gas purchases and sales:

(Thousands)	Balance September 30, 2019	Increase (Decrease) in Fair Market Value	Less Amounts Settled	Balance September 30, 2020
Natural Gas Distribution	\$ (188)	\$ (7,765)	\$ (7,742)	\$ (211)
Energy Services	(11,640) ⁽¹⁾	59,129	43,092	4,397
Total	\$ (11,828)	\$ 51,364	\$ 35,350	\$ 4,186

(1) Includes the addition of \$459,000 related to the fair value of the derivative instrument acquired through the disposition of NJRRS.

There were no changes in methods of valuations during the year ended September 30, 2020.

The following is a summary of fair market value of financial derivatives as of September 30, 2020, excluding foreign exchange contracts discussed below, by method of valuation and by maturity for each fiscal year period:

(Thousands)	2021	2022	2023 - 2025	After 2025	Total Fair Value
Price based on NYMEX/CME	\$ 445	\$ 40	\$ 15	\$ —	\$ 500
Price based on ICE	3,048	870	(232)		3,686
Total	\$ 3,493	\$ 910	\$ (217)	\$ —	\$ 4,186

The following is a summary of financial derivatives by type at September 30, 2020:

	Volume Bcf	Price per MMBtu ⁽¹⁾	Amounts included in Derivatives (Thousands)
Natural Gas Distribution	Futures	23.7	\$0.83 - \$4.27
Energy Services	Futures	(27.5)	\$0.43 - \$5.89
	Swaps	(1.8)	\$2.72 - \$3.20
Total			\$ 4,186

(1) Million British thermal units

The following table reflects the changes in the fair market value of physical commodity contracts:

(Thousands)	Balance September 30, 2019	Increase (Decrease) in Fair Market Value	Less Amounts Settled	Balance September 30, 2020
Natural Gas Distribution - Prices based on other external data	\$ (178)	253	73	\$ 2
Energy Services - Prices based on other external data	(31,624)	(8,407)	(15,308)	(24,723)
Total	\$ (31,802)	(8,154)	(15,235)	\$ (24,721)

Foreign Currency Market Risks

The following table reflects the changes in the fair market value of financial derivatives related to foreign currency hedges:

(Thousands)	Balance September 30, 2019	Increase (Decrease) in Fair Market Value	Less Amounts Settled	Balance September 30, 2020
Energy Services	\$ (285)	(23)	(285)	\$ (23)

New Jersey Resources Corporation

Part II

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK (Continued)

There were no changes in methods of valuations during the fiscal year ended September 30, 2020.

The following is a summary of fair market value of financial derivatives related to foreign currency hedges as of September 30, 2020, by method of valuation and by maturity for each fiscal year period:

<i>(Thousands)</i>	2021	2022	2023 - 2025	After 2025	Total Fair Value
Prices based on other external data	\$ (68)	45		—	\$ (23)

Our market price risk is predominately linked with changes in the price of natural gas at the Henry Hub, the delivery point for the NYMEX natural gas futures contracts. Based on price sensitivity analysis, an illustrative 10 percent movement in the natural gas futures contract price, for example, increases (decreases) the reported derivative fair value of all open, unadjusted Henry Hub natural gas futures and fixed price swap positions by approximately \$8.9 million. This analysis does not include potential changes to reported credit adjustments embedded in the \$(12.6) million reported fair value.

Derivative Fair Value Sensitivity Analysis

<i>(Thousands)</i>	Henry Hub Futures and Fixed Price Swaps				
Percent increase in NYMEX natural gas futures prices	0%	5%	10%	15%	20%
Estimated change in derivative fair value	\$ —	\$ (4,439)	\$ (8,877)	\$ (13,316)	\$ (17,754)
Ending derivative fair value	\$ (12,576)	\$ (17,015)	\$ (21,453)	\$ (25,892)	\$ (30,330)
Percent decrease in NYMEX natural gas futures prices	0%	(5)%	(10)%	(15)%	(20)%
Estimated change in derivative fair value	\$ —	\$ 4,439	\$ 8,877	\$ 13,316	\$ 17,754
Ending derivative fair value	\$ (12,576)	\$ (8,137)	\$ (3,699)	\$ 740	\$ 5,178

Wholesale Credit Risk

Natural Gas Distribution and Energy Services engage in wholesale marketing activities and Clean Energy Ventures engages in SREC sales. We monitor and manage the credit risk of our operations through credit policies and procedures that management believes reduce overall credit risk. These policies include a review and evaluation of prospective counterparties' financial statements and/or credit ratings, daily monitoring of counterparties' credit limits, daily communication with traders regarding credit status and the use of credit mitigation measures, such as minimum margin requirements, collateral requirements and netting agreements. Examples of collateral include letters of credit and cash received for either prepayment or margin deposit.

Our Risk Management Committee continuously monitors our credit risk management policies and procedures and is composed of individuals from NJR-affiliated companies. The Risk Management Committee meets at least once a month and, among other things, evaluates the effectiveness of existing credit policies and procedures, reviews material transactions and discusses emerging issues.

The following is a summary of gross and net credit exposures, grouped by investment and non-investment grade counterparties, as of September 30, 2020. Gross credit exposure is defined as the unrealized fair value of derivative and energy trading contracts, plus any outstanding wholesale receivable for the value of natural gas or power delivered and/or financial derivative commodity contract that has settled for which payment has not yet been received. Net credit exposure is defined as gross credit exposure reduced by collateral received from counterparties and/or payables, where netting agreements exist. The amounts presented below exclude accounts receivable for NJNG retail natural gas sales and services.

New Jersey Resources Corporation
Part II

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK (Continued)

Energy Services' and Clean Energy Ventures' counterparty credit exposure as of September 30, 2020, is as follows:

<i>(Thousands)</i>	Gross Credit Exposure	Net Credit Exposure
Investment grade	\$ 129,910	\$ 114,922
Noninvestment grade	8,363	919
Internally-rated investment grade	24,608	18,923
Internally-rated noninvestment grade	11,373	4,465
Total	\$ 174,254	\$ 139,229

NJNG's counterparty credit exposure as of September 30, 2020, is as follows:

<i>(Thousands)</i>	Gross Credit Exposure	Net Credit Exposure
Investment grade	\$ 2,195	\$ 2,060
Noninvestment grade	164	—
Internally-rated investment grade	39	8
Internally-rated noninvestment grade	1,098	—
Total	\$ 3,496	\$ 2,068

Due to the inherent volatility in the market price for natural gas, electricity and SRECs, the market value of contractual positions with individual counterparties could exceed established credit limits or collateral provided by those counterparties. If a counterparty failed to perform the obligations under its contract (for example, failed to make payment for natural gas received), we could sustain a loss. This loss would comprise the loss on natural gas delivered but not paid for and/or the cost of replacing natural gas not delivered or received at a price that exceeds the original contract price. Any such loss could have a material impact on our financial condition, results of operations or cash flows.

Effects of Interest Rate and Foreign Currency Rate Fluctuations

We are also exposed to changes in interest rates on our debt hedges, variable rate debt and changes in foreign currency rates for our business conducted in Canada using Canadian dollars. We do not believe an immediate 10 percent increase or decrease in interest rates or foreign currency rates would have a material effect on our operating results or cash flows.

For more information regarding the interest rate risk related to our short-term debt, please see the *Liquidity and Capital Resources - Debt* section of *Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations*.

Effects of Inflation

Although inflation rates have been relatively low to moderate in recent years, including the three most recent fiscal years, any change in price levels has an effect on operating results due to the capital-intensive and regulated nature of our utility subsidiary. We attempt to minimize the effects of inflation through cost control, productivity improvements and regulatory actions, when appropriate.

New Jersey Resources Corporation
Part II

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management of New Jersey Resources Corporation is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) and 15d-15(f) of the Securities and Exchange Act of 1934, as amended. The Company's internal control over financial reporting is a process designed to provide reasonable assurance to the Company's Management and Board of Directors regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Under the supervision and with the participation of the Company's management, including its principal executive officer and principal financial officer, management conducted an evaluation of the effectiveness of the Company's internal control over financial reporting as of September 30, 2020. In making this assessment, management used the criteria for effective internal control over financial reporting described in the *Internal Control-Integrated Framework (2013)* set forth by the Committee of Sponsoring Organizations of the Treadway Commission. Based on the assessment, management concluded that, as of September 30, 2020, the Company's internal control over financial reporting was effective to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America.

The conclusion of the Company's principal executive officer and principal financial officer is based on the recognition that there are inherent limitations in all systems of internal control over financial reporting. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements, errors or fraud. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The Company's independent registered public accounting firm, Deloitte & Touche LLP, has issued its report on the effectiveness of the Company's internal control over financial reporting as of September 30, 2020, which appears herein.

November 30, 2020

New Jersey Resources Corporation

Part II

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (Continued)

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareowners and the Board of Directors of New Jersey Resources Corporation:

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of New Jersey Resources Corporation and subsidiaries (the "Company") as of September 30, 2020 and 2019, and the related consolidated statements of operations, comprehensive income, common stock equity, and cash flows, for each of the three years in the period ended September 30, 2020, and the related notes and the financial statement schedule listed in the Index at Item 15 (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of September 30, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended September 30, 2020, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of September 30, 2020, based on criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated November 30, 2020, expressed an unqualified opinion on the Company's internal control over financial reporting.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current-period audit of the financial statements that were communicated or required to be communicated to the audit committee and that (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Regulation — Impact of Rate-Regulation on Various Account Balances and Disclosures — Refer to Notes 2 and 4 to the financial statements

Critical Audit Matter Description

New Jersey Natural Gas Company ("NJNG"), a subsidiary of the Company, is a regulated gas distribution company that serves customers in central and northern New Jersey. NJNG is subject to regulation by the New Jersey Board of Public Utilities (the "BPU"), which has jurisdiction with respect to the rates of gas distribution companies in New Jersey. Management has determined NJNG meets the requirements under accounting principles generally accepted in the United States of America to prepare its financial statements in accordance with the ASC 980, Regulated Operations.

New Jersey Resources Corporation

Part II

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (Continued)

NJNG is subject to cost-based regulation; therefore, it is permitted to recover authorized operating expenses and earn a reasonable return on its utility capital investments based on the BPU's approval. The impact of the ratemaking process and decisions authorized by the BPU allows NJNG to capitalize or defer certain costs that are expected to be recovered from its customers as regulatory assets, and to recognize certain obligations representing amounts that are probable future expenditures as regulatory liabilities in accordance with accounting guidance applicable to regulated operations. Regulatory decisions can have an impact on the recovery of costs, the rate of return earned on investment, and the timing and amount of assets to be recovered by rates. Decisions to be made by the BPU in the future will impact the accounting for regulated operations, including decisions about the amount of allowable costs and return on invested capital included in rates and any refunds that may be required.

Accounting for the economics of rate-regulation impacts multiple financial statement line items and disclosures, such as regulated property, plant, and equipment, regulatory assets and liabilities, operating revenues and depreciation expense. While NJNG has indicated it expects to recover costs from customers through regulated rates, there is a risk that the BPU will not approve full recovery of such costs or full recovery of all amounts invested in the utility business and a reasonable return on that investment. We identified the impact of rate-regulation as a critical audit matter due to the significant judgments made by management to support its assertions about the impact of regulatory orders on the financial statements, including assessing the probability of both recovery in rates of incurred costs and refunds to customers. Given that management's accounting judgments are based on assumptions about the outcome of future decisions by the BPU, auditing these judgments requires specialized knowledge of accounting for rate regulation and the rate setting process due to its inherent complexities.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the uncertainty around the impact of regulatory orders on the financial statements, including the probability of recovery in rates of incurred costs and a refund to customers included the following, among others:

- We tested the effectiveness of controls over the relevant regulatory account balances and disclosures, including management's controls over the monitoring and evaluation of regulatory developments that may affect the probability of recovering costs in future rates or of a future reduction in rates.
- We read relevant regulatory orders issued by the BPU for NJNG and other public utilities in New Jersey, regulatory statutes, interpretations, procedural memorandums, filings made by interveners, and other publicly available information to assess the probability of recovery in future rates or of a future reduction in rates based on precedence of the BPU's treatment of similar costs under similar circumstances. We also read the November 13, 2019 BPU order adopting the stipulation of settlement for NJNG's March 2019 base rate case as well as the publicly available filings made by NJNG and its related attachments. We evaluated the external information and compared that to management's assertions regarding the probability of recovery or refund of regulatory asset and liability balances for completeness.
- We obtained an analysis from management regarding the probability of recovery for regulatory assets or refund or future reduction in rates for regulatory liabilities in order to assess management's assertion that amounts are probable of recovery or refund or a future reduction in rates.
- We evaluated the Company's disclosures related to the impacts of rate regulation, including the balances recorded and regulatory developments.

Investments in Equity Investees — Steckman Ridge — Refer to Notes 2 and 7 to the financial statements

Critical Audit Matter Description

The Company, through its subsidiary Steckman Ridge Storage Company, holds a 50 percent equity method investment in Steckman Ridge, a natural gas storage facility located in Bedford County, Pennsylvania. In the fourth quarter of fiscal 2020, a major customer contract expired and was not renewed.

The Company evaluated its investment for an other-than-temporary impairment by comparing the estimated fair value of the investment to the carrying value and determined that an impairment charge was not necessary. The Company estimated the fair value of the investment using a discounted cash flow method. Management made estimates and assumptions related to the price and capacity of future firm natural gas storage contracting, operations and maintenance costs, the nature and timing of major maintenance and capital investment, and the discount rates.

New Jersey Resources Corporation
Part II

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (Continued)

We identified the evaluation of other-than-temporary impairment for the Steckman Ridge investment as a critical audit matter because of the significant estimates and assumptions management made to estimate the fair value of its investment. This required a high degree of auditor judgment and an increased extent of effort, including the need to involve our internal specialists, when performing audit procedures to evaluate the reasonableness of management's estimates and assumptions related to the price and capacity of future firm natural gas storage contracting and the discount rate used in the discounted future cash flow method.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the price and capacity of future firm natural gas storage contracting and the discount rate used by management to estimate the fair value of the Steckman Ridge investment to evaluate impairment included the following, among others:

- We tested the effectiveness of controls over management's evaluation of the Steckman Ridge investment for impairment including those related to the price and capacity of future firm natural gas storage contracting and the discount rates.
- We evaluated the reasonableness of the price and capacity of future firm natural gas storage contracting by:
 - Making inquiries with operations and executive management teams regarding the viability of recontracting and optimizing the capacity associated with the expired contract.
 - Comparing management's volume assumptions to comparable contractual agreements where applicable, and to information regarding demand in the region.
 - Comparing management's rate assumptions to comparable contractual agreements where applicable and evaluating management's future price assumptions against relevant market price information.
 - Reading internal communications to management and the Board of Directors and other Steckman Ridge member communications to search for contradictory information.
- We evaluated the selection of the discount rate with the assistance of our fair value specialists, by:
 - Testing the source information underlying the determination of the discount rate and the mathematical accuracy of the calculation.
 - Developing a range of independent estimates and comparing those to the discount rate selected by management.

Investments in Equity Investees — PennEast — Refer to Notes 2 and 7 to the financial statements

Critical Audit Matter Description

The Company, through its subsidiary NJR Midstream Company, is a 20 percent investor in PennEast Pipeline Company, LLC ("PennEast"), a partnership whose purpose is to construct and operate a 120-mile natural gas pipeline that will extend from northeast Pennsylvania to western New Jersey. In the fourth quarter of fiscal 2019, PennEast received certain adverse court rulings, which remain in effect as of the fiscal 2020 balance sheet date.

The Company evaluated its investment for other-than-temporary impairment by comparing the estimated fair value of the investment to the carrying value and determined that an impairment charge was not necessary. The Company estimated the fair value of its investment using probability-weighted scenarios of discounted future cash flows. Management made significant estimates and assumptions related to development options and legal outcomes, construction costs, timing of capital investments and in-service dates, revenues (including forecasted volumes and rates), and discount rates. The discounted cash flow scenarios contemplate the impact of key assumptions of potential future court decisions and potential future management decisions and requires management to make significant estimates regarding the likelihood of various scenarios and assumptions. Higher probabilities were assumed related to those scenarios where the project is completed.

We identified the evaluation of other-than-temporary impairment for the PennEast investment as a critical audit matter because of the significant estimates and assumptions management makes to estimate the fair value of its investment. This required a high degree of auditor judgment and an increased extent of effort, including the need to involve our fair value specialists, when performing audit procedures to evaluate the reasonableness of management's estimates and assumptions related to the probabilities associated with the development options and legal outcomes, the forecasted amount and timing of

New Jersey Resources Corporation

Part II

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (Continued)

future revenues, and the selection of the discount rate used in the probability-weighted scenarios of discounted future cash flows.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the probabilities associated with the development options and legal outcomes, the forecasted amount and timing of future revenues, and the selection of the discount rate used by management in the probability-weighted scenarios of discounted future cash flows used in the evaluation of impairment for the PennEast investment included the following, among others:

- We tested the effectiveness of controls over management's evaluation of the PennEast investment for impairment including those related to the probabilities associated with the development options and legal outcomes, the forecasting of future revenues, and the selection of the discount rate.
- We evaluated the reasonableness of the probabilities related to the development options and legal outcomes by making inquiries with legal counsel regarding the likely outcomes of future court rulings, and with engineering, operations, and the executive management team regarding the viability of development options. We compared the results of these legal and management inquiries to internal communications to management, the Board of Directors, and PennEast member partners to search for contradictory information. We also read external information included in press releases, earnings releases, regulatory filings, and other PennEast member communications to search for contradictory information.
- We evaluated the reasonableness of the forecasted amount and timing of future revenues (including forecasted volumes and rates) by:
 - Comparing management's volume assumptions to contractual agreements where applicable, and to information regarding demand and capacity volumes in the region for the remaining volumes.
 - Comparing management's rate assumptions to contractual agreements where applicable and evaluating management's future price assumptions against relevant market price curves.
 - Reading internal communications to management and the Board of Directors and external information included in press releases, earnings releases and other PennEast member communications to search for contradictory information.
- We evaluated the selection of the discount rate with the assistance of our fair value specialists, by:
 - Testing the source information underlying the determination of the discount rate and the mathematical accuracy of the calculation.
 - Developing a range of independent estimates and comparing those to the discount rate selected by management.

/s/ Deloitte & Touche LLP

Parsippany, New Jersey

November 30, 2020

We have served as the Company's auditor since 1951.

New Jersey Resources Corporation
Part II

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (Continued)

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareowners and the Board of Directors of New Jersey Resources Corporation:

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of New Jersey Resources Corporation and subsidiaries (the “Company”) as of September 30, 2020, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of September 30, 2020, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended September 30, 2020, of the Company and our report dated November 30, 2020, expressed an unqualified opinion on those financial statements.

Basis for Opinion

The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Deloitte & Touche LLP

Parsippany, New Jersey

November 30, 2020

New Jersey Resources Corporation

Part II

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (Continued)

CONSOLIDATED STATEMENTS OF OPERATIONS

(Thousands, except per share data)

Fiscal years ended September 30,	2020	2019	2018
OPERATING REVENUES			
Utility	\$ 729,923	\$ 710,793	\$ 731,865
Nonutility	1,223,745	1,881,252	2,183,244
Total operating revenues	1,953,668	2,592,045	2,915,109
OPERATING EXPENSES			
Natural gas purchases:			
Utility	275,831	320,256	276,005
Nonutility	1,022,805	1,716,098	1,990,832
Related parties	6,083	7,948	8,505
Operation and maintenance	278,143	268,141	315,215
Regulatory rider expenses	34,529	33,937	38,969
Depreciation and amortization	119,894	91,730	85,701
Total operating expenses	1,737,285	2,438,110	2,715,227
OPERATING INCOME	216,383	153,935	199,882
Other income, net	23,878	11,273	13,047
Interest expense, net of capitalized interest	67,597	47,082	46,286
INCOME BEFORE INCOME TAXES AND EQUITY IN EARNINGS OF AFFILIATES	172,664	118,126	166,643
Income tax benefit	(6,944)	(37,751)	(53,785)
Equity in earnings of affiliates	14,311	13,628	13,008
NET INCOME	\$ 193,919	\$ 169,505	\$ 233,436
EARNINGS PER COMMON SHARE			
Basic	\$2.05	\$1.90	\$2.66
Diluted	\$2.04	\$1.89	\$2.64
WEIGHTED AVERAGE SHARES OUTSTANDING			
Basic	94,798	89,242	87,689
Diluted	95,107	89,616	88,315

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Thousands)

Fiscal years ended September 30,	2020	2019	2018
Net income	\$ 193,919	\$ 169,505	\$ 233,436
Other comprehensive (loss) income, net of tax:			
Unrealized (loss) on investments in equity securities, net of tax of \$0, \$0 and \$6,973, respectively	—	—	(19,245)
Reclassifications of losses to net income on investments in equity securities, net of tax of \$0, \$0 and \$(858), respectively	—	—	11,647
Reclassifications of losses to net income on derivatives designated as hedging instruments, net of tax of \$(32), \$0 and \$0, respectively	108	—	—
Loss on derivatives designated as hedging instruments, net of tax of \$3,203, \$0 and \$0, respectively	(10,505)	—	—
Adjustment to postemployment benefit obligation, net of tax of \$567, \$6,106, and \$(573), respectively	(2,131)	(15,731)	1,520
Other comprehensive (loss)	(12,528)	(15,731)	(6,078)
Comprehensive income	\$ 181,391	\$ 153,774	\$ 227,358

See Notes to Consolidated Financial Statements

New Jersey Resources Corporation

Part II

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (Continued)

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Thousands)

Fiscal years ended September 30,	2020	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	\$ 193,919	\$ 169,505	\$ 233,436
Adjustments to reconcile net income to cash flows from operating activities			
Unrealized gain on derivative instruments	(9,644)	2,881	26,770
Gain on sale of available for sale securities	—	(1,567)	(5,332)
Gain on sale of businesses	—	(645)	(4,663)
Depreciation and amortization	119,894	91,730	85,701
Noncash lease expense	3,851	—	—
Amortization of acquired wholesale energy contracts	4,924	8,424	18,222
Allowance for equity used during construction	(17,053)	(6,492)	(5,531)
Allowance for doubtful accounts	2,238	2,387	2,579
Deferred income taxes	(9,092)	(59,013)	15,590
Deferred income tax benefit due to tax legislation	—	—	(75,736)
Equivalent value of ITCs recognized on equipment financing	(6,482)	(6,482)	—
Manufactured gas plant remediation costs	(7,651)	(13,878)	(16,171)
Equity in earnings, net of distributions received from equity investees	(5,848)	(4,156)	(1,725)
Cost of removal - asset retirement obligations	(245)	(258)	(298)
Contributions to postemployment benefit plans	(9,032)	(8,157)	(6,359)
Tax benefit of delivered shares from stock based compensation	647	1,290	2,950
Changes in:			
Components of working capital	(8,096)	(27,759)	97,004
Other noncurrent assets	(44,129)	8,193	17,860
Other noncurrent liabilities	5,280	38,125	13,989
Cash flows from operating activities	213,481	194,128	398,286
CASH FLOWS USED IN INVESTING ACTIVITIES			
Expenditures for:			
Utility plant	(290,040)	(304,809)	(206,880)
Solar and wind equipment	(133,841)	(157,828)	(123,421)
Storage and transportation assets and other	(24,228)	(23,100)	(6,644)
Cost of removal	(22,059)	(40,195)	(47,643)
Investments in equity investees	(2,117)	(4,102)	(16,151)
Distributions from equity investees in excess of equity in earnings	1,907	2,428	3,117
Acquisition of assets, net of cash acquired of \$5.1 million	(523,647)	—	(10,000)
Proceeds from sale of businesses, net of closing costs	—	205,745	27,916
Proceeds from sale of available for sale securities, net	—	34,484	6,616
Cash flows used in investing activities	(994,025)	(287,377)	(373,090)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES			
Proceeds from long-term debt	660,000	467,900	225,000
Payments of long-term debt	(20,286)	(218,638)	(165,486)
Proceeds from term loan	350,000	—	—
Payments of term loan	(350,000)	—	—
Proceeds from (payments of) short-term debt, net	99,900	(126,500)	(114,050)
Proceeds from sale leaseback transaction - solar	42,927	—	71,538
Proceeds from sale leaseback transaction - natural gas meters	4,000	9,895	7,820
Payments of common stock dividends	(117,804)	(104,059)	(95,835)
Proceeds from waiver discount issuance of common stock	—	57,391	41,677
Proceeds from issuance of common stock	18,080	16,717	17,136
Proceeds from equity offering	212,900	—	—
Tax withholding payments related to net settled stock compensation	(3,813)	(7,104)	(13,755)
Cash flows from (used in) financing activities	895,904	95,602	(25,955)
Change in cash, cash equivalents and restricted cash	115,360	2,353	(759)
Cash, cash equivalents and restricted cash at beginning of period	4,063	1,710	2,469
Cash, cash equivalents and restricted cash at end of period	\$ 119,423	\$ 4,063	\$ 1,710
CHANGES IN COMPONENTS OF WORKING CAPITAL			
Receivables	\$ 5,065	\$ 63,795	\$ (7,524)
Inventories	(3,254)	14,265	15,464
Recovery of natural gas costs	17,479	(15,733)	30,439
Natural gas purchases payable	(41,326)	(74,031)	51,187
Natural gas purchases payable - related parties	1	(360)	(1)
Prepaid expenses	2,548	(1,193)	2,037
Prepaid and accrued taxes	(2,376)	2,271	1,254
Accounts payable and other	20,390	2,256	40,422
Restricted broker margin accounts	(6,097)	(22,004)	(30,974)
Customers' credit balances and deposits	(1,182)	(209)	368
Other current assets	656	3,184	(5,668)
Total	\$ (8,096)	\$ (27,759)	\$ 97,004
SUPPLEMENTAL DISCLOSURES			
Cash paid (received) for:			
Interest (net of amounts capitalized)	\$ 66,146	\$ 50,371	\$ 44,821
Income taxes	\$ 7,594	\$ 12,647	\$ 5,577
Accrued capital expenditures	\$ 19,434	\$ 30,725	\$ 30,559
Inception gain on natural gas swap contract recognized as non-cash proceeds from sale of business	\$ —	\$ —	\$ 14,579

See Notes to Consolidated Financial Statements

New Jersey Resources Corporation

Part II

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (Continued)

CONSOLIDATED BALANCE SHEETS

ASSETS

(Thousands)

September 30,	2020	2019
PROPERTY, PLANT AND EQUIPMENT		
Utility plant, at cost	\$ 2,800,052	\$ 2,625,730
Construction work in progress	379,846	237,011
Nonutility plant and equipment, at cost	1,430,723	861,904
Construction work in progress	176,556	62,492
Total property, plant and equipment	4,787,177	3,787,137
Accumulated depreciation and amortization, utility plant	(601,635)	(585,160)
Accumulated depreciation and amortization, nonutility plant and equipment	(202,507)	(156,033)
Property, plant and equipment, net	3,983,035	3,045,944
CURRENT ASSETS		
Cash and cash equivalents	117,012	2,676
Customer accounts receivable:		
Billed	134,173	139,263
Unbilled revenues	9,226	6,510
Allowance for doubtful accounts	(7,242)	(6,148)
Regulatory assets	36,530	32,871
Natural gas in storage, at average cost	167,504	169,803
Materials and supplies, at average cost	20,406	14,475
Prepaid expenses	6,639	8,333
Prepaid and accrued taxes	24,301	22,602
Derivatives, at fair value	23,310	25,103
Restricted broker margin accounts	69,444	73,723
Other current assets	21,029	22,395
Total current assets	622,332	511,606
NONCURRENT ASSETS		
Investments in equity investees	208,375	200,268
Regulatory assets	527,459	496,637
Operating lease assets	131,769	—
Derivatives, at fair value	3,349	7,426
Intangible assets	10,060	14,611
Software costs	4,707	1,702
Other noncurrent assets	78,716	94,791
Total noncurrent assets	964,435	815,435
Total assets	\$ 5,569,802	\$ 4,372,985

See Notes to Consolidated Financial Statements

New Jersey Resources Corporation

Part II

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (Continued)

CAPITALIZATION AND LIABILITIES

(Thousands, except share data)

September 30,	2020	2019
CAPITALIZATION		
Common stock, \$2.50 par value; authorized 150,000,000 shares; outstanding September 30, 2020 — 95,949,183; September 30, 2019 — 89,998,788	\$ 240,243	\$ 226,649
Premium on common stock	491,982	291,331
Accumulated other comprehensive loss, net of tax	(44,315)	(31,787)
Treasury stock at cost and other; shares September 30, 2020 — 148,310; September 30, 2019 — 660,734	8,485	(10,436)
Retained earnings	1,148,297	1,075,960
Common stock equity	1,844,692	1,551,717
Long-term debt	2,259,466	1,537,177
Total capitalization	4,104,158	3,088,894
CURRENT LIABILITIES		
Current maturities of long-term debt	27,236	21,419
Short-term debt	125,350	25,450
Natural gas purchases payable	95,945	137,271
Natural gas purchases payable to related parties	791	790
Accounts payable and other	141,500	129,724
Dividends payable	31,902	28,122
Accrued taxes	2,717	3,394
Regulatory liabilities	26,188	—
New Jersey Clean Energy Program	15,570	15,468
Derivatives, at fair value	33,865	57,623
Operating lease liabilities	6,724	—
Customers' credit balances and deposits	25,934	27,116
Total current liabilities	533,722	446,377
NONCURRENT LIABILITIES		
Deferred income taxes	190,610	190,663
Deferred investment tax credits	3,332	3,653
Deferred gain	1,035	1,554
Derivatives, at fair value	13,352	18,821
Manufactured gas plant remediation	150,590	131,080
Postemployment employee benefit liability	237,221	246,517
Regulatory liabilities	196,450	202,435
Operating lease liabilities	95,030	—
Asset retirement obligation	33,723	31,046
Other noncurrent liabilities	10,579	11,945
Total noncurrent liabilities	931,922	837,714
Commitments and contingent liabilities (Note 15)		
Total capitalization and liabilities	\$ 5,569,802	\$ 4,372,985

See Notes to Consolidated Financial Statements

New Jersey Resources Corporation

Part II

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (Continued)

CONSOLIDATED STATEMENTS OF COMMON STOCK EQUITY

<i>(Thousands)</i>	Number of Shares	Common Stock	Premium on Common Stock	Accumulated Other Comprehensive (Loss) Income	Treasury Stock And Other	Retained Earnings	Total
Balance at September 30, 2017	86,556	\$ 222,258	\$ 219,696	\$ (3,256)	\$ (70,039)	\$ 867,984	\$ 1,236,643
Net income	—	—	—	—	—	233,436	233,436
Other comprehensive loss	—	—	—	(6,078)	—	—	(6,078)
Common stock issued:							
Incentive compensation plan	561	1,403	15,169	—	—	—	16,572
Dividend reinvestment plan ⁽¹⁾	413	—	755	—	16,339	—	17,094
Waiver discount	1,014	2,535	39,142	—	—	—	41,677
Cash dividend declared (\$1.11 per share)	—	—	—	—	—	(97,579)	(97,579)
Treasury stock and other	(251)	—	(14)	—	(22,773)	—	(22,787)
Reclassifications of certain income tax effects to retained earnings	—	—	—	(3,276)	—	3,276	—
Balance at September 30, 2018	88,293	226,196	274,748	(12,610)	(76,473)	1,007,117	1,418,978
Net income	—	—	—	—	—	169,505	169,505
Other comprehensive loss	—	—	—	(15,731)	—	—	(15,731)
Common stock issued:							
Incentive compensation plan	182	453	3,334	—	—	—	3,787
Dividend reinvestment plan ⁽¹⁾	351	—	2,718	—	13,945	—	16,663
Waiver discount	1,181	—	10,531	—	46,860	—	57,391
Cash dividend declared (\$1.19 per share)	—	—	—	—	—	(106,342)	(106,342)
Treasury stock and other	(8)	—	—	—	5,232	—	5,232
Adoption of ASU 2016-01 ⁽²⁾	—	—	—	(3,446)	—	3,446	—
Adoption of ASU 2017-05 ⁽²⁾	—	—	—	—	—	4,970	4,970
Adoption of ASU 2014-09/ASC 606 ⁽²⁾	—	—	—	—	—	(2,736)	(2,736)
Balance at September 30, 2019	89,999	226,649	291,331	(31,787)	(10,436)	1,075,960	1,551,717
Net income	—	—	—	—	—	193,919	193,919
Other comprehensive loss	—	—	—	(12,528)	—	—	(12,528)
Common stock issued:							
Common stock offering	5,333	13,333	199,567	—	—	—	212,900
Incentive compensation plan	105	261	3,511	—	—	—	3,772
Dividend reinvestment plan ⁽¹⁾	520	—	2,833	—	15,324	—	18,157
Cash dividend declared (\$1.27 per share)	—	—	—	—	—	(121,582)	(121,582)
Treasury stock and other	(8)	—	(5,260)	—	3,597	—	(1,663)
Balance at September 30, 2020	95,949	\$ 240,243	\$ 491,982	\$ (44,315)	\$ 8,485	\$ 1,148,297	\$ 1,844,692

(1) Shares sold through the DRP are issued from treasury stock at average cost, which may differ from the actual market price paid.

(2) See Note 2. Summary of Significant Accounting Policies - Recently Adopted Updates to the Accounting Standards Codification section for more details.

See Notes to Consolidated Financial Statements

New Jersey Resources Corporation

Part II

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (Continued)

1. NATURE OF THE BUSINESS

New Jersey Resources Corporation provides regulated natural gas distribution and transmission and storage services and operates certain unregulated businesses primarily through the following:

New Jersey Natural Gas Company provides natural gas utility service to approximately 558,000 retail customers throughout Monmouth, Ocean, Morris, Middlesex and Burlington counties in New Jersey and is subject to rate regulation by the BPU. NJNG comprises the Natural Gas Distribution segment.

NJR Clean Energy Ventures Corporation, the Company's clean energy subsidiary, comprises the Clean Energy Ventures segment and consists of the Company's capital investments in commercial and residential solar projects.

NJR Energy Services Company comprises the Energy Services segment. Energy Services maintains and transacts around a portfolio of natural gas transportation and storage capacity contracts and provides physical wholesale energy, retail energy and energy management services in the U.S. and Canada.

NJR Midstream Holdings Corporation, which comprises the Storage and Transportation segment, formerly the Midstream segment, invests in energy-related ventures through its subsidiaries. The Company holds a 50 percent ownership interest in Steckman Ridge, located in Pennsylvania and 20 percent ownership interest in PennEast, which are accounted for under the equity method of accounting. The Company also operates natural gas storage and transmission assets through the wholly-owned subsidiaries of Leaf River, which was acquired on October 11, 2019 and FERC regulated Adelphia Gateway, which was acquired on January 13, 2020. See Note 19. Acquisitions and Dispositions for more information regarding these acquisitions.

NJR Retail Holdings Corporation has two principal subsidiaries: NJR Home Services Company, which provides heating, central air conditioning, standby generators, solar and other indoor and outdoor comfort products to residential homes throughout New Jersey; and Commercial Realty & Resources Corp., which owns commercial real estate. NJR Home Services Company and Commercial Realty & Resources Corp. are included in Home Services and Other operations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The Consolidated Financial Statements include the accounts of the Company and its wholly-owned subsidiaries. All intercompany accounts and transactions have been eliminated.

Other financial investments or contractual interests that lack the characteristics of a voting interest entity, which are commonly referred to as variable interest entities, are evaluated by the Company to determine if the entity has the power to direct business activities and, therefore, would be considered a controlling interest that the Company would have to consolidate. Based on those evaluations, NJR has determined that it does not have any investments in variable interest entities as of September 30, 2020, 2019 and 2018.

Investments in entities over which the Company does not have a controlling financial interest are either accounted for under the equity method or cost method of accounting.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires the Company to make estimates that affect the reported amounts of assets, liabilities, revenues, expenses and related disclosure of contingencies during the reporting period. On a quarterly basis or more frequently whenever events or changes in circumstances indicate a need, the Company evaluates its estimates, including those related to the calculation of the fair value of derivative instruments, debt, equity method investments, unbilled revenues, allowance for doubtful accounts, provisions for depreciation and amortization, long-lived assets, regulatory assets and liabilities, income taxes, pensions and other postemployment benefits, contingencies related to environmental matters and litigation. ARO are evaluated as often as needed. The Company's estimates are based on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources.

The Company has legal, regulatory and environmental proceedings during the normal course of business that can result in loss contingencies. When evaluating the potential for a loss, a reserve is established if a loss is probable and can be reasonably estimated. Where the information is sufficient only to establish a range of probable liability, and no point within the range is more likely than any other, a reserve is established at the lower end of the range. In the normal course of business, estimated amounts are subsequently adjusted to actual results that may differ from estimates.

New Jersey Resources Corporation

Part II

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (Continued)

In March 2020, COVID-19 was declared a pandemic by the World Health Organization and the Centers for Disease Control and Prevention and has spread globally, including throughout the U.S.. The Company's Consolidated Financial Statements reflect estimates and assumptions made by management that affect the reported amounts of assets and liabilities at the balance sheet date and reported amounts of revenue and expenses during the reporting periods presented. The Company considered the impacts of COVID-19 on the assumptions and estimates used and determined that there have been no material adverse impacts on the Company's results of operations as of September 30, 2020.

Acquisitions

The Company follows the guidance in ASC 805, *Business Combinations*, for determining the appropriate accounting treatment for acquisitions. ASU No. 2017-01, *Clarifying the Definition of a Business*, provides an initial fair value screen to determine if substantially all of the fair value of the assets acquired is concentrated in a single asset or group of similar assets. If the initial screening test is not met, the set is considered a business based on whether there are inputs and substantive processes in place. Based on the results of this analysis and conclusion on an acquisition's classification of a business combination or an asset acquisition, the accounting treatment is derived.

If the acquisition is deemed to be a business, the acquisition method of accounting is applied. Identifiable assets acquired and liabilities assumed at the acquisition date are recorded at fair value. If the transaction is deemed to be an asset purchase, the cost accumulation and allocation model is used whereby the assets and liabilities are recorded based on the purchase price and allocated to the individual assets and liabilities based on relative fair values.

The determination and allocation of fair values to the identifiable assets acquired and liabilities assumed are based on various assumptions and valuation methodologies requiring considerable management judgment. The most significant variables in these valuations are discount rates and the number of years on which to base the cash flow projections, as well as other assumptions and estimates used to determine the cash inflows and outflows. Management determines discount rates based on the risk inherent in the acquired assets and related cash flows. The valuation of an acquired business is based on available information at the acquisition date and assumptions that are believed to be reasonable. However, a change in facts and circumstances as of the acquisition date can result in subsequent adjustments during the measurement period, but no later than one year from the acquisition date. See *Note 19. Acquisitions and Dispositions* for further information.

Revenues

Revenues from the sale of natural gas to NJNG customers are recognized in the period that natural gas is delivered and consumed by customers, including an estimate for unbilled revenue. Natural gas sales to individual customers are based on meter readings, which are performed on a systematic basis throughout the month. At the end of each month, the amount of natural gas delivered to each customer after the last meter reading through the end of the respective accounting period is estimated, and recognizes unbilled revenues related to these amounts. The unbilled revenue estimates are based on estimated customer usage by customer type, weather effects, unaccounted-for natural gas and the most current tariff rates.

Clean Energy Ventures recognizes revenue for SRECs when transferred to counterparties. SRECs are physically delivered through the transfer of certificates as per contractual settlement schedules. The Clean Energy Act of 2018 established guidelines for the closure of the SREC registration program to new applicants in New Jersey. The SREC program officially closed to new qualified solar projects on April 30, 2020.

In December 2019, the BPU established the TREC as the successor to the SREC program. TRECs provide a fixed compensation base multiplied by an assigned project factor in order to determine their value. The project factor is determined by the type and location of the project, as defined. All TRECs generated are required to be purchased monthly by a TREC program administrator as appointed by the BPU.

In June 2020, Clean Energy Ventures began generating TRECs for qualified new residential and commercial solar projects placed into service following the close of the SREC program. TREC revenue is recognized when generated and transferred monthly based upon metered solar electricity activity.

Revenues for Energy Services are recognized when the natural gas is physically delivered to the customer. In addition, changes in the fair value of derivatives that economically hedge the forecasted sales of the natural gas are recognized in operating revenues as they occur, as noted above. Energy Services also recognizes changes in the fair value of SREC derivative contracts as a component of operating revenues.

New Jersey Resources Corporation

Part II

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (Continued)

Our Storage and Transportation segment generates revenues from firm storage contracts and transportation contracts, related usage fees and hub services for the use of storage space, injections and withdrawals from their natural gas storage facility and the delivery of natural gas to customers. Demand fees are recognized as revenue over the term of the related agreement while usage fees and hub services revenues are recognized as services are performed.

Revenues from all other activities are recorded in the period during which products or services are delivered and accepted by customers, or over the related contractual term. See *Note 3. Revenue* for further information.

Natural Gas Purchases

NJNG's tariff includes a component for BGSS, which is designed to allow it to recover the cost of natural gas through rates charged to its customers and is typically revised on an annual basis. As part of computing its BGSS rate, NJNG projects its cost of natural gas, net of supplier refunds, the impact of hedging activities and cost savings created by BGSS incentive programs. NJNG subsequently recovers or credits the difference, if any, of actual costs compared with those included in current rates. Any underrecoveries or overrecoveries are either credited to customers or deferred and, subject to BPU approval, reflected in the BGSS rates in subsequent years.

Natural gas purchases at Energy Services are composed of natural gas costs to be paid upon completion of a variety of transactions, as well as realized gains and losses from settled derivative instruments and unrealized gains and losses on the change in fair value of derivative instruments that have not yet settled. Changes in the fair value of derivatives that economically hedge the forecasted purchases of natural gas are recognized in natural gas purchases as they occur.

Demand Fees

For the purpose of securing storage and pipeline capacity in support of their respective businesses, the Energy Services and Natural Gas Distribution segments enter into storage and pipeline capacity contracts, which require the payment of associated demand fees and charges that allow them access to a high priority of service in order to maintain the ability to access storage or pipeline capacity during a fixed time period, which generally ranges from one to 10 years. Many of these demand fees and charges are based on established tariff rates as established and regulated by FERC. These charges represent commitments to pay storage providers and pipeline companies for the priority right to transport and/or store natural gas utilizing their respective assets.

The following table summarizes the demand charges, which are net of capacity releases, and are included as a component of natural gas purchases on the Consolidated Statements of Operations for the fiscal years ended September 30:

<i>(Millions)</i>	2020	2019	2018
Energy Services	\$ 121.8	\$ 120.4	\$ 153.0
Natural Gas Distribution	131.9	119.1	92.5
Total	\$ 253.7	\$ 239.5	\$ 245.5

Energy Services expenses demand charges over the term of the service being provided.

The Natural Gas Distribution segment's costs associated with demand charges are included in its weighted average cost of natural gas. The demand charges are expensed based on NJNG's BGSS sales and recovered as part of its natural gas commodity component of its BGSS tariff.

Operations and Maintenance Expenses

Operations and maintenance expenses include operations and maintenance salaries and benefits, materials and supplies, usage of vehicles, tools and equipment, payments to contractors, utility plant maintenance, amortization of software costs for unregulated entities, customer service, professional fees and other outside services, insurance expense, accretion of cost of removal for future retirements of utility assets and other administrative expenses and are expensed as incurred.

Stock-Based Compensation

Stock-based compensation represents costs related to stock-based awards granted to employees and members of NJR's Board of Directors. NJR recognizes stock-based compensation based upon the estimated fair value of awards. The recognition period for these costs begins at either the applicable service inception date or grant date and continues throughout the requisite service period. The related compensation cost is recognized as O&M expense on the Consolidated Statements of Operations. See *Note 10. Stock-Based Compensation* for further information.

New Jersey Resources Corporation

Part II

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (Continued)

Sales Tax Accounting

As a result of the adoption of ASC 606, *Revenue from Contracts with Customers*, as of October 1, 2018, the Company excludes from the transaction price all sales taxes that are assessed by a governmental authority and therefore presents sales tax on a net basis in operating revenues on the Consolidated Statements of Operations. Prior to October 1, 2018, sales tax was presented in both operating revenues and operating expenses.

Income Taxes

The Company computes income taxes using the asset and liability method, whereby deferred income taxes are generally determined based on the difference between the financial statement and tax basis of assets and liabilities using enacted tax rates in effect in the years in which the differences are expected to reverse. See *Note 13. Income Taxes*. In addition, the Company evaluates its tax positions to determine the appropriate accounting and recognition of future obligations associated with unrecognized tax benefits.

The Company invests in property that qualifies for federal ITCs and utilizes the ITCs, as allowed, based on the cost and life of the assets. ITCs at NJNG are deferred and amortized as a reduction to the tax provision over the average lives of the related equipment in accordance with regulatory treatment. ITCs at the unregulated subsidiaries of NJR are recognized as a reduction to income tax expense when the property is placed in service. Changes to the federal statutes related to ITCs, which has the effect of reducing or eliminating the credits, could have a negative impact on earnings and cash flows.

Projects placed in service through December 31, 2019, qualified for a 30-percent federal ITC. The credit declines to 26 percent for property under construction during 2020, 22 percent for property under construction during 2021 and 10 percent for any property that is under construction before 2022. The Company has taken steps to preserve the ITC at the higher rate for certain solar projects that are completed after the scheduled reduction in rates, in accordance with IRS guidance on safe harbor determination.

Investments in Equity Investees

The Company accounts for its investments in Steckman Ridge and PennEast using the equity method of accounting where it is not the primary beneficiary, as defined under ASC 810, *Consolidation*, its respective ownership interests are 50 percent or less and/or it has significant influence over operating and management decisions. The Company's share of earnings is recognized as equity in earnings of affiliates on the Consolidated Statements of Operations.

Equity method investments are reviewed for impairment when changes in facts and circumstances indicate that the current fair value may be less than the asset's carrying amount. If the Company determines the decline in the value of its equity method investment is other than temporary, an impairment charge is recorded in an amount equal to the excess of the carrying value of the asset over its fair value.

Property Plant and Equipment

Property, plant and equipment is stated at original cost. Costs include direct labor, materials and third-party construction contractor costs, capitalized interest and certain indirect costs related to equipment and employees engaged in construction. Utility plant and nonutility plant for Adelphia Gateway also includes AFUDC. Upon retirement, the cost of depreciable property, plus removal costs less salvage, is charged to accumulated depreciation with no gain or loss recorded.

Depreciation is computed on a straight-line basis over the useful life of the assets for our nonutility entities, and using rates based on the estimated average lives of the various classes of depreciable property for NJNG. The composite rate of depreciation used for NJNG was 2.65 percent of average depreciable property in fiscal 2020, 2.25 percent in fiscal 2019 and 2.29 percent in fiscal 2018. The Company recorded \$120 million, \$91.7 million and \$85.7 million in depreciation expense during fiscal 2020, 2019 and 2018, respectively.

During fiscal 2018 and 2019, the estimated useful lives of commercial solar assets ranged from 15 to 25 years. During the fourth quarter of fiscal 2020, the Company reassessed the estimated useful lives of its commercial solar asset fleet. Based upon this review, the Company concluded that the actual lives of certain commercial solar assets were longer than the estimated useful lives used for depreciation purposes. As a result, effective July 1, 2020, the Company changed its estimates of the useful lives of its solar assets to a range of 15 to 35 years. The effects of this change were considered immaterial to the Consolidated Financial Statements.

New Jersey Resources Corporation

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (Continued)

Property, plant and equipment was comprised of the following as of September 30:

<i>(Thousands)</i>	Estimated		2020	2019
Property Classifications	Estimated Useful Lives			
Distribution facilities	38 to 74 years	\$	2,688,885	\$ 2,419,381
Transmission facilities	35 to 56 years		332,947	330,912
Storage facilities	34 to 47 years		79,922	79,916
Solar property	15 to 35 years		997,141	879,597
Storage and transportation property	5 to 50 years		428,491	28,445
All other property	5 to 35 years		259,791	48,886
Total property, plant and equipment			4,787,177	3,787,137
Accumulated depreciation and amortization			(804,142)	(741,193)
Property, plant and equipment, net		\$	3,983,035	\$ 3,045,944

Within storage and transportation property, base gas is required to maintain the necessary pressure and to allow for efficient operation of the Leaf River storage facility. The base gas is determined to be recoverable and is considered part of the facility and thus presented as a component in property, plant and equipment. This natural gas is not depreciated, as it is expected to be recovered and sold. As of September 30, 2020, the base gas had a cost basis of \$5.7 million.

Capitalized and Deferred Interest

NJNG's base rates include the ability to recover AFUDC on its construction work in progress. For all NJNG construction projects, an incremental cost of equity is recoverable during periods when NJNG's short-term debt balances are lower than its construction work in progress. For more information on AFUDC treatment with respect to certain accelerated infrastructure projects, see *Note 4. Regulation - Infrastructure Programs*.

Capitalized amounts associated with the debt and equity components of NJNG's AFUDC are recorded in utility plant on the Consolidated Balance Sheets. Corresponding amounts for the debt component are recognized in interest expense and in other income for the equity component on the Consolidated Statements of Operations.

Adelphia Gateway's base rates include the ability to recover AFUDC on its construction work in progress. Beginning in the fourth quarter of fiscal 2020, capitalized amounts associated with Adelphia Gateway's AFUDC are recorded in nonutility plant on the Consolidated Balance Sheets. Corresponding amounts are recorded in other income on the Consolidated Statements of Operations.

Capitalized and deferred interest include the following for the fiscal years ended September 30:

<i>(\$ in thousands)</i>	2020		2019		2018
	NJNG	Adelphia Gateway	NJNG		NJNG
AFUDC:					
Debt	\$ 5,134	\$ 1,394	\$ 3,710	\$	1,979
Equity	14,599	2,454	6,492		5,531
Total	\$ 19,733	\$ 3,848	\$ 10,202	\$	7,510
Weighted average interest rate	6.79 %	8.28 %	6.35 %		5.94 %

Pursuant to a BPU order, NJNG is permitted to recover carrying costs on uncollected balances related to SBC program costs, which include NJCEP, RAC and USF expenditures. The SBC interest rate changes each September based on the August 31 seven-year constant maturity treasury rate plus 60 basis points. The rate was 1.97 percent, 3.30 percent and 3.41 percent for the fiscal years ended September 30, 2020, 2019 and 2018, respectively. Accordingly, other income included \$511,000, \$760,000 and \$411,000 in the fiscal years ended September 30, 2020, 2019 and 2018, respectively.

Clean Energy Ventures capitalizes interest on the allocation of the costs of debt borrowed for the financing of solar investments. Capitalized amounts are included in nonutility plant and equipment on the Consolidated Balance Sheets.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on deposit and temporary investments with maturities of three months or less, and excludes restricted cash related to escrow balances for utility plant projects, which is recorded in other noncurrent assets on the Consolidated Balance Sheets.

New Jersey Resources Corporation

Part II

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (Continued)

ASU No. 2016-18, an amendment to ASC 230, Statement of Cash Flows, required that any amounts that are deemed to be restricted cash or restricted cash-equivalents be included in cash and cash-equivalent balances on the cash flow statement. The following table provides a reconciliation of cash and cash equivalents and restricted cash reported in the Consolidated Balance Sheets to the total amounts in the Statements of Cash Flows, as of September 30:

(Thousands)	2020	2019	2018
Balance Sheet			
Cash and cash equivalents	\$ 117,012	\$ 2,676	\$ 1,458
Restricted cash in other noncurrent assets	\$ 2,411	\$ 1,387	\$ 252
Statements of Cash Flow			
Cash, cash equivalents and restricted cash	\$ 119,423	\$ 4,063	\$ 1,710

Loans Receivable

NJNG currently provides loans, with terms ranging from 2 to 10 years, to customers that elect to purchase and install certain energy-efficient equipment in accordance with its BPU-approved SAVEGREEN program. The loans are recognized at fair value on the Consolidated Balance Sheets. The Company recorded \$13.7 million and \$12.4 million in other current assets and \$35.3 million and \$38.8 million in other noncurrent assets as of September 30, 2020 and 2019, respectively, on the Consolidated Balance Sheets, related to the loans. If NJNG determines a loan is impaired, the basis of the loan would be subject to regulatory review for recovery. As of September 30, 2020 and 2019, the Company has not recorded any impairments for SAVEGREEN loans.

Regulatory Assets & Liabilities

Under cost-based regulation, regulated utility enterprises generally are permitted to recover their operating expenses and earn a reasonable rate of return on their utility investment.

Our Natural Gas Distribution segment maintains its accounts in accordance with the FERC Uniform System of Accounts as prescribed by the BPU and in accordance with the ASC 980, *Regulated Operations*. As a result of the impact of the ratemaking process and regulatory actions of the BPU, NJNG is required to recognize the economic effects of rate regulation. Accordingly, NJNG capitalizes or defers certain costs that are expected to be recovered from its customers as regulatory assets and recognizes certain obligations representing probable future expenditures as regulatory liabilities on the Consolidated Balance Sheets. See *Note 4. Regulation* for a more detailed description of NJNG's regulatory assets and liabilities.

In January 2020, NJR acquired Adelphia Gateway an existing 84-mile pipeline in southeastern Pennsylvania, which maintains its accounts in accordance with the FERC Uniform System of Accounts and in accordance with the ASC 980, *Regulated Operations*. Accordingly, Adelphia Gateway capitalizes or defers certain costs that are expected to be recovered from its customers as regulatory assets and recognizes certain obligations representing probable future expenditures as regulatory liabilities on the Consolidated Balance Sheets. See *Note 4. Regulation* for a more detailed description of Adelphia Gateway's regulatory assets and liabilities.

Natural Gas in Storage

Natural gas in storage is reflected at average cost on the Consolidated Balance Sheets and represents natural gas and LNG that will be utilized in the ordinary course of business. The following table summarizes natural gas in storage, at average cost by company, as of September 30:

	2020		2019	
(\$ in thousands)	Natural Gas in Storage	Bcf	Natural Gas in Storage	Bcf
Natural Gas Distribution	\$ 110,037	27.2	\$ 117,413	27.0
Energy Services	57,352	34.3	52,390	25.6
Storage and Transportation	115	0.02	—	—
Total	\$ 167,504	61.52	\$ 169,803	52.6

Derivative Instruments

The Company accounts for its financial instruments, such as futures, options, foreign exchange contracts and interest rate contracts, as well as its physical commodity contracts related to the purchase and sale of natural gas at Energy Services, as derivatives, and therefore recognizes them at fair value on the Consolidated Balance Sheets. The Company's unregulated subsidiaries record changes in the fair value of their financial commodity derivatives in natural gas purchases and changes in

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (Continued)

the fair value of their physical forward contracts in natural gas purchases or operating revenues, as appropriate, on the Consolidated Statements of Operations. Ineffective portions of the cash flow hedges are recognized immediately in earnings.

The ASC 815, *Derivatives and Hedging* also provides for a NPNS scope exception for qualifying physical commodity contracts for which physical delivery is probable and the quantities delivered are expected to be used or sold over a reasonable period of time in the normal course of business. Effective January 1, 2016, the Company prospectively applies this normal scope exception on a case-by-case basis to physical commodity contracts at NJNG and PPAs at Clean Energy Ventures. When applied, it does not account for these contracts until the contract settles and the related underlying natural gas or power is delivered. Gains and/or losses on NJNG's derivatives used to economically hedge its regulated natural gas supply obligations, as well as its exposure to interest rate variability, are recoverable through its BGSS, a component of its tariff. Accordingly, the offset to the change in fair value of these derivatives is recorded as a regulatory asset or liability on the Consolidated Balance Sheets. See *Note 5. Derivative Instruments* for additional details regarding natural gas trading and hedging activities.

Fair values of exchange-traded instruments, including futures and swaps, are based on unadjusted, quoted prices in active markets. The Company's non-exchange-traded financial instruments, foreign currency derivatives, over-the-counter physical commodity contracts at Energy Services and interest rate contracts are valued using observable, quoted prices for similar or identical assets when available. In establishing the fair value of contracts for which a quoted basis price is not available at the measurement date, management utilizes available market data and pricing models to estimate fair values. Fair values are subject to change in the near term and reflect management's best estimate based on a variety of factors. Estimating fair values of instruments that do not have quoted market prices requires management's judgment in determining amounts that could reasonably be expected to be received from, or paid to, a third party in settlement of the instruments. These amounts could be materially different from amounts that might be realized in an actual sale transaction.

During fiscal 2020, the Company entered into treasury lock transactions to fix the benchmark treasury rate associated with debt issuances for NJNG and NJR that occurred during the fiscal year. Settlement of the NJNG treasury locks resulted in a loss, which was recorded as a component of regulatory assets on the Consolidated Balance Sheets and will be amortized in earnings over the term of the debt as a component of interest expense on the Consolidated Statements of Operations. NJR designated its treasury lock contracts as cash flow hedges, therefore, changes in fair value of the effective portion of the hedges were recorded in OCI. Settlement of the treasury locks resulted in a loss, which was recorded within OCI and will be amortized in earnings over the life of the debt as a component of interest expense on the Consolidated Statements of Operations. Amounts recognized in interest expense for NJNG and NJR related to the amortization of the loss on treasury lock transactions totaled \$50,000 and \$108,000, respectively, as of September 30, 2020.

Software Costs

The Company capitalizes certain costs, such as software design and configuration, coding, testing and installation, that are incurred to purchase or create and implement computer software for internal use. Capitalized costs include external costs of materials and services utilized in developing or obtaining internal-use software and payroll and payroll-related costs for employees who are directly associated with and devote time to the internal-use software project. Maintenance costs are expensed as incurred. Upgrades and enhancements are capitalized if it is probable that such expenditures will result in additional functionality. Amortization is recorded on the straight-line basis over the estimated useful lives of the respective software.

The following table presents the software costs included in the Consolidated Financial Statements, as of September 30:

<i>(Thousands)</i>	2020	2019
Balance Sheets		
Utility plant, at cost	\$ 13,452	\$ —
Construction work in progress	\$ —	\$ 4,778
Nonutility plant and equipment, at cost	\$ 316	\$ —
Accumulated depreciation and amortization, utility plant	\$ (279)	\$ —
Accumulated depreciation and amortization, nonutility plant and equipment	\$ (5)	\$ —
Software costs	\$ 4,707	\$ 1,702
Statements of Operations		
Operation and maintenance ⁽¹⁾	\$ 6,720	\$ 9,062
Depreciation and amortization	\$ 284	\$ —

⁽¹⁾ During fiscal 2020, \$63,000 was amortized into O&M.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (Continued)

Investments in Equity Securities

Investments in equity securities were carried at fair value on the Consolidated Balance Sheets. For the fiscal year ended September 30, 2018, total unrealized gains and losses associated with equity securities were included as a part of accumulated other comprehensive income, a component of common stock equity, and reclassifications of realized gains or losses out of other comprehensive income into earnings were recorded in other income, net on the Consolidated Statements of Operations, based on average cost. On October 1, 2018, the Company adopted ASU No. 2016-01, an amendment to ASC 825, *Financial Instruments*. As a result, both realized and unrealized gains and losses were recorded in other income, net on the Consolidated Statements of Operations, based on average cost.

At September 30, 2018, the Company's investments in equity securities were comprised of an investment in DM Common Units, which had a fair value of \$32.9 million. On January 28, 2019, Dominion and DM finalized an agreement and plan of merger and each outstanding DM Common Unit was converted into 0.2492 shares of Dominion common stock. This resulted in the conversion of the Company's 1.84 million DM Common Units into approximately 458,000 Dominion common shares. On March 6, 2019, the Company sold its investment in Dominion and received proceeds of approximately \$34.5 million. As a result of the sale, the Company recorded total realized gains of \$1.6 million in other income, net on the Consolidated Statements of Operations.

Intangible Assets

Finite-lived intangible assets are stated at cost less accumulated amortization. The Company amortizes intangible assets based upon the pattern in which the economic benefits are consumed over the life of the asset unless a pattern cannot be reliably determined, in which case the Company uses a straight-line amortization method. As of September 30, 2020, intangible assets consist primarily of acquired wholesale natural gas energy contracts totaling \$10 million. The wholesale natural gas contracts are being amortized based upon expected cash flows over the respective terms of the agreements.

The estimated future amortization expense as of September 30, is as follows:

(Thousands)

2021	\$	5,101
2022	\$	2,611
2023	\$	2,271
2024	\$	77

Long-lived Assets

The Company reviews the recoverability of long-lived assets and finite-lived intangible assets whenever events or changes in circumstances indicate that the carrying value may not be recoverable, such as significant adverse changes in regulation, business climate or market conditions, including prolonged periods of adverse commodity and capacity prices. If there are changes indicating that the carrying value of such assets may not be recoverable, an undiscounted cash flows test is performed. If the sum of the expected future undiscounted cash flows is less than the carrying amount of the asset, an impairment loss is recognized by reducing the recorded value of the asset to its fair value. Factors that the Company analyzes in determining whether an impairment in its long-lived assets exists include: a significant decrease in the market price of a long-lived asset; a significant adverse change in the extent in which a long-lived asset is being used in its physical condition; legal proceedings or other contributing factors; significant business climate changes; accumulations of costs in significant excess of the amounts expected; a current-period operating or cash flow loss combined with a history of such events; and current expectations that more likely than not, a long-lived asset will be sold or otherwise disposed of significantly before the end of its estimated useful life. During fiscal 2020 and 2019, there were no events or circumstances that indicated that the carrying value of long-lived assets or finite-lived intangibles were not recoverable.

Debt Issuance Costs

Debt issuance costs are capitalized and amortized as interest expense on a basis which approximates the effective interest method over the term of the related debt. Debt issuance costs are presented as a direct deduction from the carrying amount of the related debt. See *Note 9. Debt* for the total unamortized debt issuance costs that are recorded as a reduction to long-term debt on the Consolidated Balance Sheets.

New Jersey Resources Corporation

Part II

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (Continued)

Sale Leasebacks

NJNG utilizes sale leaseback arrangements as a financing mechanism to fund certain of its capital expenditures related to natural gas meters, whereby the physical asset is sold concurrent with an agreement to lease the asset back. These agreements include options to renew the lease or repurchase the asset at the end of the term. Proceeds from sale leaseback transactions are accounted for as financing arrangements and are included in long-term debt on the Consolidated Balance Sheets. During fiscal 2020 and 2019, NJNG received \$4 million and \$9.9 million, respectively, in connection with the sale leaseback of its natural gas meters with terms ranging from seven to 11 years.

In addition, for certain of its commercial solar energy projects, the Company enters into lease agreements that provide for the sale of commercial solar energy assets to third parties and the concurrent leaseback of the assets. For sale leaseback transactions where the Company has concluded that the terms of the arrangement does not qualify as a sale as the Company retains control of the underlying assets and, as such, the Company uses the financing method to account for the transaction. Under the financing method, the Company recognizes the proceeds received from the buyer-lessor that constitute a payment to acquire the solar energy asset as a financing arrangement, which is recorded as a component of debt on the Consolidated Balance Sheets.

During fiscal 2020 and 2018, Clean Energy Ventures received proceeds of \$42.9 million and \$71.5 million, respectively, in connection with the failed sale leaseback of commercial solar assets. The proceeds received were recognized as a financing obligation on the Consolidated Balance Sheets. Clean Energy Ventures did not enter into any sale leaseback transactions for its commercial solar assets during fiscal 2019. Clean Energy Ventures simultaneously entered into agreements to lease the assets back over a term of five- to 15-years. The Company continues to operate the solar assets and is responsible for related expenses and entitled to retain the revenue generated from SRECs and energy sales. The ITCs and other tax benefits associated with these solar projects transfer to the buyer; however, the payments are structured so that Clean Energy Ventures is compensated for the transfer of the related tax attributes. Accordingly, Clean Energy Ventures recognizes the equivalent value of the tax attributes in other income on the Consolidated Statements of Operations over the respective five-year ITC recapture periods, starting with the second year of the lease.

Environmental Contingencies

Loss contingencies are recorded as liabilities when it is probable a liability has been incurred and the amount of the loss is reasonably estimable in accordance with accounting standards for contingencies. Estimating probable losses requires an analysis of uncertainties that often depend upon judgments about potential actions by third parties. Accruals for loss contingencies are recorded based on an analysis of potential results.

With respect to environmental liabilities and related costs, NJNG periodically, and at least annually, performs an environmental review of the MGP sites, including a review of potential liability for investigation and remedial action. NJNG's estimate of these liabilities is based upon known facts, existing technology and enacted laws and regulations in place when the review was completed. Where it is probable that costs will be incurred, and the information is sufficient to establish a range of possible liability, NJNG accrues the most likely amount in the range. If no point within the range is more likely than the other, it is NJNG's policy to accrue the lower end of the range. The actual costs to be incurred by NJNG are dependent upon several factors, including final determination of remedial action, changing technologies and governmental regulations, the ultimate ability of other responsible parties to pay and any insurance recoveries. NJNG will continue to seek recovery of MGP-related costs through the RAC. If any future regulatory position indicates that the recovery of such costs is not probable, the related non-recoverable costs would be charged to income in the period of such determination. See *Note 15. Commitments and Contingent Liabilities* for more details.

Pension and Postemployment Plans

The Company has two noncontributory defined pension plans covering eligible employees, including officers. Benefits are based on each employee's years of service and compensation. The Company's funding policy is to contribute annually to these plans at least the minimum amount required under the Employee Retirement Income Security Act, as amended, and not more than can be deducted for federal income tax purposes. Plan assets consist of equity securities, fixed-income securities and short-term investments. The Company did not make any discretionary contributions to the pension plans in fiscal 2020, 2019 and 2018, respectively.

The Company also provides two primarily noncontributory medical and life insurance plans for eligible retirees and dependents. Medical benefits, which make up the largest component of the plans, are based upon an age and years-of-service vesting schedule and other plan provisions. Funding of these benefits is made primarily into Voluntary Employee Beneficiary Association trust funds. The Company contributed \$8.4 million, \$7.9 million and \$6.2 million in aggregate to these plans in

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (Continued)

fiscal 2020, 2019 and 2018, respectively, which is recorded in postemployment employee benefit liability on the Consolidated Balance Sheets. See *Note 11. Employee Benefit Plans*, for a more detailed description of the Company's pension and postemployment plans.

Asset Retirement Obligations

The Company recognizes ARO related to the costs associated with cutting and capping NJNG's main and service natural gas distribution mains, which is required by New Jersey law when taking such natural gas distribution mains out of service. The Company also recognizes ARO associated with Clean Energy Ventures' solar assets when there are decommissioning provisions in lease agreements that require removal of the asset at the end of the lease term.

ARO are initially recognized when the legal obligation to retire an asset has been incurred and a reasonable estimate of fair value can be made. The discounted fair value is recognized as an ARO liability with a corresponding amount capitalized as part of the carrying cost of the underlying asset. The obligation is subsequently accreted to the future value of the expected retirement cost and the corresponding asset retirement cost is depreciated over the life of the related asset. Accretion expense associated with Clean Energy Ventures' ARO is recognized as a component of operations and maintenance expense on the Consolidated Statements of Operations. Accretion amounts associated with NJNG's ARO are recognized as part of its depreciation expense and the corresponding regulatory asset and liability will be shown gross on the Consolidated Balance Sheets.

Estimating future removal costs requires management to make significant judgments because most of the removal obligations span long time frames and removal may be conditioned upon future events. Asset removal technologies are also constantly changing, which makes it difficult to estimate removal costs. Accordingly, inherent in the estimate of ARO are various assumptions including the ultimate settlement date, expected cash outflows, inflation rates, credit-adjusted risk-free rates and consideration of potential outcomes where settlement of the ARO can be conditioned upon events. In the latter case, the Company develops possible retirement scenarios and assigns probabilities based on management's reasonable judgment and knowledge of industry practice. Accordingly, ARO are subject to change.

Accumulated Other Comprehensive Income

The following table presents the changes in the components of accumulated other comprehensive income, net of related tax effects, as of September 30:

<i>(Thousands)</i>	Investments in Equity Securities	Cash Flow Hedges	Postemployment Benefit Obligation	Total
Balance at September 30, 2018	\$ 3,446	\$ —	\$ (16,056)	\$ (12,610)
Other comprehensive income, net of tax				
Other comprehensive (loss), before reclassifications, net of tax of \$0, \$0, \$6,557 and \$6,557, respectively	—	—	(16,978)	(16,978)
Amounts reclassified from accumulated other comprehensive (loss), net of tax of \$0, \$0, \$(451) and \$(451), respectively	—	—	1,247 ⁽¹⁾	1,247
Net current-period other comprehensive income, net of tax of \$0, \$0, \$6,106 and \$6,106, respectively	—	—	(15,731)	(15,731)
Reclassifications of certain income tax effects to retained earnings ⁽²⁾	(3,446)	—	—	(3,446)
Balance at September 30, 2019	\$ —	\$ —	\$ (31,787)	\$ (31,787)
Other comprehensive income, net of tax				
Other comprehensive (loss) income, before reclassifications, net of tax of \$0, \$3,203, \$1,235, \$4,438, respectively	—	(10,505)	(4,882)	(15,387)
Amounts reclassified from accumulated other comprehensive loss, net of tax of \$0, \$(32), \$(668), \$(700), respectively	—	108	2,751 ⁽¹⁾	2,859
Net current-period other comprehensive income, net of tax of \$0, \$3,171, \$567, \$3,738, respectively	—	(10,397)	(2,131)	(12,528)
Balance at September 30, 2020	\$ —	\$ (10,397)	\$ (33,918)	\$ (44,315)

(1) Included in the computation of net periodic pension cost, a component of O&M expense on the Consolidated Statements of Operations. For more details, see *Note 11. Employee Benefit Plans*.

(2) Due to the adoption of ASU No. 2016-01, an amendment to ASC 825, *Financial Instruments*. See *Note 2. Summary of Significant Accounting Policies - Recently Adopted Updates to the Accounting Standards Codification* section for more details.

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Part II

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (Continued)

Foreign Currency Transactions

The market area of Energy Services includes Canadian delivery points and as a result, Energy Services incurs certain natural gas commodity costs and demand fees denominated in Canadian dollars. Gains or losses that occur as a result of these foreign currency transactions are reported as a component of natural gas purchases on the Consolidated Statements of Operations. Gains and losses recognized for the fiscal years ended September 30, 2020, 2019 and 2018, are considered immaterial.

Reclassification

Certain prior period amounts have been reclassified to conform to the current period presentation. Amounts related to energy and other taxes have been reclassified to O&M on the Consolidated Statements of Operations. Software costs previously recorded in other non-current assets have been reclassified to utility plant and software costs, and prepaid expenses previously recorded in other current assets have been reclassified on the Consolidated Balance Sheets. Certain amounts related to software costs previously reported in cash flows from operating activities have been reclassified to cash flows used in investing activities and prepaid expenses were reclassified within working capital on the Consolidated Statements of Cash Flows.

Recently Adopted Updates to the Accounting Standards Codification

Leases

In February 2016, the FASB issued ASU No. 2016-02, an amendment to ASC 842, Leases, which, along with other ASU's containing minor amendments and technical corrections, provides for a comprehensive overhaul of the lease accounting model and changes the definition of a lease within the accounting literature. Under the new standard, all leases with an original term greater than one year are recorded on the balance sheet with a lessee recognizing a lease liability reflecting its obligation under the lease agreement and a right-of-use asset representing its right to use the leased asset over the lease term. The subsequent measurement of the lease depends on whether the lease is classified as an operating lease (resulting in the recognition of a straight-line lease cost) or a finance lease (resulting in the recognition of interest and asset amortization expense). Additional disclosures are required to provide transparency as to the amount, timing and uncertainty of cash flows arising from leasing activities.

In January 2018, the FASB issued ASU No. 2018-01, a further amendment to ASC 842, Leases, which was introduced by ASU No. 2016-02, as discussed above. This update provides an optional practical expedient that allows companies to not evaluate existing or expired land easements that were not previously accounted for under Topic 840 as leases as of October 1, 2019. The Company adopted this practical expedient. In July 2018, the FASB issued ASU No. 2018-11, which provides an optional transition method to ASC 842 that allows the Company to apply the new lease accounting requirements as of the effective date of the new standard, with the comparative periods remaining under the legacy ASC 840 requirements with a cumulative effect adjustment, if any, being made to the opening balance of retained earnings in the period of adoption. The Company elected this transition method and did not have any cumulative impact to the opening balance of retained earnings.

The Company elected various practical expedients permitted by ASC 842. This includes the package of practical expedients whereby the Company was not required to reassess all of its leases identified, lease classifications and initial direct costs associated with leases. The Company also elected to not separate nonlease components from lease components for certain classes of leases, such as office buildings, solar land leases and office equipment, and elected to exclude short-term leases from the recognition requirements of ASC 842 for all classes of assets. The Company adopted ASC 842 and all related amendments on October 1, 2019, using the modified retrospective transition method.

The Company's lease agreements primarily consist of commercial solar land leases, storage and capacity leases, equipment and real property leases, including land and office facility leases and office equipment and the sale leaseback of its natural gas meters. The total right-of-use assets and operating lease liabilities recorded upon adoption were \$67.1 million. Upon the acquisition of Leaf River, on October 11, 2019, the Company adopted ASC 842 for Leaf River which resulted in the recognition of an additional right-of-use asset and lease liability of \$21.6 million.

Derivatives and Hedging

In August 2017, the FASB issued ASU No. 2017-12, an amendment to ASC 815, *Derivatives and Hedging*, which, along with other ASU's containing minor amendments and technical corrections, is intended to make targeted improvements to the accounting for hedging activities by better aligning an entity's risk management activities and financial reporting for hedging relationships. These amendments modify the accounting for both nonfinancial and financial risk components and align the recognition and presentation of the effects of the hedging instrument and the hedged item in the financial statements.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (Continued)

Additionally, the amendments are intended to simplify the application of the hedge accounting guidance and provide relief to companies by easing certain hedge documentation requirements. The Company adopted this guidance on October 1, 2019. As October 1, 2019, the Company did not apply hedge accounting to its risk management activities, therefore the amendments did not have an impact on its financial position, results of operations or cash flows.

In October 2018, the FASB issued ASU No. 2018-16, an amendment to ASC 815, *Derivatives and Hedging*, which permits the use of the Overnight Index Swap rate based on the Secured Overnight Financing Rate as an additional acceptable U.S. benchmark interest rate for hedge accounting purposes. The Company adopted this guidance on October 1, 2019. As the Company did not apply hedge accounting to any of its risk management activities as of October 1, 2019, the amendments did not have an impact on its financial position, results of operations or cash flows.

Stock Compensation

In June 2018, the FASB issued ASU No. 2018-07, an amendment to ASC 718, *Compensation - Stock Compensation*, which expands the scope of Topic 718 to include share-based payment transactions for acquiring goods and services from non-employees. The Company adopted this guidance on October 1, 2019. There was no impact to the Company's financial position, results of operations or cash flows.

Financial Instruments

In March 2020, the FASB issued ASU No. 2020-03, *Codification Improvements to Financial Instruments*. This accounting standard provides clarification of guidance for financial instruments and makes narrow scope amendments related to various issues. The Company adopted this standard effective upon issuance. There was no impact to the Company's financial position, results of operations or cash flows as a result of its adoption.

Reference Rate Reform

In March 2020, the FASB issued ASU No. 2020-04, an amendment to ASC 848, *Reference Rate Reform*, which provides relief for companies preparing for discontinuation of interest rates such as LIBOR. The amendments in this update provide optional expedients and exceptions for applying GAAP to contracts, hedging relationships and other transactions affected by reference rate reform if certain criteria are met. The amendments in this update apply only to contracts and hedging relationships that reference LIBOR or another reference rate expected to be discontinued due to reference rate reform. The amendments in this update are elective and are effective upon the ASU issuance through December 31, 2022. There was no impact to the Company's financial position, results of operations or cash flows as a result of its adoption.

Other Recent Updates to the Accounting Standards Codification

Financial Instruments

In June 2016, the FASB issued ASU No. 2016-13, an amendment to ASC 326, *Financial Instruments - Credit Losses*, which changes the impairment model for certain financial assets that have a contractual right to receive cash, including trade and loan receivables. The new model requires recognition based upon an estimation of expected credit losses rather than recognition of losses when it is probable that they have been incurred. An entity will apply the amendment through a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective. The Company assessed the impact of the guidance on NJR's reserve methodologies and credit policies and procedures for any assets that could be impacted, noting the majority of NJR's financial assets are short-term in nature, such as trade receivables and unbilled revenues.

The Company completed its evaluation of ASU No. 2016-13 and subsequent amendments related to this topic and adopted this new guidance beginning October 1, 2020, using the modified retrospective method. The adoption did not result in a cumulative effect adjustment to retained earnings and did not have a material impact to our consolidated financial statements.

If implementation resulted in a material impact to amounts associated with NJNG accounts receivable and unbilled revenue within the scope of the new standard and that were considered incremental costs caused by COVID-19, the Company could elect to defer those costs as a regulatory asset in accordance with the July 2, 2020 BPU order which authorized New Jersey utilities to create a regulatory asset for incremental COVID-19 related costs. See Note 4. *Regulation* for further detail.

New Jersey Resources Corporation

Part II

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (Continued)

Fair Value

In August 2018, the FASB issued ASU No. 2018-13, an amendment to ASC 820, *Fair Value Measurement*, which removes, modifies and adds to certain disclosure requirements of fair value measurements. Disclosure requirements removed include the amount of and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy, the policy for timing of transfers between levels and the valuation processes for Level 3 fair value measurements. Modifications include considerations around the requirement to disclose the timing of liquidation of an investee's assets and the date when restrictions from redemption might lapse. The additions include the requirement to disclose changes in unrealized gains and losses for the period in other comprehensive income for recurring Level 3 fair value measurements held and the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements. The guidance is effective for the Company beginning October 1, 2020, with early adoption permitted. Upon adoption, the amendments will be applied on a prospective or retrospective basis depending on the specific amendments' transition requirements. The Company is currently evaluating the impact of the adoption of this ASU but does not expect that its pending adoption will have a material effect on its consolidated financial statements. The Company does not have either Level 3 fair value measurements or transfers between Level 1 or Level 2 in its current portfolios, and therefore, does not expect this ASU to have an impact on the Company's financial statements and disclosures.

Compensation - Retirement Benefits

In August 2018, the FASB issued ASU No. 2018-14, an amendment to ASC 715, *Compensation - Retirement Benefits*, which removes disclosures that no longer are considered cost-beneficial, clarifies the specific requirements of certain disclosures and adds new disclosure requirements identified as relevant. The guidance is effective for the Company beginning October 1, 2021, with early adoption permitted. Upon adoption, the amended presentation and disclosure guidance will be applied on a retrospective basis. The Company is continuing to evaluate the amendment to fully understand the impact on the Company's disclosures upon adoption but it is not expecting this ASU to materially affect the financial statements and disclosures.

Income Taxes

In December 2019, the FASB issued ASU No. 2019-12, an amendment to ASC 740, *Income Taxes*, which is intended to simplify the accounting for income taxes and changes the accounting for certain income tax transactions, among other minor improvements. The guidance is effective for the Company beginning October 1, 2021, with early adoption permitted. Upon adoption, the amendments will be applied on a prospective basis. The Company is currently evaluating the amendments to understand the impact on its financial position, results of operations, cash flows and disclosures upon adoption.

Investments - Equity Method and Derivatives and Hedging

In January 2020, the FASB issued ASU No. 2020-01, *Investments - Equity Securities (Topic 321), Investments - Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815): Clarifying the Interactions between Topic 321, Topic 323, and Topic 815*. The update states that an entity is required to evaluate observable transactions that necessitate applying or discontinuing the equity method of accounting, when applying the measurement alternative in Topic 321. This evaluation occurs prior to applying or upon ceasing the equity method. The update also states that when applying paragraph 815-10-15-141(a) for forward contracts and purchased options, an entity is not required to assess whether the underlying securities will be accounted for under the equity method in accordance with Topic 323 or fair value method under Topic 825 upon settlement or exercise. The guidance is effective for the Company beginning October 1, 2021, with early adoption permitted. The Company is currently evaluating the impact of the adoption of this ASU but does not expect that its pending adoption will have a material effect on its consolidated financial statements.

3. REVENUE

Revenue is recognized when a performance obligation is satisfied by transferring control of a product or service to a customer. Revenue is measured based on consideration specified in a contract with a customer using the output method of progress. The Company elected to apply the invoice practical expedient for recognizing revenue, whereby the amounts invoiced to customers represent the value to the customer and the Company's performance completion as of the invoice date. Therefore we do not disclose related unsatisfied performance obligations. The Company also elected the practical expedient to exclude from the transaction price all sales taxes that are assessed by a governmental authority and therefore presents sales tax net in operating revenues on the Consolidated Statements of Operations.

New Jersey Resources Corporation

Part II

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (Continued)

Below is a listing of performance obligations that arise from contracts with customers, along with details on the satisfaction of each performance obligation, the significant payment terms and the nature of the goods and services being transferred, by reporting segment and other business operations:

Revenue Recognized Over Time:

Segment	Performance Obligation	Description
Natural Gas Distribution	Natural gas utility sales	NJNG's performance obligation is to provide natural gas to residential, commercial and industrial customers as demanded, based on regulated tariff rates, which are established by the BPU. Revenues from the sale of natural gas are recognized in the period that natural gas is delivered and consumed by customers, including an estimate for quantities consumed but not billed during the period. Payment is due each month for the previous month's deliveries. Natural gas sales to individual customers are based on meter readings, which are performed on a systematic basis throughout the billing period. The unbilled revenue estimates are based on estimated customer usage by customer type, weather effects and the most current tariff rates. NJNG is entitled to be compensated for performance completed until service is terminated. Customers may elect to purchase the natural gas commodity from NJNG or may contract separately to purchase natural gas directly from third-party suppliers. As NJNG is acting as an agent on behalf of the third-party supplier, revenue is recorded for the delivery of natural gas to the customer.
Clean Energy Ventures	Commercial solar and wind electricity	Clean Energy Ventures operates wholly-owned solar projects that recognize revenue as electricity is generated and transferred to the customer. The performance obligation is to provide electricity to the customer in accordance with contract terms or the interconnection agreement and is satisfied upon transfer of electricity generated. All wind assets were sold as of February 7, 2019. Revenue is recognized as invoiced and the payment is due each month for the previous month's services.
Clean Energy Ventures	Residential solar electricity	Clean Energy Ventures provides access to residential rooftop and ground-mount solar equipment to customers who then pay the Company a monthly fee. The performance obligation is to provide electricity to the customer based on generation from the underlying residential solar asset and is satisfied upon transfer of electricity generated. Revenue is derived from the contract terms and is recognized as invoiced, with the payment due each month for the previous month's services.
Clean Energy Ventures	Transition Renewable Energy Certificates	Clean Energy Ventures generates RECs, which are created for every MWh of electricity produced by a solar generator. The performance obligation of Clean Energy Ventures is to generate electricity and TRECs, which are purchased monthly by a REC Administrator. Revenue is recognized upon generation.
Energy Services	Wholesale natural gas services	The performance obligation of Energy Services is to provide the customer transportation, storage and asset management services on an as-needed basis. Energy Services generates revenue through management fees, demand charges, reservation fees and transportation charges centered around the buying and selling of the natural gas commodity, representing one series of distinct performance obligations. Revenue is recognized based upon the underlying natural gas quantities physically delivered and the customer obtaining control. Energy Services invoices customers on a monthly basis in line with the terms of the contract and based on the services provided. Payment is due each month for the previous month's invoiced services.
Storage and Transportation	Natural gas services	The performance obligation of our Storage and Transportation segment is to provide the customer with storage and transportation services. Storage and Transportation generates revenues from firm storage contracts and transportation contracts, related usage fees for the use of storage space, injection and withdrawal at the storage facility and the delivery of natural gas to customers. Revenue is recognized over time as our customers receive the benefits of our service as it is performed on their behalf using an output method based on actual deliveries. Demand fees are recognized as revenue over the term of the related agreement.
Home Services and Other	Service contracts	Home Services enters into service contracts with homeowners to provide maintenance and replacement services of applicable heating, cooling or ventilation equipment. All services provided relate to a distinct performance obligation which is to provide services for the specific equipment over the term of the contract. Revenue is recognized on a straight-line basis over the term of the contract and payment is due upon receipt of the invoice.

New Jersey Resources Corporation

Part II

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (Continued)

Revenue Recognized at a Point in Time:

Storage and Transportation	Natural gas services	The performance obligation of our Storage and Transportation segment is to provide the customer with storage and transportation services. Storage and Transportation generates revenues from hub services for the use of storage space, injection and withdrawal from the storage facility. Hub services include park and loan transactions and wheeling.
		Hub services revenues are recognized as services are performed.
Home Services and Other	Installations	Home Services installs appliances, including but not limited to, furnaces, air conditioning units, boilers and generators, for customers. The distinct performance obligation is the installation of the contracted appliance, which is satisfied at the point in time the item is installed.
		The transaction price for each installation differs accordingly. Revenue is recognized at a point in time upon completion of the installation, which is when the customer is billed.

Disaggregated revenues from contracts with customers by product line and by reporting segment and other business operations during fiscal 2020 are as follows:

(Thousands)	Natural Gas Distribution	Clean Energy Ventures	Energy Services	Storage and Transportation	Home Services and Other	Total
2020						
Natural gas utility sales	\$ 695,858	—	—	—	—	\$ 695,858
Wholesale natural gas services	—	—	24,511	44,728	—	69,239
Service contracts	—	—	—	—	32,455	32,455
Installations and maintenance	—	—	—	—	18,562	18,562
Renewable Energy Certificates	—	1,384	—	—	—	1,384
Electricity sales	—	20,099	—	—	—	20,099
Eliminations ⁽¹⁾	—	—	—	(2,713)	(1,207)	(3,920)
Revenues from contracts with customers	695,858	21,483	24,511	42,015	49,810	833,677
Alternative revenue programs ⁽²⁾	15,750	—	—	—	—	15,750
Derivative Instruments	18,315	81,134 ⁽³⁾	1,005,908	—	—	1,105,357
Eliminations ⁽¹⁾	—	—	(1,116)	—	—	(1,116)
Revenues out of scope	34,065	81,134	1,004,792	—	—	1,119,991
Total operating revenues	\$ 729,923	102,617	1,029,303	42,015	49,810	\$ 1,953,668
2019						
Natural gas utility sales	\$ 680,151	—	—	—	—	\$ 680,151
Wholesale natural gas services	—	—	31,459	—	—	31,459
Service contracts	—	—	—	—	31,499	31,499
Installations and maintenance	—	—	—	—	19,403	19,403
Electricity sales	—	22,121	—	—	—	22,121
Eliminations ⁽¹⁾	—	—	—	—	(2,302)	(2,302)
Revenues from contracts with customers	680,151	22,121	31,459	—	48,600	782,331
Alternative revenue programs ⁽²⁾	10,364	—	—	—	—	10,364
Derivative Instruments	20,278	75,978 ⁽³⁾	1,711,332	—	—	1,807,588
Eliminations ⁽¹⁾	—	—	(8,238)	—	—	(8,238)
Revenues out of scope	30,642	75,978	1,703,094	—	—	1,809,714
Total operating revenues	\$ 710,793	98,099	1,734,553	—	48,600	\$ 2,592,045

(1) Consists of transactions between subsidiaries that are eliminated in consolidation.

(2) Includes CIP revenue.

(3) Includes SREC revenue.

New Jersey Resources Corporation

Part II

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (Continued)

Disaggregated revenues from contracts with customers by customer type and by reporting segment and other business operations during the fiscal years ended September 30, are as follows:

(Thousands)	Natural Gas Distribution	Clean Energy Ventures	Energy Services	Storage and Transportation	Home Services and Other	Total
2020						
Residential	\$ 490,233	10,233	—	—	48,867	\$ 549,333
Commercial and industrial	129,946	11,250	24,511	42,015	943	208,665
Firm transportation	69,357	—	—	—	—	69,357
Interruptible and off-tariff	6,322	—	—	—	—	6,322
Revenues out of scope	34,065	81,134	1,004,792	—	—	1,119,991
Total operating revenues	\$ 729,923	102,617	1,029,303	42,015	49,810	\$ 1,953,668
2019						
Residential	\$ 440,787	9,003	—	—	47,655	\$ 497,445
Commercial and industrial	171,357	13,118	31,459	—	945	216,879
Firm transportation	61,370	—	—	—	—	61,370
Interruptible and off-tariff	6,637	—	—	—	—	6,637
Revenues out of scope	30,642	75,978	1,703,094	—	—	1,809,714
Total operating revenues	\$ 710,793	98,099	1,734,553	—	48,600	\$ 2,592,045

Customer Accounts Receivable/Credit Balances and Deposits

The timing of revenue recognition, customer billings and cash collections resulting in accounts receivables, billed and unbilled, and customers' credit balances and deposits on the Consolidated Balance Sheets during fiscal 2020 are as follows:

(Thousands)	Customer Accounts Receivable		Customers' Credit	
	Billed	Unbilled	Balances and Deposits	
Balance as of October 1, 2019	\$ 139,263	\$ 6,510	\$ 27,116	
(Decrease) Increase	(5,090)	2,716	(1,182)	
Balance as of September 30, 2020	\$ 134,173	\$ 9,226	\$ 25,934	

The following table provides information about receivables and revenue earned on contracts in progress in excess of billings, which are included within accounts receivable, billed and unbilled, and customers' credit balances and deposits, respectively, on the Consolidated Balance Sheets as of September 30:

(Thousands)	Natural Gas Distribution	Clean Energy Ventures	Energy Services	Storage and Transportation	Home Services and Other	Total
2020						
Customer accounts receivable						
Billed	\$ 52,134	5,282	70,457	3,905	2,395	\$ 134,173
Unbilled	7,842	1,384	—	—	—	9,226
Customers' credit balances and deposits	(25,934)	—	—	—	—	(25,934)
Total	\$ 34,042	6,666	70,457	3,905	2,395	\$ 117,465
2019						
Customer accounts receivable						
Billed	\$ 36,302	3,233	97,301	—	2,427	\$ 139,263
Unbilled	6,510	—	—	—	—	6,510
Customers' credit balances and deposits	(27,114)	—	—	—	(2)	(27,116)
Total	\$ 15,698	3,233	97,301	—	2,425	\$ 118,657

New Jersey Resources Corporation
Part II

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (Continued)

4. REGULATION

The EDECA is the legal framework for New Jersey's public utility and wholesale energy landscape. NJNG is required, pursuant to a written order by the BPU under EDECA, to open its residential markets to competition from third-party natural gas suppliers. Customers can choose the supplier of their natural gas commodity in NJNG's service territory.

As required by EDECA, NJNG's rates are segregated into two primary components: the commodity portion, which represents the wholesale cost of natural gas, including the cost for interstate pipeline capacity to transport the natural gas to NJNG's service territory; and the delivery portion, which represents the transportation of the commodity portion through NJNG's natural gas distribution system to the end-use customer. NJNG does not earn utility gross margin on the commodity portion of its natural gas sales. NJNG earns utility gross margin through the delivery of natural gas to its customers, regardless of whether it or a third-party supplier provides the wholesale natural gas commodity.

Under EDECA, the BPU is required to audit the state's energy utilities every two years. The primary purpose of the audit is to ensure that utilities and their affiliates offering unregulated retail services do not have an unfair competitive advantage over nonaffiliated providers of similar retail services. A combined competitive services and management audit of NJNG commenced in August 1, 2013. A draft management audit report was accepted by the BPU on July 23, 2014, for public comment. To date, NJNG has implemented all audit recommendations with the approval of BPU staff and is waiting for final BPU approval.

NJNG is subject to cost-based regulation; therefore, it is permitted to recover authorized operating expenses and earn a reasonable return on its utility capital investments based on the BPU's approval. The impact of the ratemaking process and decisions authorized by the BPU allows NJNG to capitalize or defer certain costs that are expected to be recovered from its customers as regulatory assets, and to recognize certain obligations representing amounts that are probable future expenditures as regulatory liabilities in accordance with accounting guidance applicable to regulated operations.

NJNG's recovery of costs is facilitated through its base rates, BGSS and other regulatory tariff riders. NJNG is required to make an annual filing to the BPU by June 1 of each year for review of its BGSS, CIP and other programs and related rates. Annual rate changes are requested to be effective at the beginning of the following fiscal year. The current base rates include a weighted average cost of capital of 6.95 percent and a return on common equity of 9.6 percent. In addition, NJNG is permitted to request approval of certain rate or program changes. All rate and program changes are subject to proper notification and BPU review and approval.

New Jersey Resources Corporation
Part II

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (Continued)

Regulatory assets and liabilities included on the Consolidated Balance Sheets as of September 30, are composed of the following:

<i>(Thousands)</i>	2020	2019
Regulatory assets-current		
New Jersey Clean Energy Program	\$ 15,570	\$ 15,468
Conservation Incentive Program	19,120	3,371
Underrecovered natural gas costs	—	9,506
Derivatives at fair value, net	—	4,526
Other current regulatory assets	1,682	—
Total current regulatory assets	\$ 36,372	\$ 32,871
Regulatory assets-noncurrent		
Environmental remediation costs:		
Expended, net of recoveries	\$ 36,516	\$ 38,351
Liability for future expenditures	150,590	131,080
Deferred income taxes	28,241	19,631
Derivatives at fair value, net	1	486
SAVEGREEN	21,281	10,201
Postemployment and other benefit costs	188,170	212,461
Deferred storm damage costs	6,515	8,687
Cost of removal	75,080	65,660
Other noncurrent regulatory assets	20,068	10,080
Total noncurrent regulatory assets	\$ 526,462	\$ 496,637
Regulatory liability-current		
Overrecovered natural gas costs	\$ 25,914	\$ —
Derivatives at fair value, net	274	—
Total current regulatory liabilities	\$ 26,188	\$ —
Regulatory liabilities-noncurrent		
Tax Act impact ⁽¹⁾	\$ 195,425	\$ 200,417
Derivatives at fair value, net	352	—
New Jersey Clean Energy Program	—	197
Other noncurrent regulatory liabilities	509	1,821
Total noncurrent regulatory liabilities	\$ 196,286	\$ 202,435

(1) Reflects the re-measurement and subsequent amortization of NJNG's net deferred tax liabilities as a result of the change in federal tax rates enacted in the Tax Act.

Regulatory assets at Adelphia Gateway, not included in the table above, total \$158,000 and \$997,000 in current and noncurrent, respectively, and is comprised primarily of the tax benefit associated with the equity component of AFUDC as of September 30, 2020. Recovery of regulatory assets is subject to FERC approval.

New Jersey Clean Energy Program

The NJCEP is a statewide program that encourages energy efficiency and renewable energy. Funding amounts are determined by the BPU's Office of Clean Energy and all New Jersey utilities are required to share in the annual funding obligation. The current NJCEP program is for the State of New Jersey's fiscal year ending June 2021. NJNG recovers the costs associated with its portion of the NJCEP obligation through its NJCEP rider, with interest.

Over and Underrecovered Natural Gas Costs

NJNG recovers its cost of natural gas through the BGSS rate component of its customers' bills. NJNG's cost of natural gas includes the purchased cost of the natural gas commodity, fees paid to pipelines and storage facilities, adjustments as a result of BGSS incentive programs and hedging transactions. Overrecovered natural gas costs represent a regulatory liability that generally occurs when NJNG's BGSS rates are higher than actual costs and requests approval to be returned to customers including interest, when applicable, in accordance with NJNG's approved BGSS tariff. Conversely, underrecovered natural gas costs generally occur during periods when NJNG's BGSS rates are lower than actual costs, in which case NJNG records a regulatory asset and requests amounts to be recovered from customers in the future.

New Jersey Resources Corporation
Part II

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (Continued)

Derivatives

Derivatives are utilized by NJNG to manage the price risk associated with its natural gas purchasing activities and to participate in certain BGSS incentive programs. The gains and losses associated with NJNG's derivatives are recoverable through its BGSS, as noted above, without interest. See *Note 5. Derivative Instruments*.

Conservation Incentive Program

The CIP permits NJNG to recover utility gross margin variations related to customer usage resulting from customer conservation efforts and mitigates the impact of weather on its margin. Such utility gross margin variations are recovered in the year following the end of the CIP usage year, without interest, and are subject to additional conditions, including an earnings test, a revenue test and an evaluation of BGSS-related savings. This program has no expiration date.

Environmental Remediation Costs

NJNG is responsible for the cleanup of certain former gas manufacturing facilities. Actual expenditures are recovered from customers, with interest, over seven-year rolling periods, through a RAC rate rider. Recovery for NJNG's estimated future liability will be requested and/or recovered when actual expenditures are incurred. See *Note 15. Commitments and Contingent Liabilities*.

Deferred Income Taxes

Upon adoption of a 1993 provision of ASC 740, *Income Taxes*, NJNG recognized a transition adjustment and corresponding regulatory asset representing the difference between NJNG's existing deferred tax amounts compared with the deferred tax amounts calculated in accordance with the change in method prescribed by ASC 740. NJNG recovers the regulatory asset associated with these tax impacts through future base rates, without interest.

SAVEGREEN

NJNG administers certain programs that supplement the state's NJCEP and that allow NJNG to promote clean energy to its residential and commercial customers, as described further below. NJNG will recover related expenditures and a weighted average cost of capital on the unamortized balance through a tariff rider, with interest, as approved by the BPU, over a two- to 10-year period depending upon the specific program incentive.

Postemployment and Other Benefit Costs

Postemployment and Other Benefit Costs represents NJNG's underfunded postemployment benefit obligations, as well as a fiscal 2010 tax charge resulting from a change in the deductibility of federal subsidies associated with Medicare Part D, both of which are deferred as regulatory assets and are recoverable, without interest, in base rates. The BPU approved the recovery of the tax charge through NJNG's base rates effective October 2016 over a seven-year amortization period. See *Note 11. Employee Benefit Plans*.

Deferred Storm Damage Costs

Portions of NJNG's distribution system incurred significant damage as a result of Post-Tropical Cyclone Sandy in October 2012. NJNG deferred the uninsured incremental O&M costs associated with its restoration efforts, which were approved for recovery by the BPU through NJNG's base rates, without interest, effective October 2016 over a seven-year amortization period.

Cost of Removal

NJNG accrues and collects for cost of removal in base rates on its utility property, without interest. These costs are recorded in accumulated depreciation for regulatory reporting purposes, and actual costs of removal, without interest, will be recovered in subsequent rates, pursuant to the BPU order. Consistent with GAAP, amounts recorded within accumulated depreciation for regulatory accounting purposes are reclassified out of accumulated depreciation to either a regulatory asset or a regulatory liability depending on whether actual cost of removal is still subject to collection or amounts overcollected will be refunded back to customers. NJNG's prior regulatory liability represented customer collections in excess of actual expenditures, which the Company returned to customers as a reduction to depreciation expense.

New Jersey Resources Corporation Part II

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (Continued)

Other Regulatory Assets

Other regulatory assets consist primarily of deferred costs associated with certain components of NJNG's SBC, as discussed further in the regulatory proceedings section, and NJNG's compliance with federal- and state-mandated PIM provisions. NJNG's related costs to maintain the operational integrity of its distribution and transmission main are recoverable, without interest, subject to BPU review and approval. As of September 30, 2020, NJNG recorded \$1.8 million of PIM in other regulatory assets, which is being recovered through base rates over a seven-year amortization period effective October 2016.

The following is a description of certain regulatory proceedings during fiscal 2019 and 2020:

In March 2019, NJNG filed a base rate case with the BPU requesting a natural gas revenue increase of \$128.2 million, including a change in the Company's overall rate of return on rate base to 7.87 percent. NJNG is also seeking permission to request recovery for SRL in a future filing, upon completion of the project. On July 2, 2019, the Company filed an update with actual information through May 31, 2019, which reflected a revenue increase of \$129.8 million. In September 2019, the Company filed a second update with actual information through August 31, 2019, which reflected a revenue increase of \$134.3 million. On November 13, 2019, the BPU issued an order adopting a stipulation of settlement approving a \$62.2 million increase to base rates, which were effective on November 15, 2019. The increase includes an overall rate of return on rate base of 6.95 percent, return on common equity of 9.6 percent, a common equity ratio of 54 percent and a depreciation rate of 2.78 percent.

BGSS and CIP

BGSS rates are normally revised on an annual basis. In addition, to manage the fluctuations in wholesale natural gas costs, NJNG has the ability to make two interim filings during each fiscal year to increase residential and small commercial customer BGSS rates on a self-implementing and provisional basis. NJNG is also permitted to refund or credit back a portion of the commodity costs to customers at any time given five days' notice when the natural gas commodity costs decrease in comparison to amounts projected or to amounts previously collected from customers. Concurrent with the annual BGSS filing, NJNG files for an annual review of its CIP. NJNG's annual BGSS and CIP filings are summarized as follows:

- 2018 BGSS/CIP filing — In April 2019, the BPU approved NJNG's annual petition on a final basis to maintain its BGSS rate for residential and small commercial customers and increase its balancing charge rate, resulting in a \$10.3 million increase to the annual revenues credited to BGSS, as well as changes to the CIP rates, which resulted in a \$30.9 million annual recovery decrease effective October 2018.
- On December 28, 2018, NJNG notified the BPU that it will increase the BGSS rate, effective February 1, 2019, resulting in an estimated \$10.9 million increase to the revenues credited to BGSS from February through September 30, 2019.
- 2019 BGSS/CIP filing — On March 27, 2020, the BPU approved, on a final basis, NJNG's annual petition to modify its BGSS, balancing charge and CIP rates. The rate changes resulted in a \$17.6 million decrease to the annual revenues credited to BGSS and a \$15.6 million annual increase related to its balancing charge, as well as changes to CIP rates, which resulted in a \$10.6 million annual recovery increase, effective October 1, 2019.
- 2020 BGSS/CIP filing — On September 9, 2020, the BPU approved NJNG's annual petition to modify its BGSS, balancing charge and CIP rates for residential and small commercial customers. The rate changes will result in a \$20.4 million decrease to the annual revenues credited to BGSS, a \$3.8 million annual decrease related to its balancing charge, as well as changes to CIP rates, which will result in a \$16.5 million annual recovery increase, effective October 1, 2020.

BGSS Incentive Programs

NJNG is eligible to receive financial incentives for reducing BGSS costs through a series of utility gross margin-sharing programs that include off-system sales, capacity release and storage incentive programs. The Company is permitted to annually propose a process to evaluate and discuss alternative incentive programs, should performance of the existing incentives or market conditions warrant re-evaluation.

New Jersey Resources Corporation

Part II

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (Continued)

Energy Efficiency Programs

SAVEGREEN conducts home energy audits and provides various grants, incentives and financing alternatives, which are designed to encourage the installation of high efficiency heating and cooling equipment and other upgrades to promote energy efficiency to its residential and commercial customers while stimulating state and local economies through the creation of jobs. Depending on the specific initiative or approval, NJNG recovers costs associated with the programs over a three- to 10-year period through a tariff rider mechanism. As of September 30, 2020, the BPU approved total SAVEGREEN investments of approximately \$354.3 million, including \$135 million that was approved in September 2018, for a continuation of existing EE programs and the implementation of new programs through December 2021.

On September 25, 2020, NJNG filed a petition with the BPU for an additional three-year SAVEGREEN program consisting of approximately \$127 million of direct investment, \$113 million in financing options, and approximately \$23 million in operation and maintenance expenses, to be effective July 1, 2021. SAVEGREEN investments and costs are filed with the BPU on an annual basis. NJNG's annual EE filings are summarized as follows:

- 2018 EE filing — On December 18, 2018, the BPU approved a decrease in NJNG's EE recovery rate reflecting actual costs incurred through September 30, 2018, which resulted in an annual recovery of approximately \$8.8 million, effective January 1, 2019.
- 2019 EE filing — On October 25, 2019, the BPU approved an increase in NJNG's EE recovery rate, which resulted in an annual recovery of approximately \$11.3 million, effective November 1, 2019.
- 2020 EE filing — On May 29, 2020, NJNG filed a petition with the BPU to minimally decrease its EE recovery rate. Throughout the course of the proceeding, the Company updated the filing for additional actual information. Based on the updated information, the BPU approved the request to maintain its existing rate, which will result in an annual recovery of approximately \$11.4 million, effective November 1, 2020.

Societal Benefits Charge

The SBC is comprised of three primary riders that allow NJNG to recover costs associated with USF, which is a permanent statewide program for all natural gas and electric utilities for the benefit of income-eligible customers, MGP remediation and the NJCEP. NJNG has submitted the following filings to the BPU, which include a report of program expenditures incurred each program year:

- 2018 SBC filing — In September 2018, the BPU approved NJNG's annual USF compliance filing to increase the statewide USF rate, which resulted in a \$1 million annual increase, effective October 1, 2018. In March 2019, the BPU approved NJNG's annual SBC application requesting recovery of remediation expenses incurred through June 30, 2018, an increase in the RAC of approximately \$1.4 million annually, and an increase to the NJCEP factor, which resulted in an annual increase of approximately \$1.9 million, effective April 1, 2019.
- 2019 SBC filing — On June 24, 2019, NJNG filed its annual USF compliance filing proposing an increase to the statewide USF rate, which will result in the annual recovery increasing by \$1.2 million, effective October 1, 2019. On September 27, 2019, NJNG filed its annual SBC application requesting to recover remediation expenses including an increase in the RAC, of approximately \$1.4 million annually and an increase to the NJCEP factor, which resulted in an annual increase of approximately \$3.3 million, effective April 1, 2020. On March 16, 2020, a stipulation was signed in NJNG's annual SBC application which included an increase in the RAC rate of \$1.2 million annually and a decrease to the NJCEP factor of \$600,000. The BPU approved the stipulation on September 9, 2020, effective October 1, 2020.
- 2020 USF filing — On June 25, 2020, NJNG filed its annual USF compliance filing proposing a decrease to the statewide USF rate, decreasing the annual recovery by approximately \$400,000. On September 23, 2020, the BPU approved the decrease, effective October 1, 2020.
- 2020 SBC filing — On September 29, 2020, NJNG filed its annual SBC application requesting to recover remediation expenses including an increase in the RAC, of approximately \$1.3 million annually and an increase to the NJCEP factor, which will result in an annual increase of approximately \$6 million, effective April 1, 2021.

New Jersey Resources Corporation

Part II

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (Continued)

Infrastructure Programs

NJNG has significant annual capital expenditures associated with the management of its natural gas distribution and transmission system, including new utility plant for customer growth and its associated PIM and infrastructure programs. NJNG continues to implement BPU-approved infrastructure projects that are designed to enhance the reliability of NJNG's natural gas distribution system, including SAFE and NJ RISE.

SAFE/NJ RISE

The SAFE program replaces portions of NJNG's natural gas distribution unprotected steel, cast iron infrastructure and associated services to improve the safety and reliability of the natural gas distribution system. SAFE I was approved to invest up to \$130 million, exclusive of AFUDC, over a four-year period. SAFE II was approved to invest up to \$200 million, excluding AFUDC, over a five-year period. NJNG will recover approximately \$157.5 million through annual rate filings, with the remainder recovered through subsequent rate cases. As a condition of approval of the program, NJNG was required to file a base rate case no later than November 2019 and satisfied this requirement with its March 29, 2019 base rate case filing.

NJ RISE consists of six capital investment projects estimated to cost \$102.5 million over a five-year period, excluding AFUDC, for natural gas distribution storm-hardening and mitigation projects, along with incremental depreciation expense. NJ RISE includes a weighted average cost of capital that ranges from 6.74 percent to 6.9 percent and a return on equity of 9.75 percent. Requests for recovery of future NJ RISE capital costs will occur in conjunction with SAFE II.

On September 17, 2018, the BPU approved NJNG's petition requesting a base rate increase of \$6.8 million annually for the recovery of SAFE II and NJ RISE capital investment costs related to the 12 months ending June 30, 2018, effective October 1, 2018. On September 27, 2019, the BPU approved NJNG's annual petition requesting a base rate increase of \$7.8 million, effective October 1, 2019.

On March 30, 2020, NJNG filed a petition with the BPU requesting a base rate increase of approximately \$7.4 million for the recovery associated with NJ RISE and SAFE II capital investments cost of approximately \$57.9 million made through June 30, 2020. On July 24, 2020, the Company updated this filing for actual information through June 30, 2020 and the revised rate increase requested is \$7.1 million based on \$55.1 million of actual capital investments. On September 9, 2020, the BPU approved the increase, effective October 1, 2020.

Southern Reliability Link

The SRL is an approximately 30-mile, 30-inch transmission main designed to support improved system reliability and integrity in the southern portion of NJNG's service territory. All approvals required for the completion of the project have been received and construction began in December 2018.

Infrastructure Investment Program

On February 28, 2019, NJNG filed a petition with the BPU seeking authority to implement a five-year IIP. The IIP consists of two components, transmission and distribution investments and information technology replacement and enhancements. The total investment for the IIP is approximately \$507 million. Upon approval from the BPU, investments will be recovered through annual filings to adjust base rates. On October 28, 2020, the BPU approved the Company's transmission and distribution component of the IIP for \$150 million over five years, effective November 1, 2020. The recovery of information technology replacement and enhancements, that was included in the original IIP filing, will be included as part of base rate filings as projects are placed in service.

Other Filings

COVID-19

On July 2, 2020, the BPU issued an order which authorized New Jersey utilities to create a regulatory asset by deferring incremental COVID-19 related costs and required a related quarterly report be filed for the COVID-19-related costs and savings incurred. Utilities must file petition by later of December 31, 2021, or within 60 days of the close of the regulatory asset period and rate recovery can be addressed in the filing or the utility may request consideration be deferred to future rate case. Any potential rate recovery and the appropriate period of recovery, will be addressed through that filing, or may request a deferral of rate recovery for a future base rate case.

New Jersey Resources Corporation

Part II

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (Continued)

The Tax Act

On December 22, 2017, the Tax Act was signed into law, which resulted in a reduction in the federal corporate tax rate. As a result, NJNG recorded a regulatory liability, which included the revaluation of its deferred income taxes and the accounting of the income tax effects on the revaluation.

On January 31, 2018, the BPU issued an Order which directed New Jersey utilities to submit filings to the BPU by March 2, 2018, to propose the prospective change in base rates as a result of the Tax Act to be effective April 1, 2018, the method to return to customers the overcollection of taxes in base rates from January 1, 2018, through March 31, 2018, and an outline of the method by which the excess deferred taxes would be returned to customers. The excess deferred taxes are primarily related to timing differences associated with utility plant depreciation and are subject to IRS normalization rules, which require amortization over the remaining life of the utility plant.

As a result of the changes associated with the Tax Act, NJNG recorded a decrease in its net deferred tax liability of \$228.4 million, which included \$164.3 million for the revaluation of its deferred income taxes and \$64.1 million for the accounting of the income tax effects on the revaluation of those deferred income taxes. These amounts were recorded as a regulatory liability on the Consolidated Balance Sheets. On March 1, 2018, NJNG submitted its required filing to the BPU proposing a \$19.7 million base rate reduction and customer refunds of approximately \$31 million, which is inclusive of state sales tax and interest at the Company's short-term debt rate as specified in the Company's last base rate case. On March 26, 2018, the BPU approved, on an interim basis, the \$19.7 million rate reduction, effective April 1, 2018. On May 22, 2018, the BPU approved final rates and customer refunds of the \$31 million. These credits were returned to customer accounts in June 2018. As of September 30, 2020, the regulatory liability included excess deferred income taxes of \$195 million, which requires amortization over the remaining life of the utility plant consistent with IRS normalization principles.

5. DERIVATIVE INSTRUMENTS

The Company is subject primarily to commodity price risk due to fluctuations in the market price of natural gas, SRECs and electricity. To manage this risk, the Company enters into a variety of derivative instruments including, but not limited to, futures contracts, physical forward contracts, financial options and swaps to economically hedge the commodity price risk associated with its existing and anticipated commitments to purchase and sell natural gas, SRECs and electricity. In addition, the Company is exposed to foreign currency and interest rate risk and may utilize foreign currency derivatives to hedge Canadian dollar denominated natural gas purchases and/or sales and interest rate derivatives to reduce exposure to fluctuations in interest rates. All of these types of contracts are accounted for as derivatives, unless the Company elects NPNS, which is done on a contract-by-contract election. Accordingly, all of the financial and certain of the Company's physical derivative instruments are recorded at fair value on the Consolidated Balance Sheets. For a more detailed discussion of the Company's fair value measurement policies and level disclosures associated with the Company's derivative instruments, see *Note 6. Fair Value*.

Energy Services

Energy Services chooses not to designate its financial commodity and physical forward commodity derivatives as accounting hedges or to elect NPNS. The changes in the fair value of these derivatives are recorded as a component of natural gas purchases or operating revenues, as appropriate for Energy Services, on the Consolidated Statements of Operations as unrealized gains or losses. For Energy Services at settlement, realized gains and losses on all financial derivative instruments are recognized as a component of natural gas purchases and realized gains and losses on all physical derivatives follow the presentation of the related unrealized gains and losses as a component of either natural gas purchases or operating revenues.

Energy Services also enters into natural gas transactions in Canada and, consequently, is exposed to fluctuations in the value of Canadian currency relative to the U.S. dollar. Energy Services may utilize foreign currency derivatives to lock in the exchange rates associated with natural gas transactions denominated in Canadian currency. The derivatives may include currency forwards, futures or swaps and are accounted for as derivatives. These derivatives are typically used to hedge demand fee payments on pipeline capacity, storage and natural gas purchase agreements.

As a result of Energy Services entering into transactions to borrow natural gas, commonly referred to as "park and loans," an embedded derivative is recognized relating to differences between the fair value of the amount borrowed and the fair value of the amount that will ultimately be repaid, based on changes in the forward price for natural gas prices at the borrowed location over the contract term. This embedded derivative is accounted for as a forward sale in the month in which the repayment of the borrowed natural gas is expected to occur, and is considered a derivative transaction that is recorded at fair value on the Consolidated Balance Sheets, with changes in value recognized in current-period earnings.

New Jersey Resources Corporation

Part II

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (Continued)

Expected production of SRECs is hedged through the use of forward and futures contracts. All contracts require the Company to physically deliver SRECs through the transfer of certificates as per contractual settlement schedules. Energy Services recognizes changes in the fair value of these derivatives as a component of operating revenues. Upon settlement of the contract, the related revenue is recognized when the SREC is transferred to the counterparty.

Natural Gas Distribution

NJNG's physical and financial commodity derivatives, except for those designated as NPNS, are recognized at fair value on the Consolidated Balance Sheets. Because NJNG recovers these amounts through future BGSS rates as increases or decreases to the cost of natural gas in NJNG's tariff for gas service, the changes in fair value of these contracts are deferred as a component of regulatory assets or liabilities on the Consolidated Balance Sheets. Effective January 1, 2016, the Company prospectively applies the NPNS scope exception on a case-by-case basis to certain qualifying physical commodity contracts. Contracts that are designated as NPNS are recognized in regulatory assets or liabilities on the Consolidated Balance Sheets upon settlement. The average cost of natural gas is charged to expense in the current-period earnings based on the BGSS factor times the therm sales.

In June 2015, NJNG entered into a treasury lock transaction to fix a benchmark treasury rate of 3.26 percent associated with a \$125 million debt issuance that was finalized in May 2018. This debt issuance coincided with the maturity of NJNG's \$125 million, 5.6 percent notes that came due May 15, 2018. This treasury lock was settled on March 13, 2018, which coincided with the pricing of the new debt being issued. Settlement of the treasury lock resulted in a \$2.6 million loss, which was recorded as a component of regulatory assets on the Consolidated Balance Sheets and will be amortized in earnings over the term of the \$125 million, 4.01 percent notes that were issued on May 11, 2018.

During fiscal 2020, NJNG entered into treasury lock transactions to fix the benchmark treasury rate associated with a \$75 million debt tranche that was issued in September 2020. Settlement of the treasury locks resulted in a \$6.6 million loss, which was recorded as a component of regulatory assets on the Consolidated Balance Sheets and will be amortized in earnings over the term of the debt as a component of interest expense on the Consolidated Statements of Operations, which totaled \$50,000, as of September 30, 2020.

Clean Energy Ventures

The Company elects NPNS accounting treatment on qualifying PPA contracts executed by Clean Energy Ventures that meet the definition of a derivative. Contracts designated as NPNS are accounted for on an accrual basis. Accordingly, electricity sales are recognized in revenues throughout the term of the PPA as electricity is delivered. NPNS is a contract-by-contract election and where it makes sense to do so, the Company can and may elect certain contracts to be normal.

Home Services and Other

On January 26, 2018, NJR entered into a variable-for-fixed interest rate swap on its \$100 million variable rate term loan, which fixed the variable rate at 2.84 percent. The swap terminated on August 16, 2019, which coincided with the maturity of the debt. The change in the fair value and the settlement of the interest rate swap was recorded as a component of interest expense on the Consolidated Statements of Operations.

During fiscal 2020, NJR entered into treasury lock transactions to fix the benchmark treasury rate associated with \$260 million debt issuance that was finalized in July 2020 and a \$200 million debt issuance that was finalized in September 2020. NJR designated its treasury lock contracts as cash flow hedges, therefore, changes in fair value of the effective portion of the hedges were recorded in OCI. Settlement of the treasury locks resulted in a loss of \$13.7 million, which was recorded within OCI and will be amortized in earnings over the life of the debt as a component of interest expense on the Consolidated Statements of Operations, which totaled \$108,000, net of tax, as of September 30, 2020.

New Jersey Resources Corporation
Part II

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (Continued)

Fair Value of Derivatives

The following table reflects the fair value of the Company's derivative assets and liabilities recognized on the Consolidated Balance Sheets as of September 30:

		Fair Value			
		2020		2019	
(Thousands)	Balance Sheet Location	Asset Derivatives	Liability Derivatives	Asset Derivatives	Liability Derivatives
Derivatives not designated as hedging instruments:					
<u>Natural Gas Distribution:</u>					
Physical commodity contracts	Derivatives - current	\$ 78	\$ 76	\$ 67	\$ 245
Financial commodity contracts	Derivatives - current	71	282	382	570
<u>Energy Services:</u>					
Physical commodity contracts	Derivatives - current	6,454	20,438	6,847	27,540
	Derivatives - noncurrent	1,264	12,003	1,710	12,641
Financial commodity contracts	Derivatives - current	16,671	12,965	17,806	29,057
	Derivatives - noncurrent	2,037	1,346	5,716	6,105
Foreign currency contracts	Derivatives - current	36	104	1	211
	Derivatives - noncurrent	48	3	—	75
Total fair value of derivatives		\$ 26,659	\$ 47,217	\$ 32,529	\$ 76,444

Offsetting of Derivatives

The Company transacts under master netting arrangements or equivalent agreements that allow it to offset derivative assets and liabilities with the same counterparty. However, the Company's policy is to present its derivative assets and liabilities on a gross basis at the contract level unit of account on the Consolidated Balance Sheets.

New Jersey Resources Corporation

Part II

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (Continued)

The following table summarizes the reported gross amounts, the amounts that the Company has the right to offset but elects not to, financial collateral, as well as the net amounts the Company could present on the Consolidated Balance Sheets but elects not to.

<i>(Thousands)</i>	Amounts Presented on Balance Sheets ⁽¹⁾	Offsetting Derivative Instruments ⁽²⁾	Financial Collateral Received/Pledged ⁽³⁾	Net Amounts ⁽⁴⁾
As of September 2020:				
Derivative assets:				
Energy Services				
Physical commodity contracts	\$ 7,718	\$ (3,587)	\$ (200)	\$ 3,931
Financial commodity contracts	18,708	(14,311)	—	4,397
Foreign currency contracts	84	(84)	—	—
Total Energy Services	\$ 26,510	\$ (17,982)	\$ (200)	\$ 8,328
Natural Gas Distribution				
Physical commodity contracts	\$ 78	\$ (65)	\$ —	\$ 13
Financial commodity contracts	71	(71)	—	—
Total Natural Gas Distribution	\$ 149	\$ (136)	\$ —	\$ 13
Derivative liabilities:				
Energy Services				
Physical commodity contracts	\$ 32,441	\$ (3,587)	\$ —	\$ 28,854
Financial commodity contracts	14,311	(14,311)	—	—
Foreign currency contracts	107	(84)	—	23
Total Energy Services	\$ 46,859	\$ (17,982)	\$ —	\$ 28,877
Natural Gas Distribution				
Physical commodity contracts	\$ 76	\$ (65)	\$ —	\$ 11
Financial commodity contracts	282	(71)	—	211
Total Natural Gas Distribution	\$ 358	\$ (136)	\$ —	\$ 222
As of September 30, 2019:				
Derivative assets:				
Energy Services				
Physical commodity contracts	\$ 8,557	\$ (2,906)	\$ (200)	\$ 5,451
Financial commodity contracts	23,522	(19,646)	—	3,876
Foreign currency contracts	1	(1)	—	—
Total Energy Services	\$ 32,080	\$ (22,553)	\$ (200)	\$ 9,327
Natural Gas Distribution				
Physical commodity contracts	\$ 67	\$ (9)	\$ —	\$ 58
Financial commodity contracts	382	(382)	—	—
Total Natural Gas Distribution	\$ 449	\$ (391)	\$ —	\$ 58
Derivative liabilities:				
Energy Services				
Physical commodity contracts	\$ 40,181	\$ (2,906)	\$ —	\$ 37,275
Financial commodity contracts	35,162	(19,646)	(15,516)	—
Foreign currency contracts	286	(1)	—	285
Total Energy Services	\$ 75,629	\$ (22,553)	\$ (15,516)	\$ 37,560
Natural Gas Distribution				
Physical commodity contracts	\$ 245	\$ (9)	\$ —	\$ 236
Financial commodity contracts	570	(382)	(188)	—
Total Natural Gas Distribution	\$ 815	\$ (391)	\$ (188)	\$ 236

(1) Derivative assets and liabilities are presented on a gross basis on the balance sheet as the Company does not elect balance sheet offsetting under ASC 210-20.

(2) Includes transactions with NAESB netting election, transactions held by FCMs with net margining and transactions with ISDA netting.

(3) Financial collateral includes cash balances at FCMs, as well as cash received from or pledged to other counterparties.

(4) Net amounts represent presentation of derivative assets and liabilities if the Company were to elect balance sheet offsetting under ASC 210-20.

New Jersey Resources Corporation

Part II

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (Continued)

Energy Services utilizes financial derivatives to economically hedge the gross margin associated with the purchase of physical natural gas to be used for storage injection and its subsequent sale at a later date. The gains (losses) on the financial transactions that are economic hedges of the cost of the purchased natural gas are recognized prior to the gains (losses) on the physical transaction, which are recognized in earnings when the natural gas is delivered. Therefore, mismatches between the timing of the recognition of realized gains (losses) on the financial derivative instruments and gains (losses) associated with the actual sale of the natural gas that is being economically hedged, along with fair value changes in derivative instruments, creates volatility in the results of Energy Services, although the Company's intended economic results relating to the entire transaction are unaffected.

The following table reflects the effect of derivative instruments on the Consolidated Statements of Operations as of September 30:

<i>(Thousands)</i>	Location of Gain (Loss) Recognized in Income on Derivatives	Amount of Gain (Loss) Recognized in Income on Derivatives	2020	2019	2018
Derivatives not designated as hedging instruments:					
<u>Energy Services:</u>					
Physical commodity contracts	Operating revenues	\$	1,163	\$ (5,732)	\$ (9,311)
Physical commodity contracts	Natural gas purchases		(3,366)	(521)	(197)
Financial commodity contracts	Natural gas purchases		58,949	(643)	(24,622)
Foreign currency contracts	Natural gas purchases		(41)	(283)	(379)
<u>Home Services and Other:</u>					
Interest rate contracts	Interest expense	—		(233)	334
Total unrealized and realized (losses) gains		\$	56,705	\$ (7,412)	\$ (34,175)

NJNG's derivative contracts are part of the Company's risk management activities that relate to its natural gas purchases, BGSS incentive programs and debt financing. These transactions are entered into pursuant to regulatory approval. At settlement, the resulting gains and/or losses are payable to or recoverable from utility customers and are deferred in regulatory assets or liabilities resulting in no impact to earnings.

The following table reflects the gains (losses) associated with NJNG's derivative instruments as of September 30:

<i>(Thousands)</i>	2020	2019	2018
<u>Natural Gas Distribution:</u>			
Physical commodity contracts	\$ 2,077	\$ 5,926	\$ 1,232
Financial commodity contracts	(3,903)	(7,700)	1,844
Interest rate contracts	—	—	8,467
Total unrealized and realized (losses) gains	\$ (1,826)	\$ (1,774)	\$ 11,543

NJR designates its treasury lock contracts as cash flow hedges, therefore, changes in fair value of the effective portion of the hedges are recorded in OCI and upon settlement of the contracts, realized gains and (losses) are reclassified from OCI to interest expense on the Consolidated Statements of Operations.

The following table reflects the effect of derivative instruments designated as cash flow hedges in OCI as of September 30:

<i>(Thousands)</i>	Amount of Pre-tax Gain (Loss) Recognized in OCI on Derivatives		Location of Gain (Loss) Reclassified from OCI into Income	Amount of Pre-tax Gain (Loss) Reclassified from OCI into Income	
	2020	2019		2020	2019
Derivatives in cash flow hedging relationships:					
Interest rate contracts	\$ (13,568)	\$ —	Interest expense	\$ 140	\$ —

New Jersey Resources Corporation
Part II

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (Continued)

NJNG and Energy Services had the following outstanding long (short) derivatives as of September 30:

		Volume (Bcf)	
	Transaction Type	2020	2019
Natural Gas Distribution	Futures	23.7	27.6
	Physical Commodity	6.0	11.6
Energy Services	Futures	(27.5)	(29.6)
	Swaps	(1.8)	(5.0)
	Options	—	1.0
	Physical Commodity	5.0	44.5

Not included in the above table are Energy Services' net notional amount of foreign currency transactions of approximately \$5.1 million and \$6.2 million and 960,000 and 796,000 SRECs that were open, as of September 30, 2020 and 2019, respectively.

Broker Margin

Futures exchanges have contract-specific margin requirements that require the posting of cash or cash equivalents relating to traded contracts. Margin requirements consist of initial margin that is posted upon the initiation of a position, maintenance margin that is usually expressed as a percent of initial margin, and variation margin that fluctuates based on the daily marked-to-market relative to maintenance margin requirements. The Company maintains separate broker margin accounts for the Natural Gas Distribution and Energy Services segments. The balances as of September 30, by segment, are as follows:

<i>(Thousands)</i>	Balance Sheet Location	2020	2019
Natural Gas Distribution	Restricted broker margin accounts	\$ 13,525	\$ 1,982
Energy Services	Restricted broker margin accounts	\$ 55,919	\$ 71,741

Wholesale Credit Risk

NJNG, Energy Services and Clean Energy Ventures are exposed to credit risk as a result of their sales/wholesale marketing activities. As a result of the inherent volatility in the prices of natural gas commodities, derivatives, SRECs, electricity and RECs, the market value of contractual positions with individual counterparties could exceed established credit limits or collateral provided by those counterparties. If a counterparty fails to perform the obligations under its contract (e.g., fails to deliver or pay for natural gas, SRECs, electricity or RECs), then the Company could sustain a loss.

The Company monitors and manages the credit risk of its wholesale operations through credit policies and procedures that management believes reduce overall credit risk. These policies include a review and evaluation of current and prospective counterparties' financial statements and/or credit ratings, daily monitoring of counterparties' credit limits and exposure, daily communication with traders regarding credit status and the use of credit mitigation measures, such as collateral requirements and netting agreements. Examples of collateral include letters of credit and cash received for either prepayment or margin deposit. Collateral may be requested due to the Company's election not to extend credit or because exposure exceeds defined thresholds. Most of the Company's wholesale marketing contracts contain standard netting provisions. These contracts include those governed by ISDA and the NAESB. The netting provisions refer to payment netting, whereby receivables and payables with the same counterparty are offset and the resulting net amount is paid to the party to which it is due.

Internally-rated exposure applies to counterparties that are not rated by Fitch or Moody's. In these cases, the counterparty's or guarantor's financial statements are reviewed, and similar methodologies and ratios used by Fitch and/or Moody's are applied to arrive at a substitute rating. Gross credit exposure is defined as the unrealized fair value of physical and financial derivative commodity contracts, plus any outstanding wholesale receivable for the value of natural gas delivered and/or financial derivative commodity contract that has settled for which payment has not yet been received.

New Jersey Resources Corporation

Part II

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (Continued)

The following is a summary of gross credit exposures grouped by investment and noninvestment grade counterparties, as of September 30, 2020. The amounts presented below have not been reduced by any collateral received or netting and exclude accounts receivable for NJNG retail natural gas sales and services and Clean Energy Ventures residential solar installations.

<i>(Thousands)</i>	Gross Credit Exposure
Investment grade	\$ 132,105
Noninvestment grade	8,527
Internally-rated investment grade	24,647
Internally-rated noninvestment grade	12,471
Total	\$ 177,750

Conversely, certain of NJNG's and Energy Services' derivative instruments are linked to agreements containing provisions that would require cash collateral payments from the Company if certain events occur. These provisions vary based upon the terms in individual counterparty agreements and can result in cash payments if NJNG's credit rating were to fall below its current level. Specifically, most, but not all, of these additional payments will be triggered if NJNG's debt is downgraded by the major credit agencies, regardless of investment grade status. In addition, some of these agreements include threshold amounts that would result in additional collateral payments if the values of derivative liabilities were to exceed the maximum values provided for in relevant counterparty agreements. Other provisions include payment features that are not specifically linked to ratings, but are based on certain financial metrics.

Collateral amounts associated with any of these conditions are determined based on a sliding scale and are contingent upon the degree to which the Company's credit rating and/or financial metrics deteriorate, and the extent to which liability amounts exceed applicable threshold limits. The aggregate fair value of all derivative instruments with credit-risk-related contingent features that were in a liability position on September 30, 2020 and 2019, were considered immaterial. These amounts differ from the respective net derivative liabilities reflected on the Consolidated Balance Sheets because the agreements also include clauses, commonly known as "Rights of Offset," that would permit the Company to offset its derivative assets against its derivative liabilities for determining additional collateral to be posted, as previously discussed.

6. FAIR VALUE

Fair Value of Assets and Liabilities

The fair value of cash and cash equivalents, accounts receivable, current loan receivables, accounts payable, commercial paper and borrowings under revolving credit facilities are estimated to equal their carrying amounts due to the short maturity of those instruments. Non-current loan receivables are recorded based on what the Company expects to receive, which approximates fair value. The Company regularly evaluates the credit quality and collection profile of its customers to approximate fair value.

As of September 30, the estimated fair value of long-term debt at NJNG and NJR, including current maturities, excluding finance leases and debt issuance costs, is as follows ⁽¹⁾:

<i>(Thousands)</i>	2020	2019
NJNG ^{(2) (3)}		
Carrying value	\$ 1,092,845	\$ 892,845
Fair market value	\$ 1,271,715	\$ 984,129
NJR ⁽⁴⁾		
Carrying value	\$ 1,010,000	\$ 550,000
Fair market value	\$ 1,146,033	\$ 584,735

⁽¹⁾ See Note 9. Debt for a reconciliation to long-term and short-term debt.

⁽²⁾ Excludes finance leases of \$74.2 million and \$35.4 million as of September 30, 2020 and September 30, 2019, respectively.

⁽³⁾ Excludes NJNG's debt issuance costs of \$9.2 million and \$9 million as of September 30, 2020 and September 30, 2019, respectively.

⁽⁴⁾ Excludes NJR's debt issuance costs of \$3.4 million and \$2 million as of September 30, 2020 and September 30, 2019, respectively.

New Jersey Resources Corporation

Part II

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (Continued)

Clean Energy Ventures enters into transactions to sell certain commercial solar assets and lease the assets back for a term specified in the lease. These transactions are considered financing obligations for accounting purposes and are recorded within long-term debt on the Consolidated Balance Sheets. The estimated fair value of solar asset financing obligations as of September 30, 2020 and September 30, 2019 was \$149.2 million and \$98.6 million, respectively.

The Company utilizes a discounted cash flow method to determine the fair value of its debt. Inputs include observable municipal and corporate yields, as appropriate for the maturity of the specific issue and the Company's credit rating. As of September 30, 2020, NJR discloses its debt within Level 2 of the fair value hierarchy.

Fair Value Hierarchy

The Company applies fair value measurement guidance to its financial assets and liabilities, as appropriate, which include financial derivatives and physical commodity contracts qualifying as derivatives, available for sale securities and other financial assets and liabilities. In addition, authoritative accounting literature prescribes the use of a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value based on the source of the data used to develop the price inputs.

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to inputs that are based on unobservable market data and includes the following:

- Level 1 Unadjusted quoted prices for identical assets or liabilities in active markets. The Company's Level 1 assets and liabilities include exchange traded natural gas futures and options contracts, listed equities and money market funds. Exchange traded futures and options contracts include all energy contracts traded on the NYMEX, CME and ICE that the Company refers to internally as basis swaps, fixed swaps, futures and financial options that are cleared through a FCM.
- Level 2 Other significant observable inputs, such as interest rates or price data, including both commodity and basis pricing that is observed either directly or indirectly from publications or pricing services. The Company's Level 2 assets and liabilities include over-the-counter physical forward commodity contracts and swap contracts, SREC forward sales or derivatives that are initially valued using observable quotes and are subsequently adjusted to include time value, credit risk or estimated transport pricing components for which no basis price is available. Level 2 financial derivatives consist of transactions with non-FCM counterparties (basis swaps, fixed swaps and/or options). Inputs are verifiable and do not require significant management judgment. For some physical commodity contracts, the Company utilizes transportation tariff rates that are publicly available and that it considers to be observable inputs that are equivalent to market data received from an independent source. There are no significant judgments or adjustments applied to the transportation tariff inputs and no market perspective is required. Even if the transportation tariff input were considered to be a "model," it would still be considered to be a Level 2 input as the data is:
- widely accepted and public;
 - non-proprietary and sourced from an independent third party; and
 - observable and published.

These additional adjustments are generally not considered to be significant to the ultimate recognized values.

- Level 3 Inputs derived from a significant amount of unobservable market data. These include the Company's best estimate of fair value and are derived primarily through the use of internal valuation methodologies.

Financial derivative portfolios of NJNG and Energy Services consist mainly of futures, options and swaps. The Company primarily uses the market approach and its policy is to use actively quoted market prices when available. The principal market for its derivative transactions is the natural gas wholesale market; therefore, the primary sources for its price inputs are CME, NYMEX and ICE. Energy Services uses Platts and Natural Gas Exchange for Canadian delivery points. However, Energy Services also engages in transactions that result in transporting natural gas to delivery points for which there is no actively quoted market price. In most instances, the transportation cost to the final delivery location is not significant to the overall valuation. If required, Energy Services' policy is to use the best information available to determine fair value based on internal pricing models, which would include estimates extrapolated from broker quotes or other pricing services.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (Continued)

The Company also has other financial assets that include listed equities, mutual funds and money market funds for which there are active exchange quotes available.

When the Company determines fair values, measurements are adjusted, as needed, for credit risk associated with its counterparties, as well as its own credit risk. The Company determines these adjustments by using historical default probabilities that correspond to the applicable S&P issuer ratings, while also taking into consideration collateral and netting arrangements that serve to mitigate risk.

Assets and liabilities measured at fair value on a recurring basis are summarized as follows:

(Thousands)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
As of September 2020:				
Assets				
Physical commodity contracts	\$ —	\$ 7,796	\$ —	\$ 7,796
Financial commodity contracts	18,279	500	—	18,779
Financial commodity contracts - foreign exchange	—	84	—	84
Money market funds	112,291	—	—	112,291
Other	1,840	—	—	1,840
Total assets at fair value	\$ 132,410	\$ 8,380	\$ —	\$ 140,790
Liabilities				
Physical commodity contracts	\$ —	\$ 32,517	\$ —	\$ 32,517
Financial commodity contracts	14,593	—	—	14,593
Financial commodity contracts - foreign exchange	—	107	—	107
Total liabilities at fair value	\$ 14,593	\$ 32,624	\$ —	\$ 47,217
As of September 30, 2019:				
Assets				
Physical commodity contracts	\$ —	\$ 8,624	\$ —	\$ 8,624
Financial commodity contracts	20,028	3,876	—	23,904
Financial commodity contracts - foreign exchange	—	1	—	1
Other ⁽¹⁾	1,706	—	—	1,706
Total assets at fair value	\$ 21,734	\$ 12,501	\$ —	\$ 34,235
Liabilities				
Physical commodity contracts	\$ —	\$ 40,426	\$ —	\$ 40,426
Financial commodity contracts	35,732	—	—	35,732
Financial commodity contracts - foreign exchange	—	286	—	286
Total liabilities at fair value	\$ 35,732	\$ 40,712	\$ —	\$ 76,444

(1) Includes money market funds.

See Note 5. *Derivative Instruments* for additional details.

7. INVESTMENTS IN EQUITY INVESTEES

As of September 30, the Company's investments in equity method investees includes the following:

(Thousands)	2020	2019
Steckman Ridge ⁽¹⁾	\$ 112,378	\$ 114,428
PennEast ⁽²⁾	95,997	85,840
Total	\$ 208,375	\$ 200,268

(1) Includes loans with a total outstanding principal balance of \$70.4 million for both fiscal 2020 and 2019, which accrue interest at a variable rate that resets quarterly and are due October 1, 2023.

(2) Includes a deferred tax component related to AFUDC equity of \$4.6 million and \$4.1 million for September 30, 2020 and September 30, 2019, respectively.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (Continued)

Steckman Ridge

The Company holds a 50 percent equity method investment in Steckman Ridge, a jointly owned and controlled natural gas storage facility located in Bedford County, Pennsylvania. Due to the anticipated expiration of a customer contract, the Company evaluated its investment in Steckman Ridge for other-than-temporary impairment and determined an impairment charge was not necessary.

The fair value of the Company's investment in Steckman Ridge was determined using a discounted cash flow method and utilized management's best estimates and assumptions related to expected future results, including the price and capacity of firm natural gas storage contracting, operations and maintenance costs, the nature and timing of major maintenance and capital investment, and discount rates. Fair value determinations require considerable judgment and are sensitive to changes in underlying assumptions and other factors. As a result, it is reasonably possible that unfavorable developments, such as the failure to execute storage contracts and other services for available capacity at anticipated price levels could result in an other-than temporary impairment charge in the Consolidated Financial Statements.

PennEast

The Company, through its subsidiary NJR Midstream Company, is a 20 percent investor in PennEast, a partnership whose purpose is to construct and operate a 120-mile natural gas pipeline that will extend from northeast Pennsylvania to western New Jersey. PennEast received a Certificate of Public Convenience and Necessity for the project from FERC on January 19, 2018.

On September 10, 2019, the Third Circuit issued an order overturning the U.S. District Court for the District of New Jersey's order granting PennEast condemnation and immediate access in accordance with the Natural Gas Act to certain properties in which the State of New Jersey holds an interest. A Petition for Rehearing was denied by the Third Circuit on November 5, 2019.

On October 8, 2019, the NJDEP issued a letter indicating that it deemed PennEast's freshwater wetlands permit application to be administratively incomplete and closed the matter without prejudice. On October 11, 2019, PennEast submitted a letter to the NJDEP objecting to its position that the application is administratively incomplete. PennEast's objections were rejected by the NJDEP on November 18, 2019.

On October 4, 2019, PennEast filed a petition for Declaratory Order with FERC requesting an interpretation of the eminent domain authority of a FERC certificate holder under the Natural Gas Act. The Declaratory Order was granted on January 30, 2020.

On January 30, 2020, PennEast filed an amendment with FERC to construct the PennEast pipeline in two phases. Phase one consists of construction of a 68-mile pipeline in Pennsylvania from the eastern Marcellus Shale region in Luzerne County that would terminate in Northampton County. Phase two includes construction of the remaining original certificated route in Pennsylvania and New Jersey. Construction could begin following approval by FERC of the phased approach and receipt of any remaining governmental and regulatory permits.

On February 18, 2020, PennEast filed a writ of certiorari with the Supreme Court of the U.S. to review the September 10, 2019 Third Circuit decision.

On June 29, 2020, the Supreme Court requested that the Solicitor General of the U.S. file a brief that expresses the views on the question of the use of eminent domain to acquire state owned lands for pipeline construction.

The Company evaluated its investment in PennEast for other-than-temporary impairment and determined an impairment charge was not necessary. The Company estimated the fair value of its investment in PennEast using probability-weighted scenarios of discounted future cash flows. Management made significant estimates and assumptions related to development options and legal outcomes, construction costs, timing of capital investments and in-service dates, revenues and discount rates. Higher probabilities were assumed related to those scenarios where the project is completed. The discounted cash flow scenarios contemplated the impact of key assumptions of future court decisions and future management decisions and requires management to make significant estimates regarding the likelihood of various scenarios and assumptions. It is reasonably possible that future unfavorable developments, such as a reduced likelihood of success from development options and legal outcomes, estimated increases in construction costs, increases in the discount rate, or further significant delays, could result in

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (Continued)

an impairment of our equity method investment. Also, the use of alternate judgments and assumptions could result in a different calculation of fair value, which could ultimately result in the recognition of an other-than-temporary impairment charge in the Consolidated Financial Statements.

8. EARNINGS PER SHARE

The following table presents the calculation of the Company's basic and diluted earnings per share for the fiscal years ended September 30:

<i>(Thousands, except per share amounts)</i>	2020	2019	2018
Net income, as reported	\$ 193,919	\$ 169,505	\$ 233,436
Basic earnings per share			
Weighted average shares of common stock outstanding-basic	94,798	89,242	87,689
Basic earnings per common share	\$2.05	\$1.90	\$2.66
Diluted earnings per share			
Weighted average shares of common stock outstanding-basic	94,798	89,242	87,689
Incremental shares ⁽¹⁾	309	374	626
Weighted average shares of common stock outstanding-diluted	95,107	89,616	88,315
Diluted earnings per common share ⁽²⁾	\$2.04	\$1.89	\$2.64

(1) Incremental shares consist primarily of unvested stock awards and performance units.

(2) There were anti-dilutive shares of 74,000 excluded from the calculation of diluted earnings per share related to the equity forward sale agreement for fiscal 2020. There were no anti-dilutive shares excluded from the calculation of diluted earnings per share for fiscal 2019 and 2018.

9. DEBT

NJNG and NJR finance working capital requirements and capital expenditures through the issuance of various long-term debt and other financing arrangements, including unsecured credit and private placement debt shelf facilities. Amounts available under credit facilities are reduced by bank or commercial paper borrowings, as applicable, and any outstanding letters of credit.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (Continued)

Long-term Debt

The following table presents the long-term debt of the Company as of September 30:

(Thousands)			2020	2019
NJNG				
First mortgage bonds:		Maturity date:		
3.00%	Series OO	August 1, 2041	46,500	46,500
3.15%	Series PP	April 15, 2028	50,000	50,000
3.58%	Series QQ	March 13, 2024	70,000	70,000
4.61%	Series RR	March 13, 2044	55,000	55,000
2.82%	Series SS	April 15, 2025	50,000	50,000
3.66%	Series TT	April 15, 2045	100,000	100,000
3.63%	Series UU	June 21, 2046	125,000	125,000
4.01%	Series VV	May 11, 2048	125,000	125,000
3.50%	Series WW	April 1, 2042	10,300	10,300
3.38%	Series XX	April 1, 2038	10,500	10,500
2.45%	Series YY	April 1, 2059	15,000	15,000
3.76%	Series ZZ	July 17, 2049	100,000	100,000
3.86%	Series AAA	July 17, 2059	85,000	85,000
2.75%	Series BBB	August 1, 2039	9,545	9,545
3.00%	Series CCC	August 1, 2043	41,000	41,000
3.13%	Series DDD	June 30, 2050	50,000	—
3.13%	Series EEE	July 23, 2050	50,000	—
3.33%	Series FFF	July 23, 2060	25,000	—
2.87%	Series GGG	September 1, 2050	25,000	—
2.97%	Series HHH	September 1, 2060	50,000	—
Finance lease obligation-buildings		June 30, 2037	47,597	5,637
Finance lease obligation-meters		Various dates	26,562	29,744
Less: Debt issuance costs			(9,195)	(9,027)
Less: Current maturities of long-term debt			(10,416)	(10,420)
Total NJNG long-term debt			1,147,393	908,779
NJR				
3.25%	Unsecured senior notes	September 17, 2022	50,000	50,000
3.20%	Unsecured senior notes	August 18, 2023	50,000	50,000
3.48%	Unsecured senior notes	November 7, 2024	100,000	100,000
3.54%	Unsecured senior notes	August 18, 2026	100,000	100,000
3.96%	Unsecured senior notes	June 8, 2028	100,000	100,000
3.29%	Unsecured senior notes	July 17, 2029	150,000	150,000
3.60%	Unsecured senior notes	July 23, 2032	130,000	—
3.50%	Unsecured senior notes	July 23, 2030	130,000	—
3.25%	Unsecured senior notes	September 1, 2033	80,000	—
3.13%	Unsecured senior notes	September 1, 2031	120,000	—
Less: Debt issuance costs			(3,424)	(2,004)
Less: Current maturities of long-term debt			—	—
Total NJR long-term debt			1,006,576	547,996
Clean Energy Ventures				
Solar asset financing obligation		Various dates	122,317	91,401
Less: Current maturities of long-term debt			(16,820)	(10,999)
Total Clean Energy Ventures long-term debt			105,497	80,402
Total long-term debt			\$ 2,259,466	\$ 1,537,177

New Jersey Resources Corporation

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (Continued)

Annual long-term debt redemption requirements, excluding finance leases, debt issuance costs and solar asset financing obligations, as of September 30, are as follows:

<i>(Thousands)</i>	NJR	NJNG
2021	\$ —	\$ —
2022	\$ 50,000	\$ —
2023	\$ 50,000	\$ —
2024	\$ 100,000	\$ 70,000
2025	\$ —	\$ 50,000
Thereafter	\$ 810,000	\$ 972,845

NJNG

First Mortgage Bonds

NJNG and Trustee entered into the Mortgage Indenture, dated September 1, 2014, which secures all of the outstanding First Mortgage Bonds issued by NJNG. The Mortgage Indenture provides a direct first mortgage lien upon substantially all of the operating properties and franchises of NJNG (other than excepted property, such as cash on hand, choses-in-action, securities, rent, natural gas meters and certain materials, supplies, appliances and vehicles), subject only to certain permitted encumbrances. The Mortgage Indenture contains provisions subjecting after-acquired property (other than excepted property and subject to pre-existing liens, if any, at the time of acquisition) to the lien thereof.

NJNG's Mortgage Indenture does not restrict NJNG's ability to pay dividends. New Jersey Administrative Code 14:4-4.7 states that a public utility cannot issue dividends, without regulatory approval, if its equity to total capitalization ratio falls below 30 percent. As of September 30, 2020, NJNG's equity to total capitalization ratio is 53.1 percent and has the ability to issue up to \$1.1 billion of FMB under the terms of the Mortgage Indenture.

On April 18, 2019, NJNG completed the remarketing of three FMBs, in the amount of \$35.8 million, with a weighted average interest rate of 3.02 percent. The bonds have maturity dates ranging from April 2038 to April 2059. The bonds were previously purchased in lieu of redemption and were being held by the Company.

On July 17, 2019, NJNG entered into a Note Purchase Agreement, under which NJNG issued \$100 million of 3.76 percent senior notes due July 17, 2049 and \$85 million of 3.86 percent senior notes due July 17, 2059. The senior notes are secured by an equal principal amount of NJNG's FMBs issued under NJNG's Mortgage Indenture.

On August 1, 2019, NJNG completed a remarketing of three existing variable rate FMBs, with a total principal amount of \$97 million, which fixed the interest rates of the bonds. NJNG remarketed \$46.5 million at 3 percent due August 1, 2041, \$41 million at 3 percent due August 2043 and \$9.5 million at 2.75 percent due August 1, 2039. EDA Bonds are special, limited obligations of the EDA payable solely from payments made by NJNG pursuant to a Loan Agreement and are secured by the pledge of \$97 million principal amount of the FMB issued by the Company.

On May 14, 2020, NJNG entered into a Note Purchase Agreement for \$125 million of its senior notes, of which \$100 million were at an interest rate of 3.13 percent, maturing in 2050, and \$25 million were at an interest rate of 3.33 percent, maturing in 2060. On June 30, 2020, NJNG issued \$50 million of 3.13 percent senior notes due June 30, 2050. On July 23, 2020, NJNG issued the remaining \$50 million of 3.13 percent senior notes due July 23, 2050 and \$25 million of 3.33 percent senior notes due July 23, 2060. The senior notes are secured by an equal principal amount of NJNG's FMBs issued under NJNG's Mortgage Indenture.

On September 1, 2020, NJNG entered into and issued a Note Purchase Agreement for \$75 million of its senior notes, of which \$25 million were at an interest rate of 2.87 percent, maturing in 2050, and \$50 million were at an interest rate of 2.97 percent, maturing in 2060. The senior notes are secured by an equal principal amount of NJNG's FMBs issued under NJNG's Mortgage Indenture.

New Jersey Resources Corporation

Part II

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (Continued)

Sale Leasebacks

NJNG has entered into a sale leaseback for its headquarters building, which has a 16-year term that expires in June 30, 2037. The present value of the agreement's lease payments is reflected as a finance lease liability, which are included in utility plant and long-term debt, respectively, on the Consolidated Balance Sheets.

NJNG received \$4 million, \$9.9 million and \$7.8 million for fiscal 2020, 2019 and 2018, respectively, in connection with the sale leaseback of its natural gas meters. NJNG records a finance lease liability that is paid over the term of the lease and has the option to purchase the meters back at fair value upon expiration of the lease. During fiscal 2020, 2019 and 2018, NJNG exercised early purchase options with respect to meter leases by making final principal payments of \$1.2 million, \$1.1 million and \$2.2 million, respectively.

Contractual commitments for finance lease payments, as of the fiscal years ended September 30, are as follows:

(Thousands)	senior note
2021	\$ 54,992
2022	6,004
2023	4,622
2024	5,279
2025	3,396
Thereafter	2,324
Subtotal	76,617
Less: Interest component	(2,458)
Total	\$ 74,159

NJR

On July 17, 2019, NJR entered into a Note Purchase Agreement for \$150 million of 3.29 percent senior notes due on July 17, 2029. NJR issued \$50 million of these senior notes on July 17, 2019 and issued the remaining \$100 million of these senior notes on August 15, 2019.

On January 26, 2018, NJR entered into a variable-for-fixed interest rate swap on its \$100 million variable rate term loan, which fixed the variable rate at 2.84 percent. The swap terminated on August 16, 2019, which coincided with the maturity of the debt. NJR had no long-term variable-rate debt outstanding as of September 30, 2020 and 2019.

On May 14, 2020, NJR entered into a Note Purchase Agreement for \$260 million of its senior notes, of which \$130 million are at a fixed interest rate of 3.5 percent, maturing in 2030, and \$130 million are at a fixed interest rate of 3.6 percent, maturing in 2032. On July 23, 2020, NJR issued all \$260 million of the senior notes. The senior notes are unsecured and guaranteed by certain unregulated subsidiaries of NJR.

On September 1, 2020, NJR entered into and issued a Note Purchase Agreement for \$200 million of its senior notes, of which \$120 million are at a fixed interest rate of 3.13 percent, maturing in 2031, and \$80 million are at a fixed interest rate of 3.25 percent, maturing in 2033. The senior notes are unsecured and guaranteed by certain unregulated subsidiaries of NJR.

Clean Energy Ventures

Clean Energy Ventures received proceeds of \$42.9 million and \$71.5 million in fiscal 2020 and 2018, respectively, in connection with the sale leaseback of commercial solar assets. Clean Energy Ventures did not receive proceeds related to the sale leaseback of commercial solar assets during fiscal 2019. Clean Energy Ventures enters into transactions to sell the commercial solar assets concurrent with agreements to lease the assets back over a period of five to 15 years. These sale leasebacks arrangements did not qualify for sale treatment and, therefore, are accounted for as a financing arrangement, which are typically secured by the renewable energy facility asset and its future cash flows from SREC and energy sales. ITCs and other tax benefits associated with these solar projects are transferred to the buyer. Clean Energy Ventures continues to operate the solar assets, including related expenses, and retain the revenue generated from SRECs and energy sales, and has the option to renew the lease or repurchase the assets sold at the end of the contract term.

New Jersey Resources Corporation

Part II

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (Continued)

Contractual commitments for the solar financing obligation payments, as of the fiscal years ended September 30, are as follows:

<i>(Thousands)</i>	Lease Payments
2021	\$ 12,928
2022	12,926
2023	13,003
2024	12,904
2025	8,985
Thereafter	47,268
Subtotal	108,014
Less: Interest component	(23,052)
Total	\$ 84,962

Short-term Debt

A summary of NJR's and NJNG's short-term bank facilities as of September 30, are as follows:

<i>(Thousands)</i>	2020	2019	Expiration Dates
NJR			
Bank revolving credit facilities ⁽¹⁾	\$ 425,000	\$ 425,000	December 2023
Notes outstanding at end of period	\$ 125,350	\$ 25,450	
Weighted average interest rate at end of period	1.49 %	3.04 %	
Amount available at end of period ⁽²⁾	\$ 289,356	\$ 394,800	
Bank revolving credit facilities ⁽¹⁾	\$ 250,000	\$ —	April 2021
Notes outstanding at end of period	\$ —	\$ —	
Weighted average interest rate at end of period	— %	— %	
Amount available at end of period ⁽²⁾	\$ 250,000	\$ —	
NJNG			
Bank revolving credit facilities ⁽³⁾	\$ 250,000	\$ 250,000	December 2023
Commercial paper outstanding at end of period	\$ —	\$ —	
Weighted average interest rate at end of period	— %	— %	
Amount available at end of period ⁽⁴⁾	\$ 249,269	\$ 249,269	

(1) Committed credit facilities, which require commitment fees of 0.075 percent on the unused amounts.

(2) Letters of credit outstanding total \$10.3 million and \$4.8 million as of September 30, 2020 and 2019, respectively, which reduces amount available by the same amount.

(3) Committed credit facilities, which require commitment fees of 0.075 percent on the unused amounts.

(4) Letters of credit outstanding total \$731,000 as of September 30, 2020 and 2019, which reduces amount available by the same amount.

Amounts available under credit facilities are reduced by bank or commercial paper borrowings, as applicable, and any outstanding letters of credit. Neither NJNG nor the results of its operations are obligated or pledged to support the NJR credit or debt shelf facilities.

On October 9, 2019, NJR entered into a \$350 million Bridge Facility, which was used primarily to finance the Leaf River acquisition. The Bridge Facility accrued interest at the LIBOR rate for a 1-month interest period plus 0.875 percent during the first 180 days, and 1.075 percent after 180 days. Loans under the Bridge Facility were required to be prepaid to the extent of new cash proceeds received upon the issuance of equity of NJR, the incurrence of indebtedness by NJR or its subsidiaries, the disposition of assets by NJR or its subsidiaries or upon other specified events, in each case subject to certain exceptions set forth in the Bridge Facility. As of September 30, 2020, the loan was repaid in full.

NJR

On April 24, 2020, NJR entered into a 364-day \$250 million revolving credit facility with an interest rate based on LIBOR plus 1.625 percent. After six months, all outstanding amounts under the credit facility would convert to a term loan and would be due on April 23, 2021. In connection with entry into this credit facility, as of September 30, 2020, all outstanding borrowings under NJR's December 13, 2019, \$150 million revolving line of credit facility were repaid. On October 24, 2020, there was no balance outstanding on the \$250 million credit facility. As a result, the credit facility was considered terminated.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (Continued)

On June 25, 2018, the \$425 million NJR Credit Facility was amended to permit liens and the disposition of assets relating to sale leaseback or other similar tax equity financing arrangements of meter assets or of solar facilities. These transactions are permissible so long as NJR is in compliance with certain covenants both before and after such incurrence, and if no event of default may be caused by such sale leaseback or similar arrangement.

On December 5, 2018, NJR entered into an Amended and Restated Credit Agreement governing a \$425 million NJR Credit Facility. The NJR Credit Facility expires on December 5, 2023, subject to two mutual options for a one-year extension beyond that date. The NJR Credit Facility permits the borrowing of revolving loans and swingline loans, as well as the issuance of letters of credit. The NJR Credit Facility also includes an accordion feature, which would allow NJR, in the absence of a default or event of default, to increase from time to time, with the existing or new lenders, the revolving credit commitments under the NJR Credit Facility in minimum increments of \$50 million increments up to a maximum of \$250 million. Certain of NJR's unregulated subsidiaries have guaranteed all of NJR's obligations under the NJR Credit Facility. The credit facility is used primarily to finance its share repurchases, to satisfy Energy Services' short-term liquidity needs and to finance, on an initial basis, unregulated investments.

As of September 30, 2020, NJR had seven letters of credit outstanding totaling \$10.3 million on behalf of Energy Services and Clean Energy Ventures. These letters of credit reduce the amount available under NJR's committed credit facility by the same amount. NJR does not anticipate that these letters of credit will be drawn upon by the counterparties, and they will be renewed as necessary.

Energy Services' letters of credit are used for margin requirements for natural gas transactions, collateral and security deposit for retail natural gas sales and expire on dates ranging from December 2020 to September 2021.

Neither NJNG nor the results of its operations are obligated or pledged to support the NJR credit or debt shelf facilities.

NJNG

On December 5, 2018, NJNG entered into an Amended and Restated Credit Agreement governing a \$250 million, NJNG Credit Facility. The NJNG Credit Facility expires on December 5, 2023, subject to two mutual options for a one-year extension beyond that date. The NJNG Credit Facility permits the borrowing of revolving loans and swingline loans, as well as the issuance of letters of credit. The NJNG Credit Facility also includes an accordion feature, which would allow NJNG, in the absence of a default or event of default, to increase from time to time, with the existing or new lenders, the revolving credit commitments under the NJNG Credit Facility in minimum increments of \$50 million up to a maximum of \$100 million.

As of September 30, 2020, NJNG has two letters of credit outstanding for \$731,000. NJNG's letters of credit are used as collateral for remediation projects and expire in August 11, 2021. These letters of credit reduce the amount available under NJNG's committed credit facility by the same amount. NJNG does not anticipate that these letters of credit will be drawn upon by the counterparty and they will be renewed as necessary.

10. STOCK-BASED COMPENSATION

In January 2017, the NJR 2017 Stock Award and Incentive Plan replaced the NJR 2007 Stock Award and Incentive Plan. Shares have been issued in the form of performance share units, restricted stock units, deferred retention stock units and unrestricted common stock to non-employee directors. As of September 30, 2020, 3,189,550 shares remain available for future issuance.

The following table summarizes all stock-based compensation expense recognized during the following fiscal years:

(Thousands)	2020	2019	2018
Stock-based compensation expense:			
Performance share awards	\$ 1,943	\$ 5,804	\$ 3,526
Restricted and non-restricted stock	2,868	2,492	2,191
Deferred retention stock	1,725	1,500	7,128
Compensation expense included in operation and maintenance expense	6,536	9,796	12,845
Income tax benefit ⁽¹⁾	(1,900)	(2,848)	(3,734)
Total, net of tax	\$ 4,636	\$ 6,948	\$ 9,111

(1) Excludes additional tax benefit related to delivered shares of \$647,000, \$1.3 million and \$3 million as of September 30, 2020, 2019 and 2018, respectively.

New Jersey Resources Corporation
Part II

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (Continued)

Performance Share Units

In fiscal 2020, the Company granted to certain officers 33,123 performance shares, which are market condition awards that vest on September 30, 2022, subject to the Company meeting certain conditions. In fiscal 2020, the Company also granted to certain officers 48,941 performance shares, of which 30,473 vest on September 30, 2022 and 18,468 vest annually over a three-year period beginning in September 2020, both of which are subject to the Company meeting certain performance conditions.

In fiscal 2019, the Company granted to certain officers 36,392 performance shares, which are market condition awards that vest on September 30, 2021, subject to the Company meeting certain conditions. In fiscal 2019, the Company also granted to certain officers 63,870 performance shares, of which 33,844 vest on September 30, 2021 and 30,026 vest annually over a three-year period beginning in September 2019, both of which are subject to the Company meeting certain performance conditions.

In fiscal 2018, the Company granted to certain officers 31,836 performance shares, which are market condition awards that vested on September 30, 2020, subject to the Company meeting certain conditions. In fiscal 2018, the Company also granted to certain officers 59,341 performance shares, of which 29,608 vested in September 30, 2020 and 29,733 vest annually over a three-year period beginning in September 2018, both of which were subject to the Company meeting certain performance conditions. The vesting of these awards are shown in the table below.

There is approximately \$2.4 million of deferred compensation related to unvested performance shares that is expected to be recognized over the weighted average period of 1.7 years.

The following table summarizes the performance share activity under the stock award and incentive plans for the past three fiscal years:

	Shares ⁽¹⁾	Weighted Average Grant Date Fair Value	Total Fair Value of Vested Shares (in Thousands)
Non-vested and outstanding at September 30, 2017	156,587	\$30.12	—
Granted	91,177	\$44.67	—
Vested ⁽²⁾	(100,146)	\$29.49	\$ 4,714
Cancelled/forfeited	(2,442)	\$31.45	—
Non-vested and outstanding at September 30, 2018	145,176	\$39.67	—
Granted	100,262	\$47.98	—
Vested ⁽³⁾	(103,009)	\$38.52	\$ 4,622
Cancelled/forfeited	(11,920)	\$44.34	—
Non-vested and outstanding at September 30, 2019	130,509	\$46.53	—
Granted	82,064	\$40.61	—
Vested ⁽⁴⁾	(55,025)	\$44.27	\$ 2,083
Cancelled/forfeited	(1,817)	\$44.38	—
Non-vested and outstanding at September 30, 2020	155,731	\$44.22	—

(1) The number of common shares issued related to certain performance shares may range from zero to 150 percent of the number of shares shown in the table above based on the Company's achievement of performance goals.

(2) As certified by the Company's Leadership and Compensation Committee on November 13, 2018, the number of common shares related to performance shares earned was 99 percent, or 38,660 shares, the number of common shares earned related to NFE performance was 121 percent or 39,694 shares, and the number of common shares earned related to Performance Based Restricted Stock was 100 percent or 36,998 shares. Each award earned excludes accumulated dividends. The number represented on this line is the target number of 100 percent.

(3) As certified by the Company's Leadership and Compensation Committee on November 12, 2019, the number of common shares earned related to TSR performance was 119 percent or 43,641 shares, the number of common shares earned related to NFE performance was 117 percent or 26,413 shares, and the number of common shares earned related to Performance Based Restricted Stock was 100 percent or 24,468 shares. Each award earned excludes accumulated dividends. The number represented on this line is the target number of 100 percent.

(4) As certified by the Company's Leadership and Compensation Committee on November 9, 2020, there were no common shares earned related to TSR performance, the number of common shares earned related to NFE performance was 114 percent or 28,513 shares and the number of common shares earned related to Performance Based Restricted Stock was 100 percent or 11,139 shares. Each award earned excludes accumulated dividends. The number represented on this line is the target number of 100 percent.

The Company measures compensation expense related to performance shares based on the fair value of these awards at their date of grant. In accordance with ASC 718, *Compensation - Stock Compensation*, compensation expense for market condition grants are recognized for awards granted, and are not adjusted based on actual achievement of the performance goals. The Company estimated the fair value of these grants on the date of grant using a lattice model. Performance condition grants

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (Continued)

are initially fair valued at the Company's stock price on grant date, and are subsequently adjusted for actual achievement of the performance goals.

Restricted Stock Units

In fiscal 2020, the Company granted 42,478 shares of restricted stock units that vest annually over a three-year period beginning October 2020. In fiscal 2019, the Company granted 29,222 shares of restricted stock that vest annually over a three-year period beginning in October 2019. In fiscal 2019, the Company also granted 6,062 shares of restricted stock that vest annually over a three-year period beginning April 2020. In fiscal 2018, the Company granted 27,949 shares of restricted stock that vest annually over a three-year period beginning in October 2018. There is approximately \$1 million of deferred compensation related to unvested restricted stock shares that is expected to be recognized over the weighted average period of 1.8 years.

The following table summarizes the restricted stock activity under the stock award and incentive plans for the past three fiscal years:

	Shares	Weighted Average Grant Date Fair Value	Total Fair Value of Vested Shares (in Thousands)
Non-vested and outstanding at September 30, 2017	51,154	\$32.40	—
Granted	27,949	\$45.00	—
Vested	(33,815)	\$31.23	\$ 1,438
Cancelled/forfeited	(1,120)	\$33.54	—
Non-vested and outstanding at September 30, 2018	44,168	\$41.24	—
Granted	35,284	\$48.24	—
Vested	(20,748)	\$39.26	\$ 935
Cancelled/forfeited	(548)	\$42.96	—
Non-vested and outstanding at September 30, 2019	58,156	\$46.18	—
Granted	42,478	\$40.61	—
Vested	(25,973)	\$44.71	\$ 1,073
Cancelled/forfeited	(1,175)	\$43.62	—
Non-vested and outstanding at September 30, 2020	73,486	\$43.52	—

Deferred Retention Stock Units

Deferred retention stock awards are granted upon approval by the Board of Directors, which generally occurs subsequent to the fiscal year end. Deferred retention stock awards vest immediately when granted, with shares delivered at a future date in accordance with the terms of the underlying agreements. The expense for these awards is recognized in the fiscal year in which services are rendered. The following table summarizes the deferred retention stock award under the stock award and incentive plans for the past three fiscal years:

	Shares	Weighted Average Grant Date Fair Value	Total Fair Value of Vested Shares (in Thousands)
Outstanding at September 30, 2017	672,578	\$29.54	—
Granted/Vested	24,167	\$45.00	—
Delivered	(452,694)	\$29.42	\$ 19,581
Forfeited	(1,969)	\$35.56	—
Outstanding at September 30, 2018	242,082	\$32.99	—
Granted/Vested	167,407	\$47.95	—
Delivered	(158,733)	\$30.32	\$ 7,145
Forfeited	(7,195)	\$44.41	—
Outstanding at September 30, 2019	243,561	\$44.67	—
Granted/Vested	42,358	\$40.72	—
Delivered	(57,673)	\$35.25	\$ 2,423
Outstanding at September 30, 2020	228,246	\$46.32	—

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (Continued)

Non-Employee Director Stock

Effective January 2020, non-employee director compensation includes an annual equity retainer that is awarded at the time of the Company's annual meeting of shareholders. The shares vest upon the earlier of the first anniversary of the grant date or the date of the Company's next annual meeting of shareholders following the grant date and are subsequently amortized to expense over a 12-month period. During fiscal years 2019 and 2018, the equity portion of non-employee director compensation was awarded in shares of NJR common stock. The shares vested immediately and were subsequently amortized to expense over a 12-month period. The following summarizes non-employee director share awards for the past three fiscal years:

	2020	2019	2018
Shares granted	27,696 ⁽¹⁾	26,165	26,524
Weighted average grant date fair value	\$42.88	\$44.80	\$39.85

(1) \$311,000 of expense remains as of September 30, 2020, to be recognized through December 31, 2020.

11. EMPLOYEE BENEFIT PLANS

Pension and Other Postemployment Benefit Plans

The Company has two trustee, noncontributory defined benefit retirement plans covering eligible regular represented and non-represented employees with more than one year of service. Defined benefit plan benefits are based on years of service and average compensation during the highest 60 consecutive months of employment. The Company also provides postemployment medical and life insurance benefits to employees who meet certain eligibility requirements.

All represented employees of NJRHS hired on or after October 1, 2000, non-represented employees hired on or after October 1, 2009 and NJNG represented employees hired on or after January 1, 2012, are covered by an enhanced defined contribution plan instead of the defined benefit plan. Participation in the postemployment medical and life insurance plan was also frozen to new employees as of the same dates, with the exception of new NJRHS represented employees, for which benefits were frozen beginning April 3, 2012.

The Company maintains an unfunded nonqualified PEP that was established to provide employees with the full level of benefits as stated in the qualified plan without reductions due to various limitations imposed by the provisions of federal income tax laws and regulations. There were no plan assets in the nonqualified plan due to the nature of the plan.

In April 2018, the Company implemented a voluntary early retirement program open to certain eligible employees. As of September 30, 2018, pension and postemployment benefit costs related to the special termination benefits were \$4.2 million and other severance benefits were \$2.2 million. For the amounts incurred, NJNG recognized an expense of approximately \$5.1 million and Home Services and other recognized an expense of approximately \$1.3 million, as a component of O&M in the Consolidated Statements of Operations.

The Company's funding policy for its pension plans is to contribute at least the minimum amount required by the Employee Retirement Income Security Act of 1974, as amended. In fiscal 2020 and 2019, the Company had no minimum funding requirements. The Company made no discretionary contributions to the pension plans in fiscal 2020 or 2019. The Company does not expect to be required to make additional contributions to fund the pension plans over the following two fiscal years based on current actuarial assumptions; however, funding requirements are uncertain and can depend significantly on changes in actuarial assumptions, returns on plan assets and changes in the demographics of eligible employees and covered dependents.

There are no federal requirements to pre-fund OPEB benefits. However, the Company is required to fund certain amounts due to regulatory agreements with the BPU. The Company contributed \$8.4 million and \$7.9 million, in fiscal 2020 and 2019, respectively, and estimates that it will contribute between \$5 million and \$10 million over each of the next five years. Additional contributions may be required based on market conditions and changes to assumptions.

The Affordable Care Act was enacted in March 2010 and created an excise tax applicable to high-cost health plans, commonly known as the Cadillac Tax. Employers who sponsor health plans that have an annual cost that exceeded an amount defined by the law would pay a 40 percent tax on the excess plan costs beginning in 2022. The 2020 federal spending package permanently eliminated the Affordable Care Act-mandated Cadillac tax on high-cost employer-sponsored health coverage. Due to the repeal, the Company's OPEB liability was revalued for these changes. The Company applied a practical expedient to remeasure the plan assets and obligations as of December 31, 2019, which was the nearest calendar month-end date. The impact of the revaluation of the OPEB liability was recorded as of January 1, 2020 and is incorporated within actuarial assumptions at September 30, 2020.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (Continued)

The following summarizes the changes in the funded status of the plans and the related liabilities recognized on the Consolidated Balance Sheets as of September 30:

(Thousands)	Pension ⁽¹⁾		OPEB	
	2020	2019	2020	2019
Change in Benefit Obligation				
Benefit obligation at beginning of year	\$ 360,477	\$ 298,575	\$ 260,003	\$ 196,785
Service cost	8,223	7,381	4,854	4,404
Interest cost	10,587	12,173	7,026	8,324
Plan participants' contributions ⁽²⁾	25	43	194	210
Actuarial loss (gain)	29,738	52,549	(23,226)	54,700
Benefits paid, net of retiree subsidies received	(11,886)	(10,244)	(2,989)	(4,420)
Benefit obligation at end of year	\$ 397,164	\$ 360,477	\$ 245,862	\$ 260,003
Change in plan assets				
Fair value of plan assets at beginning of year	\$ 288,634	\$ 279,410	\$ 83,925	\$ 77,980
Actual return on plan assets	30,632	19,194	6,872	2,499
Employer contributions	596	231	8,436	7,926
Benefits paid, net of plan participants' contributions ⁽²⁾	(11,894)	(10,201)	(2,827)	(4,479)
Fair value of plan assets at end of year	\$ 307,968	\$ 288,634	\$ 96,406	\$ 83,926
Funded status	\$ (89,196)	\$ (71,843)	\$ (149,456)	\$ (176,077)
Amounts recognized on Consolidated Balance Sheets				
Postemployment employee (liability)				
Current	\$ (531)	\$ (603)	\$ (900)	\$ (800)
Noncurrent	(88,665)	(71,240)	(148,556)	(175,277)
Total	\$ (89,196)	\$ (71,843)	\$ (149,456)	\$ (176,077)

(1) Includes the Company's PEP.

(2) Prior to July 1, 1998, employees were eligible to elect an additional participant contribution to enhance their benefits and contributions made during the periods were insignificant.

The actuarial loss on the Company's pension is primarily due to a decrease in the discount rate used to measure the benefit obligation. The actuarial gain related to the OPEB plans is primarily due to the remeasurement of the plan assets and obligations due to the removal of the Cadillac tax, partially offset by a decrease in the discount rate. The Company recognizes a liability for its underfunded benefit plans as required by ASC 715, *Compensation - Retirement Benefits*. The Company records the offset to regulatory assets for the portion of liability relating to NJNG and to accumulated other comprehensive income for the portion of the liability related to its unregulated operations.

The following table summarizes the amounts recognized in regulatory assets and accumulated other comprehensive income as of September 30:

	Regulatory Assets		Accumulated Other Comprehensive Income (Loss)	
	Pension	OPEB	Pension	OPEB
Balance at September 30, 2018	\$ 66,233	\$ 68,685	\$ 14,633	\$ 7,659
Amounts arising during the period:				
Net actuarial loss	38,137	48,452	14,271	9,264
Amounts amortized to net periodic costs:				
Net actuarial (loss)	(4,662)	(5,820)	(1,103)	(648)
Prior service credit	(102)	312	—	53
Balance at September 30, 2019	\$ 99,606	\$ 111,629	\$ 27,801	\$ 16,328
Amounts arising during the period:				
Net actuarial loss (gain)	11,953	(21,974)	7,731	(1,614)
Amounts amortized to net periodic costs:				
Net actuarial (loss)	(7,893)	(6,536)	(2,528)	(907)
Prior service (cost) credit	(102)	182	—	16
Balance at September 30, 2020	\$ 103,564	\$ 83,301	\$ 33,004	\$ 13,823

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (Continued)

The amounts in regulatory assets and accumulated other comprehensive income not yet recognized as components of net periodic benefit cost as of September 30 are:

(Thousands)	Regulatory Assets				Accumulated Other Comprehensive Income (Loss)			
	Pension		OPEB		Pension		OPEB	
	2020	2019	2020	2019	2020	2019	2020	2019
Net actuarial loss	\$ 103,197	\$ 99,139	\$ 83,600	\$ 112,109	\$ 33,004	\$ 27,801	\$ 13,847	\$ 16,367
Prior service cost (credit)	367	467	(299)	(480)	—	—	(24)	(39)
Total	\$ 103,564	\$ 99,606	\$ 83,301	\$ 111,629	\$ 33,004	\$ 27,801	\$ 13,823	\$ 16,328

To the extent the unrecognized amounts in accumulated other comprehensive income or regulatory assets exceed 10 percent of the greater of the benefit obligation or the fair value of plan assets, an amortized amount over the average expected future working lifetime of the active plan participants is recognized. Amounts included in regulatory assets and accumulated other comprehensive income expected to be recognized as components of net periodic benefit cost in fiscal 2021 are as follows:

(Thousands)	Regulatory Assets		Accumulated Other Comprehensive Income (Loss)	
	Pension	OPEB	Pension	OPEB
Net actuarial loss	\$ 8,269	\$ 6,846	\$ 3,178	\$ 1,064
Prior service cost (credit)	102	(166)	—	(13)
Total	\$ 8,371	\$ 6,680	\$ 3,178	\$ 1,051

The accumulated benefit obligation for the pension plans, including the PEP, exceeded the fair value of plan assets. The projected benefit and accumulated benefit obligations and the fair value of plan assets as of September 30, are as follows:

(Thousands)	Pension	
	2020	2019
Projected benefit obligation	\$ 397,164	\$ 360,477
Accumulated benefit obligation	\$ 352,320	\$ 319,527
Fair value of plan assets	\$ 307,968	\$ 288,634

The components of the net periodic cost for pension benefits, including the Company's PEP, and OPEB costs (principally health care and life insurance) for employees and covered dependents for fiscal years ended September 30, are as follows:

(Thousands)	Pension			OPEB		
	2020	2019	2018	2020	2019	2018
Service cost	\$ 8,223	\$ 7,381	\$ 8,139	\$ 4,854	\$ 4,404	\$ 4,607
Interest cost	10,587	12,173	10,493	7,026	8,324	6,365
Expected return on plan assets	(20,579)	(19,054)	(19,639)	(6,510)	(5,515)	(5,352)
Recognized actuarial loss	10,424	5,765	7,537	7,442	6,466	4,660
Prior service cost (credit) amortization	102	102	106	(197)	(365)	(365)
Net periodic benefit cost	8,757	\$ 6,367	\$ 6,636	\$ 12,615	\$ 13,314	\$ 9,915
Special termination benefit	—	—	3,730	—	—	490
Net periodic benefit cost recognized as expense	\$ 8,757	\$ 6,367	\$ 10,366	\$ 12,615	\$ 13,314	\$ 10,405

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (Continued)

Assumptions

The weighted average assumptions used to determine the Company's benefit costs during the fiscal years below and obligations as of September 30, are as follows:

	Pension			OPEB		
	2020	2019	2018	2020	2019	2018
Benefit costs:						
Discount rate	3.37/3.35% (1)	4.36/4.35% (1)	4.04/4.03% (1)	3.48/3.44% (1)	4.38/4.37% (1)	4.12/4.08% (1)
Expected asset return	7.25	7.00 %	7.50 %	7.25	7.00 %	7.50 %
Compensation increase	3.00/3.50% (1)	3.25/3.50% (1)	3.25/3.50% (1)	3.00/3.50% (1)	3.25/3.50% (1)	3.25/3.50% (1)
Obligations:						
Discount rate	2.95/2.92% (1)	3.37/3.35% (1)	4.36/4.35%	3.08/3.03% (1)	3.48/3.44% (1)	4.38/4.37% (1)
Compensation increase	3.00/3.50% (1)	3.00/3.50% (1)	3.25/3.50% (1)	3.00/3.50% (1)	3.00/3.50% (1)	3.25/3.50% (1)

(1) Percentages for represented and nonrepresented plans, respectively.

When measuring its projected benefit obligations, the Company uses an aggregate discount rate at which its obligation could be effectively settled. The Company determines a single weighted average discount rate based on a yield curve comprised of rates of return on a population of high quality debt issuances (AA- or better) whose cash flows (via coupons or maturities) match the timing and amount of its expected future benefit payments. The Company measures its service and interest costs using a disaggregated, or spot rate, approach. The Company applies the duration-specific spot rates from the full yield curve, as of the measurement date, to each year's future benefit payments, which aligns the timing of the plans' separate future cash flows to the corresponding spot rates on the yield curve.

Information relating to the assumed HCCTR used to determine expected OPEB benefits as of September 30, and the effect of a 1 percent change in the rate, are as follows:

(\$ in thousands)	2020	2019	2018
HCCTR	7.6%	7.6%	7.9%
Ultimate HCCTR	4.5%	4.5%	4.5%
Year ultimate HCCTR reached	2026	2026	2024
Effect of a 1 percentage point increase in the HCCTR on:			
Year-end benefit obligation	\$ 49,106	\$ 49,061	\$ 36,260
Total service and interest cost	\$ 2,799	\$ 2,923	\$ 2,482
Effect of a 1 percentage point decrease in the HCCTR on:			
Year-end benefit obligation	\$ (38,844)	\$ (38,747)	\$ (28,743)
Total service and interest costs	\$ (2,151)	\$ (2,250)	\$ (1,937)

The Company's investment objective is a long-term real rate of return on assets before permissible expenses that is approximately 5 percent greater than the assumed rate of inflation, as measured by the consumer price index. The expected long-term rate of return is based on the asset categories in which the Company invests and the current expectations and historical performance for these categories.

The mix and targeted allocation of the pension and OPEB plans' assets are as follows:

Asset Allocation	2021 Target Allocation	Assets at September 30, 2020	2019
U.S. equity securities	34 %	38 %	37 %
International equity securities	17	18	17
Fixed income	38	39	42
Other assets	11	5	4
Total	100 %	100 %	100 %

The Company adopted the revised mortality assumptions published by the Society of Actuaries for its pension and other postemployment benefit obligations, which reflected increased life expectancies in the U.S. The adoption of the new mortality

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (Continued)

projection scale, MP-2019 and the Pri-2012 mortality study, did not materially impact the projected benefit obligation for the plans.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid during the following fiscal years:

<i>(Thousands)</i>	Pension	OPEB
2021	\$ 12,799	\$ 6,179
2022	\$ 13,765	\$ 6,837
2023	\$ 14,512	\$ 7,420
2024	\$ 15,345	\$ 7,988
2025	\$ 16,267	\$ 8,625
2026 - 2030	\$ 95,969	\$ 52,480

The Company's OPEB plans provide prescription drug benefits that are actuarially equivalent to those provided by Medicare Part D. Therefore, under the Medicare Prescription Drug, Improvement and Modernization Act of 2003, the Company qualifies for federal subsidies.

The following estimated subsidy payments are expected to be paid during the following fiscal years:

<i>(Thousands)</i>	Estimated Subsidy Payment
2021	\$ 292
2022	\$ 316
2023	\$ 349
2024	\$ 384
2025	\$ 420
2026 - 2030	\$ 2,789

Pension and OPEB assets held in the master trust, measured at fair value, as of September 30, are summarized as follows:

<i>(Thousands)</i>	Quoted Prices in Active Markets for Identical Assets (Level 1)	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Total
As of September 2020:	Pension		OPEB	
Assets				
Money market funds	\$ —	\$ —	\$ 15	\$ 15
Registered Investment Companies:				
Equity Funds:				
Large Cap Index	95,542	95,542	29,908	29,908
Extended Market Index	21,085	21,085	6,470	6,470
International Stock	56,912	56,912	17,390	17,390
Fixed Income Funds:				
Emerging Markets	16,008	16,008	4,958	4,958
Core Fixed Income	—	—	11,146	11,146
Opportunistic Income	—	—	7,128	7,128
Ultra Short Duration	—	—	7,057	7,057
High Yield Bond Fund	26,303	26,303	8,223	8,223
Long Duration Fund	77,036	77,036	—	—
Total assets at in the fair value hierarchy	\$ 292,886	292,886	\$ 92,295	92,295
Investments measured at net asset value				
Common collective trusts		15,082		4,111
Total assets at fair value	\$	307,968	\$	96,406

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (Continued)

(Thousands)	Quoted Prices in Active Markets for Identical Assets (Level 1)			Total	Quoted Prices in Active Markets for Identical Assets (Level 1)			Total
As of September 30, 2019:	Pension				OPEB			
Assets								
Money market funds	\$	—	\$	—	\$	21	\$	21
Registered Investment Companies:								
Equity Funds:								
Large Cap Index		89,374		89,374		25,474		25,474
Extended Market Index		16,548		16,548		5,036		5,036
International Stock		49,929		49,929		14,564		14,564
Fixed Income Funds:								
Emerging Markets		15,794		15,794		4,764		4,764
Core Fixed Income		—		—		10,570		10,570
Opportunistic Income		—		—		6,365		6,365
Ultra Short Duration		—		—		6,340		6,340
High Yield Bond Fund		24,328		24,328		7,350		7,350
Long Duration Fund		80,041		80,041		—		—
Total assets at in the fair value hierarchy	\$	276,014		276,014	\$	80,484		80,484
Investments measured at net asset value								
Common collective trusts				12,620				3,442
Total assets at fair value			\$	288,634			\$	83,926

The Plan had no Level 2 or Level 3 fair value measurements during fiscal 2020 and 2019, and there have been no changes in valuation methodologies as of September 30, 2020. The Plan held assets that are valued using net asset value as a practical expedient, which are excluded from the fair value hierarchy.

The following is a description of the valuation methodologies used for assets measured at fair value:

Money Market funds — Represents bank balances and money market funds that are valued based on the net asset value of shares held at year end.

Registered Investment Companies — Equity and fixed income funds valued at the net asset value of shares held by the plan at year end as reported on the active market on which the individual securities are traded.

Common collective trusts — The NAV for common collective trusts is provided by the trustee and is used as a practical expedient to estimate fair value. The NAV is based on the value of the underlying assets owned by the fund less liabilities.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Defined Contribution Plan

The Company offers a Savings Plan to eligible employees. The Company matches 80 percent of participants' contributions up to 6 percent of base compensation. Represented NJRHS employees, non-represented employees hired on or after October 1, 2009, and NJNG represented employees hired on or after January 1, 2012, are eligible for an employer special contribution of between 3.5 percent and 4.5 percent of base compensation, depending on years of service, into the Savings Plan on their behalf. The amount expensed and contributed for the matching provision of the Savings Plan was \$4.5 million in fiscal 2020, \$3.9 million in fiscal 2019 and \$3.9 million in fiscal 2018. The amount contributed for the employer special contribution of the Savings Plan was \$1.6 million in fiscal 2020, \$1.3 million in fiscal 2019 and \$959,000 in fiscal 2018.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (Continued)

12. ASSET RETIREMENT OBLIGATIONS

The Company recognizes ARO when the legal obligation to retire an asset has been incurred and a reasonable estimate of fair value can be made. Accordingly, the Company recognizes ARO related to the costs associated with cutting and capping its main and service natural gas distribution pipelines of NJNG, which is required by New Jersey law when taking such natural gas distribution pipeline out of service. The Company also recognizes ARO related to Clean Energy Ventures' solar assets when there are decommissioning provisions in Clean Energy Ventures' lease agreements that require removal of the asset.

Accretion amounts associated with NJNG's ARO are recognized as part of its depreciation expense and the corresponding regulatory asset and liability will be shown gross on the Consolidated Balance Sheets. Accretion amounts associated with Clean Energy Ventures' ARO are recognized as a component of operations and maintenance expense on the Consolidated Statements of Operations.

The following is an analysis of the change in the Company's ARO for the fiscal years ended September 30:

(Thousands)	2020		2019	
	NJNG	NJRCEV	NJNG	NJRCEV
Balance at October 1	\$ 26,944	\$ 4,102	\$ 25,640	\$ 3,048
Accretion	1,476	196	1,427	150
Additions	—	1,306	135	904
Change in estimated useful life	—	(1,160)	—	—
Change in assumptions	1,104	—	—	—
Retirements	(244)	—	(258)	—
Other	—	—	—	—
Balance at period end	\$ 29,280	\$ 4,444	\$ 26,944	\$ 4,102

Accretion for the next five years, for the fiscal years ended September 30, is estimated to be as follows:

(Thousands)	Estimated Accretion
2021	\$ 1,717
2022	1,789
2023	1,869
2024	1,948
2025	2,029
Total	\$ 9,352

13. INCOME TAXES

The income tax benefit from operations for the fiscal years ended September 30, consists of the following:

(Thousands)	2020	2019	2018
Current:			
Federal	\$ (2,164)	\$ 10,933	\$ (2,848)
State	6,763	3,530	4,563
Deferred:			
Federal	31,577	7,988	(40,785)
State	(900)	5,833	6,731
Investment/production tax credits	(42,220)	(66,035)	(21,446)
Income tax benefit	\$ (6,944)	\$ (37,751)	\$ (53,785)

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (Continued)

As of September 30, the temporary differences, which give rise to deferred tax assets (liabilities), consist of the following:

(Thousands)	2020	2019
Deferred tax assets		
Investment tax credits ⁽¹⁾	\$ 194,840	\$ 156,153
Federal net operating losses ⁽²⁾	24,091	24,173
State net operating losses	33,233	25,302
Fair value of derivatives	13,979	9,673
Postemployment benefits	8,544	9,192
Incentive compensation	7,071	7,231
Amortization of intangibles	5,892	4,991
Overrecovered natural gas costs	7,244	—
Other	2,370	7,139
Total deferred tax assets	\$ 297,264	\$ 243,854
Less: Valuation allowance	(17,639)	(4,035)
Total deferred tax assets net of valuation allowance	\$ 279,625	\$ 239,819
Deferred tax liabilities		
Property related items	\$ (419,075)	\$ (379,673)
Remediation costs	(10,207)	(10,720)
Investments in equity investees	(23,395)	(21,730)
Underrecovered natural gas costs	—	(2,657)
Conservation incentive plan	(5,345)	(942)
Other	(6,639)	(4,776)
Total deferred tax liabilities	\$ (464,661)	\$ (420,498)
Total net deferred tax liabilities	\$ (185,036)	\$ (180,679)

(1) Includes \$898,000 and \$2 million for NJNG for fiscal 2020 and 2019, respectively, which is being amortized over the life of the related assets.

(2) See discussion of federal net operating loss utilization in the *Other Tax Items* section of this note.

A reconciliation of the U.S. federal statutory rate to the effective rate from operations for the fiscal years ended September 30, is as follows:

(Thousands)	2020	2019	2018
Statutory income tax expense	\$ 39,265	\$ 27,668	\$ 44,014
Change resulting from:			
Investment/production tax credits	(42,220)	(66,035)	(21,446)
Cost of removal of assets placed in service prior to 1981	(5,362)	(6,349)	(5,829)
AFUDC equity	(4,933)	(2,313)	(2,117)
State income taxes, net of federal benefit	8,657	7,707	7,092
NJ Unitary method change	(15,345)	—	—
Basis adjustment of solar assets due to ITC	4,399	6,500	1,080
Valuation allowance	13,604	—	—
Tax Act - utility excess deferred income taxes amortized ⁽¹⁾	(3,573)	(3,573)	(1,786)
Tax Act - nonutility excess deferred income taxes ⁽¹⁾	—	—	(59,627)
Tax Act - utility excess deferred income taxes refunded to customers ⁽¹⁾	—	—	(14,323)
Other	(1,436)	(1,356)	(843)
Income tax benefit	\$ (6,944)	\$ (37,751)	\$ (53,785)
Effective income tax rate ^{(2) (3)}	(3.7)%	(28.7)%	(29.9)%

(1) For a more detailed description, see *The Tax Act* section of this note.

(2) The U.S. federal statutory rate was 21 percent for both fiscal 2020 and 2019 and 24.5 percent for fiscal 2018.

(3) The effective tax rate without the impact of the Tax Act would have been 12.4 percent for fiscal 2018.

The Company and one or more of its subsidiaries files or expects to file income and/or franchise tax returns in the U.S. Federal jurisdiction and in the states of Colorado, Connecticut, Delaware, Louisiana, Maryland, New Jersey, North Carolina, Pennsylvania, Texas, Mississippi and Virginia. The Company neither files in, nor believes it has a filing requirement in, any foreign jurisdictions other than Canada. Due to certain available tax treaty benefits, the Company incurs no tax liability in Canada.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (Continued)

The Company's federal income tax returns through fiscal 2014 have either been reviewed by the IRS, or the related statute of limitations has expired and all matters have been settled. Federal income tax returns for periods subsequent to fiscal 2014 are open to examination or are currently under examination by the IRS. For all periods subsequent to those ended September 30, 2016, the Company's state income tax returns are statutorily open to examination in all applicable states with the exception of Colorado, New Jersey and Texas. In Colorado, New Jersey and Texas, all periods subsequent to September 30, 2015 are statutorily open to examination.

In May 2019, the Company received a favorable ruling from the IRS regarding a change to its tax method of accounting for the capitalization of certain costs associated with self-constructed property placed in service during fiscal years prior to September 30, 2015. The self-constructed property to which these costs relate is considered qualified energy property as defined under the Internal Revenue Code. As such, the Company is eligible to claim a 30 percent ITC on the increase in the depreciable cost basis of the property through the filing of an amended tax return in the year of change. As a result of the favorable IRS ruling, the Company recorded a benefit from income taxes of approximately \$10 million from the additional ITC recognized, net of deferred taxes.

NJR evaluates its tax positions to determine the appropriate accounting and recognition of potential future obligations associated with unrecognized tax benefits. A tax benefit claimed, or expected to be claimed, on a tax return may be recognized if it is more likely than not that the position will be upheld upon examination by the applicable taxing authority. Interest and penalties related to unrecognized tax benefits, if any, are recognized within income tax expense and accrued interest, and penalties are recognized within other noncurrent liabilities on the Consolidated Balance Sheets.

As of September 30, 2020, the Company evaluated certain tax benefits that have been recorded in the financial statements and concluded that a portion of the tax benefits are uncertain at this time. As a result, the Company recorded a reserve that is included in accrued taxes on the Consolidated Balance Sheets. The tax benefits relate to fiscal tax years open to examination by the IRS and may be subject to subsequent adjustment. The reserve for uncertain tax benefits for the fiscal year ended September 30, is as follows:

<i>(Thousands)</i>	2020	2019
Balance at October 1,	\$ 4,930	\$ —
Additions based on tax positions related to the current fiscal period	—	4,930
Balance at period end	\$ 4,930	\$ 4,930

CARES Act

On March 27, 2020, the President of the U.S. signed the CARES Act, which is aimed at providing emergency assistance and health care for individuals, families, and businesses affected by the COVID-19 pandemic and generally supporting the U.S. economy. The CARES Act, among other things, includes several business tax provisions which include, but are not limited to modifications of federal net operating loss carrybacks and deductibility, changes to prior year refundable alternative minimum tax liabilities, increase of limitations on business interest deductions from 30 percent to 50 percent of earnings before interest, taxes, depreciation, and amortization, technical corrections of the classification of qualified improvement property making them eligible for bonus depreciation, increase of the limits on charitable contribution deductions from 10 percent to 25 percent of adjusted taxable income, modifications of the treatment of federal loans, loan guarantees, and other investments, suspension of industry specific excise taxes, deferral of the company portion of OASDI, and implementation of a refundable employee retention tax credit.

The CARES Act provides for the delay in the required deposit of the employer portion of the OASDI payroll tax from the date of enactment through the end of 2020. Of the taxes that the Company can defer, 50 percent of the deferred taxes are required to be deposited by the end of 2021 and the remaining 50 percent are required to be deposited by the end of 2022. Additionally, The CARES Act provides a refundable tax credit, the employee retention tax credit, to certain employers who are ordered by a competent governmental authority to suspend or reduce business operations due to concern about the spread of COVID-19 or suffered a significant decline in the business during a calendar quarter during 2020 compared to the same calendar quarter during the previous year. As of September 30, 2020, the Company deferred \$3.1 million related to the employer portion of the OASDI tax. The Company is currently investigating the applicability of the Employee Retention Tax credit.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (Continued)

Other Tax Items

As of September 30, 2020 and 2019, the Company has federal income tax net operating losses of approximately \$134 million. Federal net operating losses can generally be carried back two years and forward 20 years and will begin to expire in fiscal 2036, with the remainder expiring by 2038. The Company expects to exercise its ability to carryback federal net operating losses to offset taxable income in prior periods.

For the net operating losses it expects to carryback, the Company estimated the portion considered refundable and recorded receivables of approximately \$22.8 million as of September 30, 2020 and 2019, as a component of other noncurrent assets on the Consolidated Balance Sheets. Upon filing amended federal income tax returns to carryback its remaining federal net operating losses totaling \$24.1 million, the Company will reduce its taxable income in those periods and recapture federal investment tax credits of the same amount that were previously utilized to offset taxable income.

In addition, as of September 30, 2020 and 2019, the Company has tax credit carryforwards of approximately \$195.2 million and \$154.2 million, respectively, which each have a life of 20 years. When the Company carries back the federal net operating losses noted above, it expects to recapture investment tax credits totaling \$24.1 million. These recaptured tax credits are in addition to the \$195.2 million and will be carried forward to offset future taxable income. The Company expects to utilize this entire carryforward prior to expiration, which would begin in fiscal 2034.

As of September 30, 2020 and 2019, the Company has state income tax net operating losses of approximately \$487.7 million and \$340 million, respectively. These state net operating losses have varying carry-forward periods dictated by the state in which they were incurred; these state carry-forward periods range from seven to 20 years and would begin to expire in fiscal 2021, with the majority expiring after 2035. The Company expects to utilize this entire carryforward, other than as described below.

On February 7, 2019, Clean Energy Ventures finalized the sale of its remaining wind assets. As a result of the sale, it is more likely than not that certain state net operating loss carryforwards will not be realizable prior to their expiration and recorded a valuation allowance related to state net operating loss carryforwards in Montana, Iowa and Kansas.

As a result of changes to filing requirements in the State of New Jersey that require tax returns filed for periods ending on or after July 31, 2019, be filed on a combined basis when part of an affiliated group, the Company recorded a benefit from income taxes, resulting from the re-measurement of deferred income tax attributes. The Company also evaluated its New Jersey state net operating loss carryforwards on a post-apportionment basis and determined it is more likely than not that a portion of these net operating loss carryforwards may not be realizable prior to their expiration. As a result, the Company recorded a valuation allowance associated with New Jersey state net operating loss carryforwards.

As of September 30, 2020 and 2019, the Company had a valuation allowance of \$17.6 million and \$4 million related to state net operating loss carryforwards.

The Consolidated Appropriations Act extended the 30 percent ITC for solar property that is under construction on or before December 31, 2019. Projects placed in service after December 31, 2019, may also qualify for a 30 percent federal ITC if five percent or more of the total costs of a solar property are incurred before the end of the applicable year and there are continuous efforts to advance towards completion of the project, based on the IRS guidance around ITC safe harbor determination. The credit will decline to 26 percent for property under construction during 2020, and to 22 percent for property under construction during 2021. For any property that is under construction before 2022, but not placed in service before 2024, the ITC will be reduced to 10 percent.

The Tax Act

On December 22, 2017, the President signed into law the Tax Act. The law made several changes to the Internal Revenue Code of 1986, as amended, the most impactful to the Company of which was a reduction in the federal corporate income tax rate from 35 percent to 21 percent that became effective January 1, 2018. Since the Company's fiscal year end is September 30, it is required by the Internal Revenue Code to calculate a statutory rate based upon the federal tax rates in effect before and after the effective date of the change in the taxable year that includes the effective date. Accordingly, the Company applied a federal statutory tax rate of 24.5 percent during fiscal 2018 and as of October 1, 2018, used the enacted rate of 21 percent. As a result of the changes associated with the Tax Act during fiscal 2019, the Company recognized a tax benefit of \$59.6 million.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (Continued)

As a result of the changes associated with the Tax Act, NJNG recorded a decrease in its net deferred tax liability of \$228.4 million, which included \$164.3 million for the revaluation of its deferred income taxes and \$64.1 million for the accounting of the income tax effects on the revaluation of those deferred income taxes. These amounts were recorded as a regulatory liability on the Consolidated Balance Sheets. On May 22, 2018, the BPU approved a refund of \$31 million, which included approximately \$20.1 million of the initial revaluation of excess deferred income taxes, \$9 million for the overcollection of taxes from customers from January 1, 2018 through March 31, 2018, and interest on the overcollected taxes at the Company's short-term debt rate. These credits were returned to customer accounts in June 2018.

During fiscal 2018, NJNG credited approximately \$17 million to income tax (benefit) provision on the Consolidated Statements of Operations, which includes \$14.3 million attributable to the remeasurement of deferred income taxes, \$1.8 million for the amortization of excess deferred income taxes primarily related to timing differences associated with utility plant depreciation and \$880,000 related to the revaluation of deferred income taxes not included in base rates. As of September 30, 2020, the regulatory liability included excess deferred income taxes of \$195 million, which requires amortization over the remaining life of the utility plant consistent with IRS normalization principles.

14. LEASES

Lessee Accounting

The Company determines if an arrangement is a lease at inception based on whether the Company has the right to control the use of an identified asset, the right to obtain substantially all of the economic benefits from the use of the asset and the right to direct the use of the asset and accounts for leases in accordance with ASC 842, *Leases*. Right-of-use assets represent the Company's right to use the underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. Right-of-use assets and leased liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term, including payments at commencement that depend on an index or rate. The Company's land leases and office equipment leases in which the Company is the lessee do not have a readily determinable implicit rate, so an incremental borrowing rate, based on the information available at the lease commencement date, is utilized to determine the present value of lease payments. When a secured borrowing rate is not readily available, unsecured borrowing rates are adjusted for the effects of collateral to determine the incremental borrowing rate. The Company uses the implicit rate for agreements in which it is a lessor. The Company has not entered into any material agreements in which it is a lessor. Lease expense and lease income are recognized on a straight-line basis over the lease term for operating leases. For more information on the adoption of ASC 842, *Leases*, see *Note 2. Summary of Significant Accounting Policies*.

The Company's lease agreements primarily consist of commercial solar land leases, storage and capacity leases, equipment and real property, including land and office facilities, office equipment and the sale leaseback of its natural gas meters.

Certain leases contain escalation provisions for inflation metrics. The storage leases contain a variable payment component that relates to the change in the inflation metrics that are not known past the current payment period. These variable components of these lease payments are excluded from the lease payments that are used to determine the related right-of-use asset and lease liability. The variable portion of these leases are recognized as leasing expenses when they are incurred. The capacity lease payments are fully variable and based on the amount of natural gas stored in the storage caverns.

The Company's solar land lease terms are primarily between 15 and 35 years, which includes options to extend the terms for multiple additional 5 to 10 years each. The Company's office leases vary in duration, ranging from 1 to 25 years and may or may not include extension or early purchase options. The majority of the Company's meter leases are for terms of 7 years with purchase options available prior to the end of the 7 year term. Equipment leases include general office equipment that also vary in duration, most are for a term of 5 years. The Company's storage and capacity leases have assumed terms of 50 years to coincide with the expected useful lives of the cavern assets with which the leases are associated. The Company's lease terms may include options to extend, purchase the leased asset or terminate a lease and they are included in the lease liability calculation when it is reasonably certain that those options will be exercised. The expense related to the leases subject to the short-term lease recognition exemption are recognized on a straight-line basis, with such amounts disclosed in the financial statement notes below.

The Company has lease agreements with lease and nonlease components and has elected the practical expedient to combine lease and nonlease components for certain classes of leases, such as office buildings, solar land leases and office equipment. Variable payments are not significant to the Company. The Company's lease agreements do not contain any

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (Continued)

material residual value guarantees, material restrictions or material covenants. There are no material lease transactions with related parties.

The following table presents the Company's lease costs included in the Consolidated Statements of Operations for the fiscal year ended September 30:

<i>(Thousands)</i>	Income Statement Location	2020
Finance lease cost		
Amortization of right-of-use assets	Depreciation and amortization	\$ 5,007
Interest on lease liabilities	Interest expense, net of capitalized interest	1,511
Total finance lease cost		6,518
Operating lease cost	Operation and maintenance, net of capitalized costs	\$ 6,404
Short-term lease cost	Operation and maintenance	1,041
Variable lease cost	Operation and maintenance	1,025
Total lease cost		\$ 14,988

The following table presents supplemental cash flow information related to leases for the fiscal year ended September 30:

<i>(Thousands)</i>	2020
Cash paid for amounts included in the measurement of lease liabilities	
Operating cash flows from operating leases	\$ 8,804
Operating cash flows from finance leases	\$ 1,189
Financing cash flows from finance leases	\$ 6,985

Assets obtained or modified through amendments in exchange for operating lease liabilities during fiscal 2020 were \$76.6 million. Assets obtained or modified through amendments in exchange for finance lease liabilities during fiscal 2020, were \$49.7 million.

The following table presents the balance and classifications of our right of use assets and lease liabilities included in the Consolidated Balance Sheets for the fiscal year ended September 30:

<i>(Thousands)</i>	Balance Sheet Location	2020
Assets		
Noncurrent		
Operating lease assets	Operating lease assets	\$ 131,769
Finance lease assets	Utility plant	71,085
Total lease assets		\$ 202,854
Liabilities		
Current		
Operating lease liabilities	Operating lease liabilities	\$ 6,724
Finance lease liabilities	Current maturities of long-term debt	10,416
Noncurrent		
Operating lease liabilities	Operating lease liabilities	95,030
Finance lease liabilities	Long-term debt	63,743
Total lease liabilities		\$ 175,913

As of September 30, 2020, the weighted average remaining lease term for the operating and finance leases is 25.5 and 11.5 years, respectively. The weighted average discount rate used in the valuation of the operating and finance lease liabilities and right-of-use assets over the remaining lease term is 3.18 percent and 2.5 percent, respectively.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (Continued)

The following table presents the Company's maturities of lease liabilities as of September 30, 2020:

<i>(Thousands)</i>	Operating Leases	Finance Leases
2021	\$ 6,706	\$ 54,992
2022	6,634	6,004
2023	6,590	4,622
2024	6,210	5,279
2025	5,646	3,396
Thereafter	122,085	2,324
Total future lease payments	153,871	76,617
Less: Liability accretion	(52,117)	(2,458)
Total lease liability	\$ 101,754	\$ 74,159

The following table reflects the Company's future minimum lease payments due under non-cancelable operating leases for continuing operations as of September 30, 2019, under ASC 840 and is being presented for comparative purposes. These commitments relate principally to commercial solar land leases, equipment and real property leases, including land and office facility leases, natural gas meters and office equipment.

<i>(Thousands)</i>	Operating Leases	Finance Leases
2020	\$ 4,411	\$ 11,707
2021	\$ 4,698	\$ 6,603
2022	\$ 4,609	\$ 7,494
2023	\$ 4,579	\$ 3,995
2024	\$ 4,199	\$ 4,652
Thereafter	\$ 54,405	\$ 4,173

On August 14, 2020, the Company entered into a partial termination agreement of its lease contracts associated with its natural gas cavern storage. As a result of the partial termination, the Company paid \$28.5 million to the lease owners receiving in return a 50 year non-compete agreement. The Company treated these Leaf River lease arrangements as one combined contract and its termination was recognized as remeasurement of the remaining lease assets that will be amortized over the remaining part of the lease lives.

15. COMMITMENTS AND CONTINGENT LIABILITIES

Cash Commitments

NJNG has entered into long-term contracts, expiring at various dates through October 2036, for the supply, transportation and storage of natural gas. These contracts include annual fixed charges of approximately \$124.7 million at current contract rates and volumes, which are recoverable through BGSS.

For the purpose of securing storage and pipeline capacity, our Energy Services segment enters into storage and pipeline capacity contracts, which require the payment of certain demand charges by Energy Services to maintain the ability to access such natural gas storage or pipeline capacity, during a fixed time period, which generally ranges from one to 10 years. Demand charges are established by interstate storage and pipeline operators and are regulated by FERC. These demand charges represent commitments to pay storage providers or pipeline companies for the right to store and/or transport natural gas utilizing their respective assets.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (Continued)

Commitments as of September 30, 2020, for natural gas purchases and future demand fees for the next five fiscal year periods, are as follows:

(Thousands)	2021	2022	2023	2024	2025	Thereafter
Energy Services:						
Natural gas purchases	\$ 151,270	\$ 1,600	\$ —	\$ —	\$ —	\$ —
Storage demand fees	21,857	13,028	8,632	3,748	2,488	942
Pipeline demand fees	76,462	53,451	29,736	22,687	17,110	36,527
Sub-total Energy Services	\$ 249,589	\$ 68,079	\$ 38,368	\$ 26,435	\$ 19,598	\$ 37,469
NJNG:						
Natural gas purchases	\$ 4,377	\$ —	\$ —	\$ —	\$ —	\$ —
Storage demand fees	36,096	32,122	20,303	12,768	6,830	3,530
Pipeline demand fees	88,564	131,578	107,614	85,118	79,609	552,465
Sub-total NJNG	\$ 129,037	\$ 163,700	\$ 127,917	\$ 97,886	\$ 86,439	\$ 555,995
Total	\$ 378,626	\$ 231,779	\$ 166,285	\$ 124,321	\$ 106,037	\$ 593,464

As of September 30, 2020, the Company's future minimum lease payments under various operating leases will not be more than \$1.4 million annually for the next five years and \$73,000 in the aggregate for all years thereafter.

Guarantees

As of September 30, 2020, there were NJR guarantees covering approximately \$258 million of Energy Services' natural gas purchases and demand fee commitments not yet reflected in accounts payable on the Consolidated Balance Sheets.

Legal Proceedings

Manufactured Gas Plant Remediation

NJNG is responsible for the remedial cleanup of certain former MGP sites, dating back to gas operations in the late 1800s and early 1900s, which contain contaminated residues from former gas manufacturing operations. NJNG is currently involved in administrative proceedings with the NJDEP, and participating in various studies and investigations by outside consultants, to determine the nature and extent of any such contaminated residues and to develop appropriate programs of remedial action, where warranted, under NJDEP regulations.

NJNG periodically, and at least annually, performs an environmental review of former MGP sites located in Atlantic Highlands, Berkeley, Long Branch, Manchester, Toms River, and Freehold, New Jersey, collectively, the "former MGP sites", including a review of potential liability for investigation and remedial action. NJNG estimated at the time of the most recent review that total future expenditures at the former MGP sites for which it is responsible, including potential liabilities for further and continued natural resource damages, may be brought by the NJDEP for alleged injury to groundwater or other natural resources concerning these sites. As we have not yet completed the remedial investigation of the site, the total amount of potential costs of all remedial actions at the MGP site in Freehold, New Jersey, cannot be reasonably estimated at this time.

The estimated total future expenditures for all former MGP sites will range from approximately \$143.1 million to \$181.7 million. NJNG's estimate of these liabilities is based upon known facts, existing technology and enacted laws and regulations in place when the review was completed. Where it is probable that costs will be incurred, and the information is sufficient to establish a range of possible liability, NJNG accrues the most likely amount in the range. If no point within the range is more likely than the other, the Company accrues at the lower end of the range. Accordingly, NJNG recorded an MGP remediation liability and a corresponding regulatory asset on the Consolidated Balance Sheets of \$150.6 million as of September 30, 2020 and \$131.1 million as of September 30, 2019, based on the most likely amount. The remediation liability at September 30, 2020 includes adjustments for actual expenditures during fiscal 2020. The actual costs to be incurred by NJNG are dependent upon several factors, including final determination of remedial action, changing technologies and governmental regulations, the ultimate ability of other responsible parties to pay and insurance recoveries, if any.

In June 2019, NJNG initiated a preliminary assessment of a site in Aberdeen, New Jersey to determine prior ownership and if former MGP operations were active at the location. As of September 30, 2019, costs associated with preliminary assessment activities were considered immaterial and included as a component of NJNG's annual SBC application to recover remediation expenses. The preliminary assessment and site investigation activities are ongoing at the Aberdeen, NJ site location. The estimated costs to complete the preliminary assessment and site investigation phase is included in the MGP

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (Continued)

remediation liability and corresponding regulatory asset on the Consolidated Balance Sheet at September 30, 2020. NJNG will continue to gather information to determine whether the obligation exists to undertake remedial action.

NJNG recovers its remediation expenditures, including carrying costs, over rolling seven-year periods pursuant to a RAC approved by the BPU. On September 9, 2020, the BPU approved NJNG's an increase in the RAC, which increased the annual recovery from \$8.5 million to \$9.7 million and is effective October 1, 2020. As of September 30, 2020, \$36.5 million of previously incurred remediation costs, net of recoveries from customers and insurance proceeds, are included in regulatory assets on the Consolidated Balance Sheets. NJNG will continue to seek recovery of MGP-related costs through the RAC. If any future regulatory position indicates that the recovery of such costs is not probable, the related non-recoverable costs would be charged to income in the period of such determination.

General

The Company is involved, and from time to time in the future may be involved, in a number of pending and threatened judicial, regulatory and arbitration proceedings relating to matters that arise in the ordinary course of business. In view of the inherent difficulty of predicting the outcome of litigation matters, particularly when such matters are in their early stages or where the claimants seek indeterminate damages, the Company cannot state with confidence what the eventual outcome of the pending litigation will be, what the timing of the ultimate resolution of these matters will be, or what the eventual loss, fines or penalties related to each pending matter will be, if any. In accordance with applicable accounting guidance, NJR establishes accruals for litigation for those matters that present loss contingencies as to which it is both probable that a loss will be incurred and the amount of such loss can be reasonably estimated. NJR also discloses contingent matters for which there is a reasonable possibility of a loss. Based upon currently available information, NJR believes that the results of litigation that is currently pending, taken together, will not have a materially adverse effect on the Company's financial condition, results of operations or cash flows. The actual results of resolving the pending litigation matters may be substantially higher than the amounts accrued.

The foregoing statements about NJR's litigation are based upon the Company's judgments, assumptions and estimates and are necessarily subjective and uncertain. The Company has a number of threatened and pending litigation matters at various stages.

16. COMMON STOCK EQUITY

On December 4, 2019, the Company completed an equity offering of 6,545,454 common shares, consisting of 5,333,334 common shares issued directly by the Company and 1,212,120 common shares issuable pursuant to forward sales agreements with investment banks. The issuance of 5,333,334 resulted in proceeds of approximately \$212.9 million, net of issuance costs, and was reflected in shareholders' equity and as a financing activity on the statement of cash flows.

Under the forward sale agreements, a total of 1,212,120 common shares were borrowed from third parties and sold to the underwriters. Each forward sale agreement allowed the Company, at its election and prior to September 30, 2020, to physically settle the forward sale agreement by issuing common shares in exchange for net proceeds at the then-applicable forward sale price specified by the agreement, which was initially \$40.0125 per share, or, alternatively, to settle the forward sale agreement in whole or in part through the delivery or receipt of shares or cash. The forward sale price is subject to adjustment daily based on a floating interest rate factor and will decrease in respect of certain fixed amounts specified in the agreement, such as anticipated dividends.

On September 18, 2020, the Company amended our forward sale agreements to extend the maturity date of such forward sales agreements from September 30, 2020 to September 10, 2021. As of September 30, 2020, if the Company elected to net settle the forward sale agreement, the Company would receive approximately \$14.3 million under a cash settlement or would receive 543,150 common shares under a net share settlement.

Issuances of shares under the forward sale agreements are classified as equity transactions. Accordingly, no amounts relating to the forward sale agreements have or will be recorded in the financial statements until settlements take place. Prior to any settlements, the only impact to the financial statements is the inclusion of incremental shares within the calculation of diluted EPS using the treasury stock method until settlement of the forward sale agreements. Under this method, the number of the Company common shares used in calculating diluted EPS is deemed to be increased by the excess, if any, of the number of shares that would be issued upon physical settlement of the forward sale agreements less the number of shares that would be purchased by the Company in the market (based on the average market price during the same reporting period) using the proceeds receivable upon settlement (based on the adjusted forward sale price at the end of that reporting period). Share dilution occurs when the average market price of the Company's common shares is higher than the adjusted forward sale price. See *Note 8. Earnings Per Share* for the impact of the forward sale agreements on the calculation of diluted earnings per share.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (Continued)

17. REPORTING SEGMENT AND OTHER OPERATIONS DATA

The Company organizes its businesses based on a combination of factors, including its products and its regulatory environment. As a result, the Company manages its businesses through the following reporting segments and other operations: the Natural Gas Distribution segment consists of regulated energy and off-system, capacity and storage management operations; the Clean Energy Ventures segment consists of capital investments in clean energy projects; the Energy Services segment consists of unregulated wholesale and retail energy operations; the Storage and Transportation segment consists of the Company's investments in natural gas storage and transportation facilities; the Home Services and Other operations consist of heating, cooling and water appliance sales, installations and services, other investments and general corporate activities.

Information related to the Company's various reporting segments and other operations is detailed below:

(Thousands)

Fiscal Years Ended September 30,	2020	2019	2018
Operating revenues			
Natural Gas Distribution			
External customers	\$ 729,923	\$ 710,793	\$ 731,865
Clean Energy Ventures			
External customers	102,617	98,099	71,375
Energy Services			
External customers ⁽¹⁾	1,029,303	1,734,553	2,064,477
Intercompany	1,116	8,238	48,327
Storage and Transportation			
External customers ⁽¹⁾	42,015	—	—
Intercompany	2,713	—	—
Subtotal	1,907,687	2,551,683	2,916,044
Home Services and Other			
External customers	49,810	48,600	47,392
Intercompany	1,207	2,302	2,665
Eliminations	(5,036)	(10,540)	(50,992)
Total	\$ 1,953,668	\$ 2,592,045	\$ 2,915,109
Depreciation and amortization			
Natural Gas Distribution	\$ 71,883	\$ 57,980	\$ 53,208
Clean Energy Ventures	37,855	32,997	31,877
Energy Services ⁽²⁾	123	118	76
Storage and Transportation	9,293	6	6
Subtotal	119,154	91,101	85,167
Home Services and Other	1,032	914	780
Eliminations	(292)	(285)	(246)
Total	\$ 119,894	\$ 91,730	\$ 85,701
Interest income ⁽³⁾			
Natural Gas Distribution	\$ 538	\$ 994	\$ 614
Clean Energy Ventures	240	—	—
Energy Services	99	78	240
Storage and Transportation	3,510	4,000	3,374
Subtotal	4,387	5,072	4,228
Home Services and Other	8,633	1,942	1,476
Eliminations	(10,061)	(5,391)	(5,090)
Total	\$ 2,959	\$ 1,623	\$ 614

(1) Includes sales to Canada for the Energy Services segment, which are immaterial.

(2) The amortization of acquired wholesale energy contracts is excluded above and is included in natural gas purchases - nonutility on the Consolidated Statements of Operations.

(3) Included in other income, net on the Consolidated Statements of Operations.

New Jersey Resources Corporation
Part II

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (Continued)

(Thousands)

Fiscal Years Ended September 30,	2020	2019	2018
Interest expense, net of capitalized interest			
Natural Gas Distribution	\$ 30,975	\$ 26,134	\$ 25,299
Clean Energy Ventures	20,253	14,846	18,320
Energy Services	3,276	5,205	3,945
Storage and Transportation	13,124	2,185	1,667
Subtotal	67,628	48,370	49,231
Home Services and Other	10,327	1,535	7
Eliminations	(10,358)	(2,823)	(2,952)
Total	\$ 67,597	\$ 47,082	\$ 46,286
Income tax provision (benefit)			
Natural Gas Distribution	\$ 27,021	\$ 9,434	\$ (1,910)
Clean Energy Ventures	(32,404)	(48,921)	(79,932)
Energy Services	(3,615)	(1,573)	24,996
Storage and Transportation	4,247	2,254	(8,548)
Subtotal	(4,751)	(38,806)	(65,394)
Home Services and Other	(2,478)	1,428	11,944
Eliminations	285	(373)	(335)
Total	\$ (6,944)	\$ (37,751)	\$ (53,785)
Equity in earnings of affiliates			
Storage and Transportation	\$ 15,903	\$ 15,832	\$ 16,165
Eliminations	(1,592)	(2,204)	(3,157)
Total	\$ 14,311	\$ 13,628	\$ 13,008
Net financial earnings (loss)			
Natural Gas Distribution	\$ 126,902	\$ 78,062	\$ 84,048
Clean Energy Ventures	53,023	77,473	75,849
Energy Services	(7,873)	2,918	60,378
Storage and Transportation	18,311	14,689	24,367
Subtotal	190,363	173,142	244,642
Home Services and Other	5,784	1,911	(3,829)
Eliminations	98	(93)	(327)
Total	\$ 196,245	\$ 174,960	\$ 240,486
Capital expenditures			
Natural Gas Distribution	\$ 290,040	\$ 345,004	\$ 254,523
Clean Energy Ventures	133,841	157,828	123,421
Storage and Transportation	20,998	20,616	5,431
Subtotal	444,879	523,448	383,375
Home Services and Other	3,230	2,484	1,213
Total	\$ 448,109	\$ 525,932	\$ 384,588
Investments in equity investees			
Storage and Transportation	\$ 2,117	\$ 4,102	\$ 16,151
Total	\$ 2,117	\$ 4,102	\$ 16,151

New Jersey Resources Corporation

Part II

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (Continued)

The Chief Executive Officer, who uses NFE as a measure of profit or loss in measuring the results of the Company's reporting segments and operations, is the chief operating decision maker of the Company. A reconciliation of consolidated NFE to consolidated net income is as follows:

(Thousands)	2020	2019	2018
Consolidated net financial earnings	\$ 196,245	\$ 174,960	\$ 240,486
Less:			
Unrealized (gain) loss on derivative instruments and related transactions	(9,644)	2,881	26,770
Tax effect	2,296	(711)	(4,512)
Effects of economic hedging related to natural gas inventory	12,690	4,309	(22,570)
Tax effect	(3,016)	(1,024)	7,362
Consolidated net income	\$ 193,919	\$ 169,505	\$ 233,436

The Company uses derivative instruments as economic hedges of purchases and sales of physical natural gas inventory. For GAAP purposes, these derivatives are recorded at fair value and related changes in fair value are included in reported earnings. Revenues and cost of natural gas related to physical natural gas flow are recognized when the natural gas is delivered to customers. Consequently, there is a mismatch in the timing of earnings recognition between the economic hedges and physical natural gas flows. Timing differences occur in two ways:

- Unrealized gains and losses on derivatives are recognized in reported earnings in periods prior to physical natural gas inventory flows; and
- Unrealized gains and losses of prior periods are reclassified as realized gains and losses when derivatives are settled in the same period as physical natural gas inventory movements occur.

NFE is a measure of the earnings based on eliminating these timing differences, to effectively match the earnings effects of the economic hedges with the physical sale of natural gas, SRECs and foreign currency contracts. Consequently, to reconcile between net income and NFE, current-period unrealized gains and losses on the derivatives are excluded from NFE as a reconciling item. Additionally, realized derivative gains and losses are also included in current-period net income. However, NFE includes only realized gains and losses related to natural gas sold out of inventory, effectively matching the full earnings effects of the derivatives with realized margins on physical natural gas flows. Included in the tax effects are current and deferred income tax expense corresponding with the non-GAAP measure. Also included in the tax effects during fiscal 2018, are the impacts of the Tax Act and resulting revaluation of the deferred income taxes that arose from derivative and hedging activity as measured under NFE. The revaluation caused the effective tax rate on reconciling items to differ from the statutory rate in effect for the year. The Company also calculates a quarterly tax adjustment based on an estimated annual effective tax rate for NFE purposes.

The Company's assets for the various reporting segments and business operations are detailed below:

(Thousands)	2020	2019	2018
Assets at end of period:			
Natural Gas Distribution	\$ 3,531,477	\$ 3,064,309	\$ 2,663,054
Clean Energy Ventures ⁽¹⁾	1,015,073	864,323	865,018
Energy Services	244,836	290,847	396,852
Storage and Transportation	844,799	240,955	242,069
Subtotal	5,636,185	4,460,434	4,166,993
Home Services and Other	138,375	104,411	114,732
Intercompany assets ⁽²⁾	(204,758)	(191,860)	(138,061)
Total	\$ 5,569,802	\$ 4,372,985	\$ 4,143,664

(1) Includes assets held for sale of \$206.9 million for September 30, 2018.

(2) Consists of transactions between subsidiaries that are eliminated and reclassified in consolidation.

New Jersey Resources Corporation

Part II

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (Continued)

18. RELATED PARTY TRANSACTIONS

Effective April 1, 2020, NJNG entered into a 5-year agreement for 3 Bcf of firm storage capacity with Steckman Ridge, which expires on March 31, 2025. Under the terms of the agreement, NJNG incurs demand fees, at market rates, of approximately \$9.3 million annually, a portion of which is eliminated in consolidation. These fees are recoverable through NJNG's BGSS mechanism and are included as a component of regulatory assets.

Energy Services may periodically enter into storage or park and loan agreements with its affiliated FERC-jurisdictional natural gas storage facility, Steckman Ridge. As of September 30, 2020, Energy Services has entered into transactions with Steckman Ridge for varying terms, all of which expire by October 31, 2020.

NJNG has entered into a 15-year transportation precedent agreement for committed capacity of 180,000 Dths per day and NJRES entered into a 5-year, 50,000 Dths per day transportation precedent agreement with PennEast, both to commence when PennEast is placed in service.

Demand fees, net of eliminations, associated with Steckman Ridge during the fiscal years ended September 30, are as follows:

<i>(Thousands)</i>	2020	2019	2018
Natural Gas Distribution	\$ 5,900	\$ 5,814	\$ 5,730
Energy Services	183	2,134	2,775
Total	\$ 6,083	\$ 7,948	\$ 8,505

The following table summarizes demand fees payable to Steckman Ridge as of September 30:

<i>(Thousands)</i>	2020	2019
Natural Gas Distribution	\$ 775	\$ 775
Energy Services	16	15
Total	\$ 791	\$ 790

NJNG and Energy Services have entered into various asset management agreements, the effects of which are eliminated in consolidation. Under the terms of these agreements, NJNG releases certain transportation and storage contracts to Energy Services. As of September 30, 2020, NJNG and Energy Services had three asset management agreements with expiration dates ranging from October 31, 2020 through October 31, 2021.

NJNG entered into a transportation precedent agreement with Adelpia Gateway for committed capacity of 130,000 Dths per day, which expires in October 2026.

Energy Services has a 5-year agreement for 3 Bcf of firm storage capacity with Leaf River, which is eliminated in consolidation and expires in March 2024.

19. ACQUISITIONS AND DISPOSITIONS

Acquisitions

Adelpia Gateway

On January 13, 2020, Adelpia Gateway, an indirect wholly-owned subsidiary of NJR, acquired all of Talen's membership interests in IEC, an existing 84-mile pipeline in southeastern Pennsylvania, including related assets and rights of way, for a base purchase price of \$166 million. In November 2017, the Company made an initial payment of \$10 million towards the base purchase price, which was included in other noncurrent assets on the Consolidated Balance Sheets. The remaining purchase price of \$156 million was paid upon the close of the acquisition of the related assets. As additional consideration, Adelpia Gateway will pay Talen specified amounts of up to \$23 million contingent upon the achievement of certain regulatory approvals and binding natural gas capacity commitments. On December 20, 2019, FERC issued Adelpia Gateway's Certificate of Public Convenience and Necessity. Adelpia Gateway has agreed to provide firm natural gas transportation service for 10 years following the closing to two power generators owned by affiliates of Talen that are currently served by the pipeline.

New Jersey Resources Corporation
Part II

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (Continued)

The Company evaluated the acquisition under the guidance of ASU 2017-01, *Clarifying the Definition of a Business* and concluded that the acquisition did not meet the definition of a business, as almost all of the fair value relates to the pipeline assets acquired. As a result, the purchase was accounted for as an asset acquisition.

The following table summarizes the consideration transferred and purchase price allocation based upon the relative fair value of the assets acquired and liabilities to be assumed:

<i>(Thousands)</i>	Estimated Fair Value
Purchase price	\$ 166,000
Net working capital adjustment	(449)
Transaction costs	9,456
Total costs capitalized	\$ 175,007
Identifiable assets acquired	
Property, plant and equipment	\$ 174,438
Other	1,018
Net working capital	(449)
Net assets acquired	\$ 175,007

The Company utilized a discounted cash flow valuation technique to measure the fair value of the property, plant, and equipment based upon the present value of their future economic benefits reflecting current market expectations. The assumptions used in the discounted cash flow valuation are not observable in active markets and thus represent non-recurring Level 3 fair value measurements.

Property, plant and equipment consist primarily of pipeline related assets, land, buildings and other structures and software. Depreciation is computed on a straight-line basis over the estimated useful life of the assets, ranging from five to 30 years, based on various classes of depreciable property. Other assets consist primarily of an assembled workforce and base gas.

Asset retirement obligations are initially recognized when the legal obligation to retire an asset has been incurred and a reasonable estimate of fair value can be made. The Company records any asset retirement obligations in the period in which information permitting a reasonable estimate of such obligation becomes available. The Company is unable to predict when, or if, the pipelines would become completely obsolete and require decommissioning. As such, upon acquisition, there were no liabilities recorded for asset retirement obligations, as both the timing and future estimates of decommissioning the pipeline was indeterminable.

Leaf River

On October 11, 2019, NJR Pipeline Company, an indirect wholly-owned subsidiary of NJR, acquired 100 percent of the issued and outstanding limited liability company interests of Leaf River Energy Center LLC for \$367.5 million. The purchase price was subject to certain contractual conditions, including customary purchase price adjustments related to the amount of net working capital and transaction expenses. Leaf River owns and operates a 32.2 million Dth salt dome natural gas storage facility, located in southeastern Mississippi.

The Company evaluated the acquisition under the guidance of ASU 2017-01, *Clarifying the Definition of a Business* and concluded that the acquisition did not meet the definition of a business, as almost all of the fair value relates to the natural gas storage assets acquired. As a result, the purchase was accounted for as an asset acquisition.

New Jersey Resources Corporation
Part II

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (Continued)

The following table summarizes the consideration transferred and purchase price allocation based upon the relative fair value of the assets acquired and liabilities to be assumed:

<i>(Thousands)</i>	Estimated Fair Value
Purchase price	\$ 367,500
Net working capital adjustment	4,111
Transaction costs	1,664
Total costs capitalized	\$ 373,275
Identifiable assets acquired	
Property, plant and equipment	\$ 365,715
Base gas	3,445
Other assets, net	4
Net working capital	4,111
Net assets acquired	\$ 373,275

The total consideration transferred is comprised of the purchase price to the seller and the transaction costs incurred during the acquisition. The Company utilized a discounted cash flow valuation technique to measure the fair value of the property, plant, and equipment based upon the present value of their future economic benefits reflecting current market expectations. Base gas is valued based upon the estimated replacement costs associated with the respective assets.

Base gas is needed to maintain the necessary pressure to allow efficient operation of the storage facility. The base gas is determined to be recoverable and is considered a component of the facility and presented as a component in property, plant and equipment. This natural gas is not depreciated, as it is expected to be recovered and sold.

Property, plant and equipment consist primarily of surface equipment and pipelines necessary to operate the facility. Depreciation is computed on a straight-line basis over the estimated useful life of the assets, ranging from five to 50 years, based on various classes of depreciable property.

Asset retirement obligations are initially recognized when the legal obligation to retire an asset has been incurred and a reasonable estimate of fair value can be made. The Company records any asset retirement obligations in the period in which information permitting a reasonable estimate of such obligation becomes available. The Company is unable to predict when, or if, the storage facilities and related pipelines would become completely obsolete and require decommissioning. As such, upon acquisition, there were no liabilities recorded for asset retirement obligations, as both the timing and future estimates of decommissioning the storage facilities and related pipelines were indeterminable.

The assumptions used in the discounted cash flow valuation are not observable in active markets and thus represent non-recurring Level 3 fair value measurements.

Dispositions

Clean Energy Ventures

On June 1, 2018, Clean Energy Ventures completed the sale of its membership interest in its 9.7 MW wind farm in Two Dot, Montana to NorthWestern Energy for a total purchase price of \$18.5 million. The transaction generated a pre-tax gain of approximately \$951,000 which is recognized as a reduction to O&M on the Consolidated Statements of Operations.

On February 7, 2019, Clean Energy Ventures finalized the sale of its remaining wind assets to a subsidiary of Skyline Renewables LLC for a total purchase price of \$208.6 million. The transaction generated a pre-tax gain of \$645,000, which was recognized as a reduction to O&M expense on the Consolidated Statements of Operations.

Energy Services

On February 28, 2018, NJR sold all of the issued and outstanding shares of capital stock of NJRRS, which was a component of the Energy Services segment. The Company received \$9.5 million in cash and a natural gas swap contract with a fair value of \$14.6 million, which was recorded in derivatives, at fair value on the Consolidated Balance Sheets. The sale

New Jersey Resources Corporation
Part II

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (Continued)

generated a pre-tax gain of \$3.7 million, which was recognized as a reduction to O&M on the Consolidated Statements of Operations.

20. SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

A summary of financial data for each quarter of fiscal 2020 and 2019 follows. Due to the seasonal nature of the Company's businesses, quarterly amounts vary significantly during the fiscal year. In the opinion of management, the information furnished reflects all adjustments necessary for a fair presentation of the results of the interim periods.

<i>(Thousands, except per share data)</i>	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2020				
Operating revenues	\$ 615,036	\$ 639,614	\$ 298,974	\$ 400,044
Operating income (loss)	\$ 101,497	\$ 95,215	\$ (20,191)	\$ 39,862
Net income (loss)	\$ 89,361	\$ 88,505	\$ (27,219)	\$ 43,272
Earnings (loss) per share ⁽¹⁾				
Basic	\$0.97	\$0.93	\$(0.28)	\$0.45
Diluted	\$0.97	\$0.92	\$(0.28)	\$0.45
2019				
Operating revenues	\$ 811,767	\$ 866,255	\$ 434,942	\$ 479,081
Operating income (loss) ⁽²⁾	\$ 88,743	\$ 77,001	\$ (4,019)	\$ (7,790)
Net income (loss)	\$ 86,248	\$ 73,573	\$ (8,402)	\$ 18,086
Earnings (loss) per share ⁽¹⁾				
Basic	\$0.97	\$0.83	\$(0.09)	\$0.20
Diluted	\$0.97	\$0.82	\$(0.09)	\$0.20

(1) The sum of quarterly amounts may not equal the annual amounts due to rounding.

(2) Quarterly amounts have been reclassified to conform to the current period presentation due to the adoption of ASU No. 2017-07, an amendment to ASC 715, Compensation - Retirement Benefits. See Note 2. Summary of Significant Accounting Policies.

New Jersey Resources Corporation
Part II

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Under the supervision and with the participation of the Company's management, including the principal executive officer and principal financial officer, the Company conducted an evaluation of the effectiveness of the design and operation of its disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act), as of the end of the period covered by this report. Based on this evaluation, the Company's principal executive officer and principal financial officer concluded that, as of end of the period covered by this report, the Company's disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to the Company's management, including its principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

Management's Annual Report on Internal Control over Financial Reporting

The report of management required under this *Item 9A* is contained in *Item 8* of this Form 10-K under the caption *Management's Report on Internal Control over Financial Reporting*.

Attestation Report of Registered Public Accounting Firm

The attestation report required under this *Item 9A* is contained in *Item 8* of this 10-K under the caption *Report of Independent Registered Public Accounting Firm*.

Changes in Internal Control over Financial Reporting

We periodically review our internal controls over financial reporting as part of our efforts to ensure compliance with the requirements of Section 404 of the Sarbanes-Oxley Act of 2002. In addition, we routinely review our system of internal controls over financial reporting to identify potential changes to our processes and systems that may improve controls and increase efficiency, while ensuring that we maintain an effective internal controls environment. During the fourth quarter of fiscal 2020, we implemented a new core ERP system, which we expect to enhance our system of internal controls over financial reporting. As a result of this implementation, we modified certain existing internal controls as well as implemented new controls and procedures related to the new ERP. Except with respect to the implementation of the ERP, there were no changes in our internal controls over financial reporting that occurred during the quarter ended September 30, 2020, that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

ITEM 9B. OTHER INFORMATION

None

New Jersey Resources Corporation
Part III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information required by this item, including information concerning the Board of Directors of the Company, the members of the Company's Audit Committee, the Company's Audit Committee Financial Expert, compliance with Section 16(a) of the Exchange Act and shareowner proposals, is incorporated by reference to the Company's Proxy Statement for the 2021 Annual Meeting of Shareowners, which will be filed with the SEC pursuant to Regulation 14A within 120 days after September 30, 2020. The information regarding executive officers is included in this report as *Item 1* under the caption *Information About our Executive Officers* and incorporated herein by reference.

The Board of Directors has adopted the Code of Conduct, a code for all directors, officers and employees, as required by the New York Stock Exchange rules, and governing the chief executive officer and senior financial officers, in compliance with Sarbanes-Oxley and SEC regulations. Copies of the Code of Conduct are available free of charge on the Company's website at <http://investor.njresources.com> under the caption *Corporate Governance*. A printed copy of the Code of Conduct is available free of charge to any shareowner who requests it by contacting the Corporate Secretary at 1415 Wyckoff Road, Wall, New Jersey 07719. The Company will disclose any amendments to, or waivers from, a provision of the Code of Conduct that applies to the principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions that relate to any element of the Code of Conduct as defined in Item 406 of Regulation S-K by posting such information on the Company's website.

ITEM 11. EXECUTIVE COMPENSATION

Information required by this Item is incorporated by reference from the Registrant's Proxy Statement.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information required by this Item is incorporated by reference from the Registrant's Proxy Statement.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

Information required by this Item is incorporated by reference from the Registrant's Proxy Statement.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Information required by this Item is incorporated by reference from the Registrant's Proxy Statement.

New Jersey Resources Corporation
Part IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) 1. Financial Statements.

All Financial Statements of the Registrant are filed as part of this report and included in *Item 8* of *Part II* of this Form 10-K.

(a) 2. Financial Statement Schedules-See [*Index to Financial Statement Schedules*](#) in *Item 8*.

(a) 3. Exhibits-See [*Exhibit Index*](#) on page 145.

New Jersey Resources Corporation
Part IV

INDEX TO FINANCIAL STATEMENT SCHEDULES

Schedule II - Valuation and qualifying accounts and reserves for each of the three years in the period ended September 30, 2020

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Schedules other than those listed above are omitted because they are either not required or are not applicable, or the required information is shown in the financial statements or notes thereto.

New Jersey Resources Corporation
Part IV

SCHEDULE II

VALUATION AND QUALIFYING ACCOUNTS
YEARS ENDED SEPTEMBER 30, 2020, 2019 and 2018

(Thousands)

CLASSIFICATION	BEGINNING BALANCE	ADDITIONS CHARGED TO EXPENSE	OTHER	ENDING BALANCE
2020				
Valuation allowance for deferred tax assets	\$ 4,035	15,869	(2,265)	\$ 17,639
Allowance for doubtful accounts	\$ 6,148	2,238	(1,144) ⁽¹⁾	\$ 7,242
2019				
Allowance for doubtful accounts	\$ 5,704	2,387	(1,943) ⁽¹⁾	\$ 6,148
2018				
Allowance for doubtful accounts	\$ 5,181	2,579	(2,056) ⁽¹⁾	\$ 5,704

⁽¹⁾ Uncollectible accounts written off, less recoveries and adjustments.

New Jersey Resources Corporation

Part IV

EXHIBIT INDEX

Exhibit Number	Exhibit Description
2.1	Purchase and Sale Agreement, dated as of October 27, 2017, by and between Talen Generation, LLC, and Adelphia Gateway, LLC (incorporated by reference to Exhibit 2.1 to the Current Report on Form 8-K, as filed on November 2, 2017)
2.2	Membership Interest Purchase Agreement, between NJR Clean Energy Ventures II Corporation and SRIV Partnership, LLC, dated as of November 21, 2018 (incorporated by reference to Exhibit 2.1 to the Current Report on Form 8-K, as filed on November 21, 2018)
2.3	Membership Interest Purchase Agreement, dated September 3, 2019, by and between Leaf River Energy Holdings, LLC and NJR Pipeline Company (incorporated by reference to Exhibit 2.1 to the Current Report on Form 8-K, as filed on September 5, 2019)
3.1	Restated Certificate of Incorporation of New Jersey Resources Corporation, as amended through March 3, 2015 (incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K, as filed on January 23, 2014 , and Exhibit 3.1 to the Current Report on Form 8-K, as filed on March 3, 2015)
3.2	Bylaws of New Jersey Resources Corporation, as amended and restated on July 14, 2020 (incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K, as filed on July 20, 2020)
4.1	Description of Common Stock (incorporated by reference to Exhibit 4.1 to the Annual Report on Form 10-K for the fiscal year ended September 30, 2019, as filed on November 22, 2019)
4.2	Specimen Common Stock Certificate (incorporated by reference to Exhibit 4.1 to the Annual Report on Form 10-K for the fiscal year ended September 30, 2013, as filed on November 25, 2013)
4.3	Amended and Restated Indenture of Mortgage, Deed of Trust and Security Agreement, dated as of September 1, 2014, between NJNG and U.S. Bank National Association, as Trustee (incorporated by reference to Exhibit 99.3 to the Current Report on Form 8-K, as filed on September 30, 2014)
4.3(a)	36th Supplemental Indenture dated as of September 1, 2014, between NJNG and U.S. Bank National Association, as Trustee (incorporated by reference to Exhibit 99.2 to the Current Report on Form 8-K, as filed on September 30, 2014)
4.3(b)	First Supplemental Indenture dated as of April 1, 2015 between NJNG and U.S. Bank National Association, as Trustee (incorporated by reference to Exhibit 4.2 to the Quarterly Report on Form 10-Q, as filed on May 7, 2015)
4.3(c)	Second Supplemental Indenture dated as of June 1, 2016, between New Jersey Natural Gas Company and U.S. Bank National Association, as Trustee (incorporated by reference to Exhibit 4.2 to Form 8-K as filed on June 22, 2016)
4.3(d)	Third Supplemental Indenture, dated as of May 1, 2018, by and between New Jersey Natural Gas Company and U.S. Bank National Association (incorporated by reference to Exhibit 4.2 to the Current Report on Form 8-K, as filed on May 11, 2018)
4.3(e)	Fourth Supplemental Indenture, dated as of April 1, 2019, between NJNG and U.S. Bank National Association, as Trustee (incorporated by reference to Exhibit 4.4 to the Quarterly Report on Form 10-Q, as filed on May 3, 2019)
4.3(f)	Fifth Supplemental Indenture, dated as of July 1, 2019, by and between New Jersey Natural Gas Company and the Purchasers party thereto (incorporated by reference to Exhibit 4.3 to the Current Report on Form 8-K, as filed on July 17, 2019)
4.3(g)	Sixth Supplemental Indenture, dated as of August 1, 2019, between NJNG and U.S. Bank National Association, as Trustee (incorporated by reference to Exhibit 4.3(g) to the Annual Report on Form 10-K for the fiscal year ended September 30, 2019, as filed on November 22, 2019)
4.3(h)	Seventh Supplemental Indenture, dated as of June 1, 2020, between NJNG and U.S. Bank National Association, as Trustee (incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K, as filed on July 2, 2020)
4.3(i)	Eighth Supplemental Indenture, dated as of July 23, 2020, between NJNG and U.S. Bank National Association, as Trustee (incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K, as filed on July 23, 2020)
4.3(j)	Ninth Supplemental Indenture, dated as of September 2, 2020, between NJNG and U.S. Bank National Association, as Trustee (incorporated by reference to Exhibit 4.3 to the Current Report on Form 8-K, as filed on September 2, 2020)

New Jersey Resources Corporation

Part IV

Exhibit Number	Exhibit Description
4.4	\$75,000,000 Shelf Note Purchase Agreement, dated as of June 30, 2011, between New Jersey Resources Corporation and Prudential Investment Management, Inc. (“Prudential Facility”) (incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K as filed on July 6, 2011)
4.4(a)	First Amendment to the Prudential Facility, dated as of July 25, 2014, between the Company and Prudential Investment Management, Inc. (incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K as filed on November 12, 2014)
4.4(b)	Second Amendment to the Prudential Facility, dated as of September 28, 2015, between the Company and Prudential Investment Management, Inc. (incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K as filed on October 2, 2015)
4.5	\$125,000,000 Note Purchase Agreement, dated as of February 7, 2014, by and among New Jersey Natural Gas Company and the Purchasers party thereto (incorporated by reference to Exhibit 4.5 to the Quarterly Report on Form 10-Q, as filed on May 7, 2014)
4.6	Loan Agreement between New Jersey Economic Development Authority and New Jersey Natural Gas Company, dated as of August 1, 2011 (incorporated by reference to Exhibit 4.10 to the Annual Report on Form 10-K for the year ended September 30, 2011, as filed on November 23, 2011)
4.7	First Amendment to the Loan Agreement, dated as of August 1, 2019, NJNG and New Jersey Economic Development Authority (incorporated by reference to Exhibit 4.7 to the Annual Report on Form 10-K for the fiscal year ended September 30, 2019, as filed on November 22, 2019)
4.8	First Supplemental Indenture, dated as of August 1, 2019, between NJNG and U.S. Bank National Association, as Trustee (incorporated by reference to Exhibit 4.8 to the Annual Report on Form 10-K for the fiscal year ended September 30, 2019, as filed on November 22, 2019)
4.9	\$50,000,000 Note Purchase Agreement, dated as of February 8, 2013, by and among New Jersey Natural Gas Company and the Purchasers party thereto (incorporated by reference to Exhibit 4.12 to the Quarterly Report on Form 10-Q, as filed on May 3, 2013)
4.10	\$150,000,000 Note Purchase Agreement, dated as of February 12, 2015, by and among New Jersey Natural Gas Company and the Purchasers party thereto (incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K, as filed on February 17, 2015)
4.11	Note Purchase Agreement, dated as of March 22, 2016, among New Jersey Resources Corporation and each of the Purchasers listed in Schedule A thereto (incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K, as filed on March 25, 2016)
4.12	\$125,000,000 Note Purchase Agreement, dated as of June 21, 2016, by and among New Jersey Natural Gas Company and the Purchasers party thereto (incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K, as filed on June 22, 2016)
4.13	\$125,000,000 Note Purchase Agreement, dated as of May 11, 2018, by and among New Jersey Natural Gas Company and the Purchasers party thereto (incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K, as filed on May 11, 2018)
4.14	\$100,000,000 Note Purchase Agreement, dated as of June 8, 2018, by and among New Jersey Resources Corporation and the Purchasers party thereto (incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K, as filed on June 8, 2018)
4.15	Amended and Restated Indenture, dated as of April 1, 2019, between NJNG and New Jersey Economic Development Authority and U.S. Bank National Association, as Trustee (incorporated by reference to Exhibit 4.1 to the Quarterly Report on Form 10-Q, as filed on May 3, 2019)
4.16	Second Amendment to the Loan Agreement, dated as of April 1, 2019, NJNG and New Jersey Economic Development Authority (incorporated by reference to Exhibit 4.2 to the Quarterly Report on Form 10-Q, as filed on May 3, 2019)
4.17	Amended and Restated Continuing Disclosure Undertaking, dated as of April 18, 2019 (incorporated by reference to Exhibit 4.3 to the Quarterly Report on Form 10-Q, as filed on May 3, 2019)
4.18	\$150,000,000 Note Purchase Agreement, dated as of July 17, 2019, by and among New Jersey Resources Corporation and the Purchasers party thereto (incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K, as filed on July 17, 2019)

New Jersey Resources Corporation

Part IV

Exhibit Number	Exhibit Description
4.19	\$185,000,000 Note Purchase Agreement, dated as of July 17, 2019, by and among New Jersey Natural Gas Company and the Purchasers party thereto (incorporated by reference to Exhibit 4.2 to the Current Report on Form 8-K, as filed on July 17, 2019)
4.20	Amended and Restated Continuing Disclosure Undertaking, dated as of August 22, 2019 (incorporated by reference to Exhibit 4.20 to the Annual Report on Form 10-K for the fiscal year ended September 30, 2019, as filed on November 22, 2019)
4.21	\$260,000,000 Note Purchase Agreement, dated as of May 14, 2020, by and among New Jersey Resources Corporation and the Purchasers party thereto (incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K, as filed on May 18, 2020)
4.22	\$125,000,000 Note Purchase Agreement, dated as of May 14, 2020, by and among New Jersey Natural Gas Company and the Purchasers party thereto (incorporated by reference to Exhibit 4.2 to the Current Report on Form 8-K, as filed on May 18, 2020)
4.23	\$200,000,000 Note Purchase Agreement, dated as of September 1, 2020, by and among New Jersey Resources Corporation and the Purchasers party thereto (incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K, as filed on September 2, 2020)
4.24	\$75,000,000 Note Purchase Agreement, dated as of September 1, 2020, by and among New Jersey Natural Gas Company and the Purchasers party thereto (incorporated by reference to Exhibit 4.2 to the Current Report on Form 8-K, as filed on September 2, 2020)
10.1*+	Form of Amended and Restated Supplemental Executive Retirement Plan Agreement between the Company and Named Executive Officer
10.1(a)*+	Schedule of Supplemental Executive Retirement Plan Agreements for named executive officers
10.2	Service Agreement for Rate Schedule SS-1 by and between NJNG and Texas Eastern Transmission Company, dated as of June 21, 1995 (incorporated by reference to Exhibit 10-5B to the Annual Report on Form 10-K for the year ended September 30, 1996, as filed on December 30, 1996)
10.3*	Summary of 2021 Non-Employee Director Compensation Plan (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K as filed on September 11, 2020)
10.4*	Summary of 2020 Company's Non-Employee Director Compensation (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K as filed on January 23, 2020)
10.5*	New Jersey Resources Corporation 2017 Stock Award and Incentive Plan Performance Share Units Agreement - Total Shareholder Return Fiscal Year 2018 (incorporated by reference to Exhibit 10.8 to the Quarterly Report on Form 10-Q, as filed on February 8, 2018)
10.6*	New Jersey Resources Corporation 2017 Stock Award and Incentive Plan Performance Share Units Agreement - NFE Fiscal Year 2018 (incorporated by reference to Exhibit 10.6 to the Quarterly Report on Form 10-Q, as filed on February 8, 2018)
10.7*	New Jersey Resources Corporation 2017 Stock Award and Incentive Plan Performance Based Restricted Stock Units Agreement Fiscal Year 2018 (incorporated by reference to Exhibit 10.10 to the Quarterly Report on Form 10-Q, as filed on February 8, 2018)
10.8*	New Jersey Resources Corporation Deferred Stock Retention Award Agreement Fiscal Year 2018 (incorporated by reference to Exhibit 10.7 to the Quarterly Report on Form 10-Q, as filed on February 8, 2018)
10.9*	New Jersey Resources Corporation 2017 Stock Award and Incentive Plan Restricted Stock Units Agreement Fiscal Year 2018 (incorporated by reference to Exhibit 10.9 to the Quarterly Report on Form 10-Q, as filed on February 8, 2018)
10.10*	The Company's 2017 Stock Award and Incentive Plan (incorporated by reference to Appendix A to the Proxy Statement for the 2017 Annual Meeting as filed on December 15, 2016)
10.11*+	New Jersey Resources Savings Equalization Plan (as amended and restated as of November 16, 2020)
10.12*+	New Jersey Resources Pension Equalization Plan (as amended and restated as of November 16, 2020)

New Jersey Resources Corporation

Part IV

Exhibit Number	Exhibit Description
10.13*	New Jersey Resources Corporation Directors' Deferred Compensation Plan (incorporated by reference to Exhibit 10.25 to the Quarterly Report on Form 10-Q, as filed on February 6, 2009)
10.14*+	New Jersey Resources Corporation Officers' Deferred Compensation Plan (as amended and restated on November 16, 2020)
10.15*+	Amended and Restated New Jersey Resources Corporation Directors' Deferred Compensation Plan (amended and restated as of November 16, 2020)
10.16*	Form of Amended and Restated Employment Continuation Agreement between the Company and named executive officer (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K, as filed on November 18, 2019)
10.16(a)*+	Schedule of Employee Continuation Agreements
10.16(b)*	Form of Amended and Restated Employment Continuation Agreement for officers of NJR Energy Services Company dated as of November 12, 2019 (incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K, as filed on November 18, 2019)
10.17	Limited Liability Company Agreement of Steckman Ridge GP, LLC, dated as of March 2, 2007 (incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q, as filed on May 3, 2007)
10.18	Limited Partnership Agreement of Steckman Ridge, LP dated as of March 2, 2007 (incorporated by reference to Exhibit 10.2 to the Quarterly Report on Form 10-Q, as filed on May 3, 2007)
10.19	\$425,000,000 Amended and Restated Credit Agreement dated as of December 5, 2018, by and among NJR, the guarantors thereto, the lenders party thereto, PNC Bank, National Association, as Administrative Agent, JPMorgan Chase Bank, N.A., Wells Fargo Bank, National Association and U.S. Bank National Association, as Syndication Agents, and Bank of America, N.A., Mizuho Bank, Ltd. and TD Bank, N.A., as Documentation Agents (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K, as filed on December 11, 2018)
10.20	\$250,000,000 Amended and Restated Credit Agreement dated as of December 5, 2018, by and among NJNG, the lenders party thereto, PNC Bank, National Association, as Administrative Agent, JPMorgan Chase Bank, N.A., Wells Fargo Bank, National Association and U.S. Bank National Association, as Syndication Agents, and Bank of America, N.A., Mizuho Bank, Ltd. and TD Bank, N.A., as Documentation Agents (incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K, as filed on December 11, 2018)
10.21*	New Jersey Resources Corporation 2017 Stock Award and Incentive Plan Performance Share Units Agreement - NFE Fiscal Year 2019 (incorporated by reference to Exhibit 10.6 to the Quarterly Report on Form 10-Q, as filed on February 6, 2019)
10.22*	New Jersey Resources Corporation Deferred Stock Retention Award Agreement Fiscal Year 2019 (incorporated by reference to Exhibit 10.7 to the Quarterly Report on Form 10-Q, as filed on February 6, 2019)
10.23*	New Jersey Resources Corporation 2017 Stock Award and Incentive Plan Performance Share Units Agreement - Total Shareholder Return Fiscal Year 2019 (incorporated by reference to Exhibit 10.8 to the Quarterly Report on Form 10-Q, as filed on February 6, 2019)
10.24*	New Jersey Resources Corporation 2017 Stock Award and Incentive Plan Restricted Stock Units Agreement Fiscal Year 2019 (incorporated by reference to Exhibit 10.9 to the Quarterly Report on Form 10-Q, as filed on February 6, 2019)
10.25*	New Jersey Resources Corporation 2017 Stock Award and Incentive Plan Performance Based Restricted Stock Units Agreement Fiscal Year 2019 (incorporated by reference to Exhibit 10.10 to the Quarterly Report on Form 10-Q, as filed on February 6, 2019)
10.26*+	New Jersey Resources Corporation 2017 Stock Award and Incentive Plan Restricted Stock Units Agreement Fiscal Year 2020
10.27*+	New Jersey Resources Corporation 2017 Stock Award and Incentive Plan Performance Share Units Agreement - Total Shareholder Return Fiscal Year 2020
10.28*+	New Jersey Resources Corporation 2017 Stock Award and Incentive Plan Performance Share Units Agreement - NFE Fiscal Year 2020

New Jersey Resources Corporation

Part IV

Exhibit Number	Exhibit Description
10.29*+	New Jersey Resources Corporation 2017 Stock Award and Incentive Plan Performance-Based Restricted Stock Unit Agreement Fiscal Year 2020
10.30*+	New Jersey Resources Corporation 2017 Stock Award and Incentive Plan Deferred Retention Stock Award Agreement Fiscal Year 2020
10.31	Forward Sale Agreement between New Jersey Resources Corporation and Wells Fargo Bank, National Association, dated December 4, 2019 (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K, as filed on December 9, 2019)
10.32	Forward Sale Agreement between New Jersey Resources Corporation and JPMorgan Chase Bank, National Association, dated December 4, 2019 (incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K, as filed on December 9, 2019)
10.33	Additional Forward Sale Agreement between New Jersey Resources Corporation and Wells Fargo Bank, National Association, dated December 5, 2019 (incorporated by reference to Exhibit 10.3 to the Current Report on Form 8-K, as filed on December 9, 2019)
10.34	Additional Forward Sale Agreement between New Jersey Resources Corporation and JPMorgan Chase Bank, National Association, dated December 5, 2019 (incorporated by reference to Exhibit 10.4 to the Current Report on Form 8-K, as filed on December 9, 2019)
10.35	Amendment to Forward Sale Agreement, dated September 18, 2020, between New Jersey Resources Corporation and Wells Fargo Bank, National Association, dated December 4, 2019 and Additional Forward Sale Agreement between New Jersey Resources Corporation and Wells Fargo Bank, National Association, dated December 5, 2019 (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K, as filed on September 24, 2020)
10.36	Amendment to Forward Sale Agreement, dated September 18, 2020, between New Jersey Resources Corporation and J.P. Morgan Securities LLC, dated December 4, 2019 and Additional Forward Sale Agreement between New Jersey Resources Corporation and J.P. Morgan Securities LLC, dated December 5, 2019 (incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K, as filed on September 24, 2020)
10.37*	2017 Stock Award and Incentive Plan Form of Director Restricted Stock Units Agreement (incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K, as filed on January 23, 2020)
10.38*	New Jersey Resources Corporation 2017 Stock Award and Incentive Plan Restricted Stock Units Agreement Fiscal Year 2021 (incorporated by reference to Exhibit 10.3 to the Current Report on Form 8-K, as filed on November 13, 2020)
10.39*	New Jersey Resources Corporation 2017 Stock Award and Incentive Plan Performance Share Units Agreement - Total Shareholder Return Fiscal Year 2021 (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K, as filed on November 13, 2020)
10.40*	New Jersey Resources Corporation 2017 Stock Award and Incentive Plan Performance Share Units Agreement - NFE Fiscal Year 2021 (incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K, as filed on November 13, 2020)
10.41*	New Jersey Resources Corporation 2017 Stock Award and Incentive Plan Performance-Based Restricted Stock Unit Agreement Fiscal Year 2021 (incorporated by reference to Exhibit 10.4 to the Current Report on Form 8-K, as filed on November 13, 2020)

New Jersey Resources Corporation
Part IV

Exhibit Number	Exhibit Description
10.42	364-Day \$250,000,000 Revolving Credit Facility, dated as of April 24, 2020 by and among New Jersey Resources Corporation and each of the Guarantors party thereto and the lenders party thereto, and PNC Bank, National Association and PNC Capital Markets LLC, SunTrust Robinson Humphrey, Inc. and TD Bank, N.A., as Joint Lead Arrangers, and Truist Bank and TB Bank, N.A., as Co- Syndication Agents (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K, as filed on April 27, 2020)
21.1+	Subsidiaries of the Registrant
23.1+	Consent of Independent Registered Public Accounting Firm
31.1+	Certification of the Chief Executive Officer pursuant to section 302 of the Sarbanes-Oxley Act
31.2+	Certification of the Chief Financial Officer pursuant to section 302 of the Sarbanes-Oxley Act
32.1+ †	Certification of the Chief Executive Officer pursuant to section 906 of the Sarbanes-Oxley Act
32.2+ †	Certification of the Chief Financial Officer pursuant to section 906 of the Sarbanes-Oxley Act
101+	Interactive Data File {Annual Report on Form 10-K, for the fiscal year ended September 30, 2020, furnished in iXBRL (Inline eXtensible Business Reporting Language)}
104+	Cover Page Interactive Data File included in Exhibit 101

+ Filed herewith.

* Denotes compensatory plans or arrangements or management contracts.

† This certificate accompanies this report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed filed by NJR for purposes of Section 18 or any other provision of the Securities Exchange Act of 1934, as amended.

New Jersey Resources Corporation
Part IV

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

NEW JERSEY RESOURCES CORPORATION

(Registrant)

Date: November 30, 2020

By: /s/ Patrick J. Migliaccio

Patrick J. Migliaccio
Senior Vice President and
Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant in the capacities and on the dates indicated:

November 30, 2020	<u>/s/ Stephen D. Westhoven</u> Stephen D. Westhoven President and Chief Executive Officer Director (Principal Executive Officer)	November 30, 2020	<u>/s/ Patrick J. Migliaccio</u> Patrick J. Migliaccio Senior Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)
November 30, 2020	<u>/s/ Donald L. Correll</u> Donald L. Correll Chairman	November 30, 2020	<u>/s/ Jane M. Kenny</u> Jane M. Kenny Director
November 30, 2020	<u>/s/ Gregory E. Aliff</u> Gregory E. Aliff Director	November 30, 2020	<u>/s/ Thomas C. O'Connor</u> Thomas C. O'Connor Director
November 30, 2020	<u>/s/ James H. DeGraffenreidt, Jr.</u> James H. DeGraffenreidt, Jr. Director	November 30, 2020	<u>/s/ Sharon C. Taylor</u> Sharon C. Taylor Director
November 30, 2020	<u>/s/ Robert B. Evans</u> Robert B. Evans Director	November 30, 2020	<u>/s/ David A. Trice</u> David A. Trice Director
November 30, 2020	<u>/s/ M. Susan Hardwick</u> M. Susan Hardwick Director	November 30, 2020	<u>/s/ George R. Zoffinger</u> George R. Zoffinger Director
November 30, 2020	<u>/s/ M. William Howard, Jr.</u> M. William Howard, Jr. Director		

Schedule of Supplemental Executive Retirement Plan Agreements of Named Executive Officers dated as of September 30, 2020

Name	Maximum SERP Benefit Payable at Retirement
Stephen D. Westhoven, President and Chief Executive Officer	\$250,000
Nancy A. Washington, Senior Vice President and General Counsel	\$125,000
Amy Cradic, Senior Vice President and Chief Operating Officer of Non-Utility Businesses, Strategy and External Affairs	\$125,000
Patrick J. Migliaccio, Senior Vice President and Chief Financial Officer	\$125,000
Amanda E. Mullan, Senior Vice President and Chief Human Resources Officer	\$125,000

Supplemental Executive Retirement Plan Agreement

THIS AGREEMENT is entered into as of the [day] of [month] [year], (hereinafter called the "Effective Date") by and between [COMPANY], a corporation of New Jersey (hereinafter called the "Company"), and [EXECUTIVE'S NAME] (hereinafter called the "Employee").

WITNESSETH

WHEREAS, as of the Effective Date the Employee is employed by the Company and is currently [TITLE].

WHEREAS, the Company desires to continue to employ the Employee as a key employee;

WHEREAS, the Company desires to enter into this Agreement (also referred to as the "SERP Agreement") with the Employee as a part of his/her employment agreement or arrangement as an incentive for his/her continued loyal service to the Company.

NOW, THEREFORE, in consideration of the premises and of the covenants and agreements herein set forth, and for other good and valuable consideration, the receipt whereof is hereby acknowledged, the parties hereto do covenant and agree as follows:

1. It is agreed that the Company's normal retirement age is sixty-five (65) and that the Employee may retire from the Company upon the last day of the month in which his/her sixty-fifth (65th) birthday occurs; provided however, that the Employee may remain in active employment after his/her sixty-fifth (65th) birthday. In either event, no benefits shall be paid to the Employee under this Agreement until the later of the Employee's attainment of age sixty-five (65), or his/her Separation from Service (as defined herein in accordance with Section 409A of the Internal Revenue Code and applicable guidance issued thereunder ("Code Section 409A")). A Separation from Service shall occur where it is reasonably anticipated that no further services will be performed after a particular date or that the level of bona fide services the Employee will perform after a particular date (whether as an employee or independent contractor to the Company or an affiliate that is treated as the Company under Code Section 409A (an "Affiliate")) will decrease permanently to less than 50% of the average level of bona fide services performed over the immediately preceding thirty-six (36) month period. An Employee shall be considered to continue employment and to not have a Separation from Service while on a leave of absence if the leave does not exceed six (6) consecutive months (twenty-nine (29) months for a disability leave of absence) or, if longer, so long as the Employee retains a right to reemployment with the Corporation or Affiliate under an applicable statute or by contract. For this purpose, a "disability leave of absence" is an absence due to any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 6 months, where such impairment causes the Employee to be unable to perform the duties of his/her job or a substantially similar job. Continued services solely as a member of the Board of Directors of the Company or an Affiliate (the "Board") shall not prevent a Separation from Service from occurring.
-

2. The Company agrees that upon the Employee's Separation from Service at or after attainment of age sixty-five (65) for reasons other than death, it will pay to the Employee the sum of **[AMOUNT IN WORD FORM (\$XXX,XXX)]** (hereinafter referred to as the "SERP Benefit"), payable in sixty (60) equal monthly installments. The installments shall be paid upon the first day of each calendar month commencing with the month next following the date of such Separation from Service, and shall continue until the aggregate of such payments equal the SERP Benefit, at which time such monthly installments shall terminate. In the event that the SERP Benefit has not been fully paid to the Employee during his/her lifetime following his/her Separation from Service, the balance of such monthly installments shall be paid to his/her designated beneficiary as provided in Paragraph 13 hereof. **In no event shall any distribution occur earlier than permitted under Code Section 409A.** The SERP Benefit may increase based upon a change in the Employee's position. Such increase shall be set forth on an addendum to this Agreement. Such increase in the SERP Benefit shall not change the time and form of payment of the SERP Benefit as provided in this Agreement except as allowed under Code Section 409A.
3. In the event that the Employee dies while in active employment with the Company but prior to his or her Separation from Service, and such death is due to a cause other than suicide, the Company shall pay a Death Benefit in the amount of **[AMOUNT IN WORD FORM (\$XXX,XXX)]** to his/her designated beneficiary, in sixty (60) equal monthly installments. The installments shall be paid on the first day of each calendar month commencing with the month following the date of death, and shall continue until such Death Benefit has been fully paid. If the Employee commits suicide, the Company shall not be obligated to pay any portion of the Death Benefit or any increases in such benefit granted herein or by any amendment or addendum to this Agreement made within two (2) years next preceding the date of death, but such portion of the Death Benefit as was granted or accrued under this or any similar prior SERP agreement with the Company more than two (2) years before the death by suicide shall be paid in the manner provided above.
4. No SERP or other benefits shall be payable hereunder to the Employee, or to any other person in the event the employment relationship between the Employee and the Company is terminated within six (6) years from the Effective Date for any reason other than by death, or by Separation from Service of the Employee at or after attainment of age sixty-five (65). In the event that the employment relationship between the Employee and the Company continues for a period of at least six (6) years from the Effective Date, and is thereafter terminated for any reason other than by death prior to the Employee's attainment of age sixty-five (65), upon the later of his/her Separation from Service or the Employee's attainment of age sixty-five (65), the Company will pay to the Employee the Cumulative Termination Benefit for the year in which such termination occurs, as shown in Schedule A which is attached hereto and made a part hereof (hereinafter referred to as the "Applicable Cumulative Termination Benefit"), in sixty (60) equal monthly installments payable on the first day of each calendar month, commencing with the month following the later of the Employee's Separation from Service or the Employee's attainment of age sixty-five (65). Such Schedule A may be changed from time to time to reflect changes in the SERP Benefit. Such substitution of a new Schedule A shall not change the time and form of payment of the Cumulative Termination Benefit except to the extent allowed by Code Section 409A.

5. If the Employee dies after termination of employment as provided in Paragraph 4 above, and before any or all of the applicable Cumulative Termination Benefit has been paid to him, then such Cumulative Termination Benefit, or the balance of installments thereof as the case may be, shall be paid to his/her designated beneficiary in sixty (60) equal monthly installments (less the number of installments previously paid, if any), payable on the first day of each calendar month commencing with the month following the date of death, until the applicable Cumulative Termination Benefit shall have been paid in full.
6. Notwithstanding anything to the contrary contained in this Agreement or in any amendment or addendum thereto, it is hereby agreed that upon the occurrence of a Change In Control (as defined herein), the Employee shall immediately become fully vested in the SERP Benefit set forth in Paragraph 2 of this Agreement, or in the then most recent amendment or addendum thereto (whichever amount is greater), and that in the event the Employee's employment is thereafter terminated for any reason or if the Employee resigns for any reason within two years of the Change in Control, said SERP Benefit shall be paid to the Employee in sixty (60) equal monthly installments payable on the first day of each calendar month commencing with the month following the date of termination, until the applicable Cumulative Termination Benefit shall have been paid in full. In the event that the Employee dies after termination of employment pursuant to this Paragraph 6, and before any or all of the SERP Benefit has been paid to him, then such SERP Benefit, or the balance of installments thereof, as the case may be, shall be paid to his/her designated beneficiary in sixty (60) equal monthly installments (less the number of installments previously paid, if any), payable on the first day of each calendar month commencing with the month following the date of death, until the applicable Cumulative Termination Benefit shall have been paid in full.
7. For the purposes of this Agreement:
 - (a) a "Change in Control" shall be deemed to have occurred if:
 - (i) Any Person (as defined below) has acquired Voting Securities (as defined below), of the Company and, immediately thereafter, is the "beneficial ownership" (within the meaning of Rule 13d-3, as promulgated under Section 13(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) of Voting Securities of the Company representing fifty percent (50%) or more of the combined Voting Power (as defined below) of the Company's securities; or
 - (ii) Within any 12-month period, the persons who were members of the Board of the Company immediately before the beginning of such period (the "Incumbent Directors") shall cease (for any reason other than death) to constitute at least a majority of the Board or the board of directors of any successor to the Company, provided that any Board member who was not a Board member at the beginning of such period shall be deemed to be an Incumbent Director if such director was elected to the Board by, or on the recommendation of or with the approval of, at least a majority of the Board members who then qualified as Incumbent Directors either actually or by prior operation of this Section 7(a)(ii); or
 - (iii) the consummation of a merger, consolidation, share exchange, division, sale or other disposition of all or substantially all of the assets of the Company (a "Corporate Event"), except that a Corporate Event shall not trigger a Change in Control under this clause (iii) if the shareholders of the Company immediately prior to such Corporate Event shall hold, directly or

indirectly immediately following such Corporate Event a majority of the Voting Power of (x) in the case of a merger or consolidation, the surviving or resulting corporation, (y) in the case of a share exchange, the acquiring corporation or (z) in the case of a division or a sale or other disposition of assets, each surviving, resulting or acquiring corporation.

- (b) For purposes of this Section 7, "Person" shall have the meaning ascribed to such term in Section 3(a)(9) of the Exchange Act, as supplemented by Section 13(d)(3) of the Exchange Act; provided, however, that Person shall not include (i) the Company or any subsidiary of the Company or (ii) any employee benefit plan sponsored by the Company or any subsidiary of the Company.
 - (c) A specified percentage of "Voting Power" of a company shall mean such number of the Voting Securities as shall enable the holders thereof to cast such percentage of all the votes which could be cast in an annual election of directors (without consideration of the rights of any class of stock other than the common stock of the company to elect directors by a separate class vote); and "Voting Securities" shall mean all securities of a company entitling the holders thereof to vote in an annual election of directors (without consideration of the rights of any class of stock other than the common stock of the company to elect directors by a separate class vote).
 - (d) The above definition of a Change in Control is intended to meet the requirements of a permissible change in control payment event under Code Section 409A and shall be interpreted and applied to the Employee in accordance with Code Section 409A.
8. Any dispute or controversy arising out of or in connection with the interpretation or application of the provisions of paragraphs 6 or 7 of this Agreement shall be settled exclusively by arbitration in accordance with the rules of the American Arbitration Association then in effect and the applicable law of the State of New Jersey pertaining to the arbitration of disputes, and judgment may be entered on the arbitrator's award in any court having jurisdiction. All costs and expenses of such arbitration, including the reasonable counsel fees, costs and expenses incurred by the Employee in either prosecuting or defending the arbitration proceeding, shall be borne and paid by the Company. Any reimbursement of costs or expenses to be paid by the Company under this paragraph 8 shall be paid no later than the end of calendar year following the calendar year during which the cost or expenses are incurred.
9. Notwithstanding anything else herein to the contrary, payments of benefits hereunder caused by the Separation from Service (including death) of the Employee may be delayed for a period of no more than six (6) months following such Separation from Service, if the Employee is determined by the Board of the Company or its delegate to meet the definition of a "specified employee" (as defined under Code Section 409A) but only if such delay in payment is required in order to comply with the requirements of Code Section 409A. No interest shall accrue or be paid in the event of a delay in payment.
10. Any payment otherwise due under the terms of this Agreement which would violate Federal securities laws or other applicable law may not be made until the earliest date on which such payment no longer violates such laws. Payment may be delayed for a reasonable period in accordance with the provisions of Code Section 409A (including in the event the payment is not administratively practical due to events beyond the recipient's control such as where the recipient is not competent to receive the benefit payment, there is a dispute as to amount due or the proper recipient of such benefit payment, or additional time is needed to calculate the amount payable). No interest shall accrue or be paid because of any delay of payment.

11. The Company may not permit the acceleration of the time or schedule of any payment or amount scheduled to be paid pursuant to this Agreement, unless such acceleration of the time or schedule is (a) to comply with conflicts of interest or ethics laws (as defined in Code Section 409A), (b) to be used for the payment of FICA, income taxes on the FICA withholding or other approved taxes on benefits under this Agreement, (c) is necessary to pay an amount equal to the amount included in the income of the Employee under Code Section 409A or (d) as otherwise allowed under Code Section 409A.
12. It is agreed that neither the Employee nor any other person shall have any right to commute, bequeath, pledge, sell, assign, transfer, levy upon or otherwise encumber the rights to receive any payments hereunder, which payments and the rights thereto are expressly declared to be non-transferable and non-assignable, and in the event of any attempted disposition of such payments or rights in violation hereof the Company shall have no further liability hereunder.
13. The Employee shall designate in writing, to be annexed hereto, one or more beneficiaries to whom the benefits in the event of his/her death shall be paid pursuant to paragraphs 2, 3, 5 or 6 hereof. In the absence of such designation, or in the event no designated beneficiary survives the Employee, then any such benefits shall be payable in like manner to the Employee's executor or administrator. In the event of the death of all designated beneficiaries after commencement but prior to completion of payment of the installments of benefits, the balance thereof shall be payable in like manner to the executor or administrator of the last surviving beneficiary.
14. The Company shall withhold from any amounts payable under this Agreement such federal, state or local taxes as shall be required to be withheld pursuant to any applicable law or regulations.
15. This Agreement shall be binding upon the parties hereto, and upon the heirs, executors, administrators, or other personal representatives and designated beneficiaries of the Employee, and upon the successors and assigns of the Company.
16. During the lifetime of the Employee, this Agreement may be amended or terminated at any time or times, in whole or in part, by the mutual written agreement of the Employee and the Company, and only in accordance with Code Section 409A.
17. The benefits under this Agreement are designed to comply with the requirements of Code Section 409A. The Company shall interpret and administer this Agreement in a manner as to comply with Code Section 409A. Notwithstanding the foregoing, however, the Company shall not be liable to the Employee or any other person if any benefit under this Agreement does not comply with Code Section 409A or the Employee or any other person is otherwise subject to any additional tax or penalty under Code Section 409A. Each Employee is solely responsible for the payment of any tax liability (including any taxes and penalties that may arise under Code Section 409A) that may arise from any benefit under this Agreement.
18. This Agreement shall be executed in duplicate, each copy of which when executed and delivered shall be an original, but both copies shall, together, constitute one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement in their respective name, the day and year first above written.

[COMPANY]

[EXECUTIVE OF COMPANY]
[TITLE]

Date: _____

[EMPLOYEE]
[TITLE]

Date: _____

ATTEST

BY:

Date: _____

DESIGNATION OF BENEFICIARY

I hereby designate the following person (or persons) as my beneficiary (or beneficiaries) to whom the benefits provided hereunder in the event of my death shall be paid pursuant to this Agreement:

PRIMARY BENEFICIARY(IES):

Name:	Address:	Social Security #	Relationship to Employee:	Percentage

SECONDARY BENEFICIARY(IES)*:

Name:	Address:	Social Security #	Relationship to Employee:	Percentage

**In the event that primary beneficiary(ies) predecease employee.*

SIGNED: _____

DATED: _____

[EMPLOYEE]

EFFECTIVE [DATE]

<i>Year</i>	<i>Age</i>	<i>Schedule "A"</i> <i>Cumulative Termination of Benefit</i>
Year	Age	\$ Amount
Year	Age	\$ Amount
Year	Age	\$ Amount
Year	Age	\$ Amount
Year	Age	\$ Amount
Year	Age	\$ Amount
Year	Age	\$ Amount
Year	Age	\$ Amount
Year	Age	\$ Amount
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Year	Age	\$ Amount

Approved November 16, 2020

**SAVINGS EQUALIZATION PLAN
OF NEW JERSEY RESOURCES CORPORATION**

Amended and Restated as of November 16, 2020

**SAVINGS EQUALIZATION PLAN
OF NEW JERSEY RESOURCES CORPORATION**

The Savings Equalization Plan of New Jersey Resources Corporation (the "Plan") was originally authorized and adopted by the Board of Directors of New Jersey Resources Corporation (the "Corporation") effective as of February 27, 1991, was amended and restated effective as of January 1, 2005 and as of January 1, 2009 and January 1, 2017, and now amended and restated as of November 16, 2020. The purpose of the Plan is to provide certain supplemental benefits to management or highly compensated employees of the Corporation within the meaning of Sections 201, 301 and 401 of ERISA who are selected by the Committee to participate in the Plan.

Benefits provided under the Plan are employer matching contributions that would have been made to the New Jersey Resources Corporation Employees' Retirement Savings Plan (the "Qualified Plan") on behalf of participating employees but for the limitations on compensation and contributions imposed by Sections 401(a)(17), 401(k), 401(m) and 415 of the Internal Revenue Code of 1986, as amended (the "Code").

All benefits payable under the Plan, which is intended to constitute both an unfunded excess benefit plan under Section 3(36) of Title I of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and a nonqualified, unfunded deferred compensation plan for a select group of management or highly compensated employees under Title I of ERISA, shall be paid out of the general assets of the Corporation. The Corporation may establish and fund a trust in order to aid it in providing benefits due under the Plan, provided that any funds held in the trust shall be subject to the claims of the creditors of the Corporation in the event of the insolvency of the Corporation in the same manner as any other assets of the Corporation.

Benefits payable to any participant of the Plan who terminated employment before January 1, 2005 shall be governed by the provisions of the Plan as in effect at the relevant time, except as otherwise specifically stated elsewhere herein. Benefits not vested as of December 31, 2004 or accruing under the Plan on or after January 1, 2005 and respective related interest thereon are subject to the provisions of Code Section 409A. Benefits accrued and vested under the provisions of the Plan as of December 31, 2004 on behalf of any other Participant (and interest credited thereon) are not subject to the provisions of Code Section

409A, unless the provisions of the Plan relating to such benefits are materially modified after October 3, 2004, and shall be separately accounted for. On and before December 31, 2008, to the extent applicable, the Plan has been administered in good faith compliance with the provisions of Section 409A of the Code as enacted by the American Jobs Creation Act of 2004 and applicable regulations and other guidance issued thereunder, including but not limited to the applicable transition rules (collectively “Code Section 409A”). Additionally, the terms of the Plan in effect prior to this amendment and restatement shall continue to govern the Plan for periods prior to the effective date of this amendment and restatement.

**SAVINGS EQUALIZATION PLAN
OF NEW JERSEY RESOURCES CORPORATION**

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**SAVINGS EQUALIZATION PLAN
OF NEW JERSEY RESOURCES CORPORATION**

ARTICLE I DEFINITIONS

The following terms when capitalized herein shall have the meanings assigned below:

1.01 **Accounts** shall mean the Grandfathered Account and the 409A Account maintained on the books of the Corporation on behalf of each Participant pursuant to this Plan.

1.02 **Affiliate** shall mean any division, subsidiary or affiliated company of the Corporation, which is an “Affiliate” as defined in the Qualified Plan but only to the extent such “Affiliate” is treated as a single employer with the Corporation for purposes of the applicable provisions of Code Section 409A (using “at least 50 percent” instead of “at least 80%” where applicable to make that determination).

1.03 **Beneficiary** shall mean the person or persons to whom a deceased Participant’s benefits are payable, as provided in Section 4.02.

1.04 **Code** shall mean the Internal Revenue Code of 1986, as amended from time to time.

1.05 **Committee** shall mean the Benefit Administration Committee of the Corporation or any successor thereto.

1.06 **Corporation** shall mean New Jersey Resources Corporation, or any successor by merger, purchase or otherwise.

1.07 **Effective Date** shall mean February 27, 1991.

1.08 **Eligible Employee** shall mean a person:

- a. who is employed by the Corporation or a wholly-owned subsidiary of the Corporation and
- b. who qualifies as a highly compensated or management level employee within the meaning of Sections 201, 301 and 401 of ERISA.

1.09 **Employer Matching Contributions** shall mean “Employer Matching Contributions” as such term is defined under the Qualified Plan.

1.10 **ERISA** shall mean the Employee Retirement Income Security Act of 1974, as amended from time to time.

1.11 **409A Account** shall mean the bookkeeping account (or subaccounts thereof) maintained for each Participant to record all amounts credited on his or her behalf under Section 3.02 on or after January 1, 2005 and any related deemed interest on such amounts and all amounts credited to his or her Accounts as of December 31, 2004 in which he or she was not vested as of December 31, 2004 and any related deemed interest on such amounts.

1.12 **Grandfathered Account** shall mean the bookkeeping account (or subaccounts thereof) maintained for each Participant to record the amounts credited on his or her behalf under Section 3.02 prior to January 1, 2005 in which the Participant has a nonforfeitable right to as of December 31, 2004, and any related deemed interest on such amounts, determined without regard to any Plan amendments after October 3, 2004 that would constitute a material modification of the Plan for Code Section 409A purposes.

1.13 **Participant** shall mean an Eligible Employee who is selected by the Committee to participate in the Plan pursuant to Section 2.01 hereof.

1.14 **Plan** shall mean the Savings Equalization Plan of New Jersey Resources Corporation, as set forth herein or as amended from time to time.

1.15 **Plan Year** shall mean the calendar year.

1.16 **Qualified Plan** shall mean the New Jersey Resources Corporation Employees' Retirement Savings Plan, as amended from time to time.

1.17 **Separation from Service** shall mean the death of a Participant or the retirement or other termination of employment of the Participant such that he or she ceases to be an employee of the Corporation and all Affiliates, provided that no change in a Participant's employment status shall be considered a Separation from Service with respect to a Participant's 409A Account unless it would be treated as such pursuant to Code Section 409A. **A Separation from Service shall occur where it is reasonably anticipated that no further services will be performed after that date or that the level of bona fide services the Participant will perform after that date (whether as an employee or independent contractor) will permanently decrease to less than 50% of the average level of bona fide services performed over the immediately preceding thirty-six (36) month period (or the full period of services if less than thirty-six (36) months).** A Participant shall be considered to continue employment and to not have a Separation from Service while on a leave of absence if the leave does not exceed six (6) consecutive months (twenty-nine (29) months for a disability leave of absence) or, if longer, so long as the Participant retains a right to reemployment with the Corporation or an Affiliate under an applicable statute or by contract. For this purpose, a "disability leave of absence" is an absence due to any medically determinable physical or mental

impairment that can be expected to result in death or can be expected to last for a continuous period of not less than six (6) months, where such impairment causes the Participant to be unable to perform the duties of his job or a substantially similar job.

1.18 **Spouse** shall mean the individual to whom the Participant is legally married under applicable law at the applicable time.

1.19 **Supplemental Employer Matching Contributions** shall mean the amount credited to an Eligible Employee under Section 3.01.

1.20 **Valuation Date** shall mean the last day of each calendar quarter and such other day or days as the Committee may select. All distributions under the Plan shall be based upon the value of the Participant's Account as of the Valuation Date specified in Article IV with respect to the distribution.

ARTICLE II PARTICIPATION

2.01 Participation

An Eligible Employee shall become a Participant of the Plan as of the date determined by the Committee if and when the Committee selects the Eligible Employee for participation in the Plan. The Committee, no less frequently than annually, shall determine which, if any, Eligible Employees shall become Participants of the Plan and the date on which such participation shall commence. In lieu of expressly selecting Eligible Employees for participation, the Committee may establish eligibility criteria (consistent with the intent that the Plan provide benefits solely to a select group of management or highly compensated employees of the Corporation) providing for participation of all Eligible Employees who satisfy such eligibility criteria. The Committee may, at any time, in its sole discretion, change such eligibility criteria for otherwise Eligible Employees on a prospective basis (although only Eligible Employees may become Participants of the Plan).

2.02 Termination of Participation

A Participant's active participation in the Plan shall terminate (i) upon the Participant's death or other termination of employment with the Corporation and all Affiliates, (ii) if the Participant no longer qualifies as an Eligible Employee or (iii) if the Participant no longer satisfies the current eligibility criteria for participation in the Plan or the eligibility criteria for participation in the Plan under which the

Participant originally became a Participant. The Participant otherwise remains a Participant in the Plan only so long as a benefit is payable under the Plan with respect to the Participant or his or her Beneficiary under the provisions of Article IV (although the Participant will otherwise cease active participation in the Plan).

ARTICLE III EMPLOYER CONTRIBUTIONS

3.01 Accounts

The Corporation or such recordkeeper as the Corporation may designate shall establish and maintain a separate bookkeeping Account(s) for each Participant. For each year, the Corporation shall credit to the appropriate Account the amounts described in this Article III. The Corporation or the recordkeeper may maintain such additional accounts or subaccounts as are appropriate for the administration of the Plan. Periodically, each Participant shall be furnished with a statement setting forth the value of his or her Account.

3.02 Amount of Supplemental Employer Matching Contributions

The amount of Supplemental Employer Matching Contributions credited to an active Participant's Account for a calendar quarter shall be equal to the excess of (a) over (b) as determined below:

- a. the Employer Matching Contributions that would have been made to the Participant's "Employer Account" (as such term is defined under the Qualified Plan) under the Qualified Plan, determined on the basis that the Participant's "Pre-Tax Contributions" and "After-Tax Contributions" (as such terms are defined in the Qualified Plan) under the Qualified Plan were made without regard to the limitations imposed under the Qualified Plan by Section 401(a)(17) of the Code, by the actual deferral percentage test under Section 401(k) of the Code, or the actual contribution percentage test under Section 401(m) of the Code, or by Section 415 of the Code;
over
 - a. the Employer Matching Contributions actually made to the Participant's "Employer Account" (as such term is defined under the Qualified Plan) under the Qualified Plan, determined with regard to the limitations imposed by Section 401(a)(17) of the Code, by the actual deferral percentage
-

test under Section 401(k) of the Code or the actual contribution percentage test under Section 401(m) of the Code, or by Section 415 of the Code;

provided, however, that any change in a Participant's deferral or contribution election made under the Qualified Plan during the calendar year shall not be given effect under this Section 3.02 until the following January 1 if to do so would violate Code Section 409A.

Such amount shall generally be credited to an active Participant's Accounts on the last day of each calendar quarter.

3.03 Deemed Interest

As of the last day of each calendar quarter:

(a) the amount credited to a Participant's Account under the Plan as of the end of the prior calendar quarter shall be credited with interest for that calendar quarter at one-quarter of the prime rate as published in the Wall Street Journal on the last day of such calendar quarter, such prime rate first rounded to the nearest .25%; and

(b) the amount credited to a Participant's Account under the Plan during the calendar quarter shall be credited with interest for that calendar quarter at one-eighth of the prime rate as published in the Wall Street Journal on the last day of such calendar quarter, such prime rate first rounded to the nearest .25%.

3.04 Vesting of Account

(a) A Participant shall be vested in, and have a nonforfeitable right to, his or her Account in accordance with the following schedule based on the Participant's years of "Service" (as such term is defined in the Qualified Plan):

Years of Service	Vested Percentage
Less than 2 years	0%
2 years but less than 3 years	25%
3 years but less than 4 years	50%
4 years but less than 5 years	75%
5 years or more	100%

(b) Notwithstanding the provisions of paragraph (a) above, a Participant shall be 100% vested in, and have a nonforfeitable right to, his or her Account if, prior to his or her termination of employment with the Corporation and its Affiliates, the Participant either attains age 65, dies, or incurs a Disability (as such term is defined in the Qualified Plan).

(c) Upon termination of employment with the Corporation and its Affiliates of a Participant who is not 100% vested in his or her Account, the nonvested portion of the Participant's Account shall be forfeited.

ARTICLE IV PAYMENT OF ACCOUNT

4.01 Payment of Account Upon Separation from Service

Subject to Section 4.03, a Participant shall be entitled to receive payment of the vested portion of his or her Account upon the Participant's Separation from Service for any reason. Subject to Section 4.03, payment of a Participant's Account shall be made in a single lump-sum payment within thirty (30) days following the end of the calendar quarter during which the Participant incurs a Separation from Service.

4.02 Death Benefits

Upon becoming a Participant and at any time thereafter, the Participant may designate a Beneficiary (or change a Beneficiary designation) to receive death benefits payable under this Section 4.02 by duly completing, executing, and filing with the Committee before the Participant's death the appropriate form designated by the Committee. The Beneficiary may be a designated person or persons, provided that, if more than one person is named, the Participant must indicate the shares and/or precedence of each person. In the event of the death of the Participant prior to full payment of the vested amounts credited to the Participant's Account (in accordance with Section 3.04), the unpaid amount shall be paid within thirty (30) days following the end of the calendar quarter during which Participant's death occurs in a single sum cash payment to the Participant's Beneficiary.

In the event that no Beneficiary has been designated in accordance with this Section 4.02, the Participant's Beneficiary will be the same as has been designated by the Participant under the Qualified Plan. In the event that no Beneficiary has been designated in accordance with this Section 4.02 or under the Qualified Plan, or no such designated Beneficiary survives the

Participant, the following Beneficiaries (if then living) shall be deemed to have been designated in the following priority:

- a. the Participant's Spouse;
- b. the Participant's children, in equal shares, per stirpes;
- c. the Participant's parents;
- d. the person(s) designated as beneficiary by the Participant under any group life insurance maintained by the Corporation or any of its Affiliates; and
- e. the Participant's estate.

4.03 Timing of Payment for a "Specified Employee"

Notwithstanding any provision of the Plan to the contrary, the actual payment of a Participant's 409A Account to a Participant who is classified as a "Specified Employee" as determined under the procedures adopted by the Board of Directors of the Corporation or its delegate in accordance with Code Section 409A , on account of such Specified Employee's Separation from Service for reasons other than death, shall not commence prior to the first day of the seventh month following the Specified Employee's Separation from Service. Any payment to the Specified Employee which he or she would have otherwise received under Section 4.01 during the six (6)-month period immediately following such Specified Employee's Separation from Service shall be credited with interest in accordance with Section 3.03 and shall be paid in a single payment within thirty (30) days following the end of the six (6)-month period measured from the Specified Employee's Separation from Service but no earlier than the first day of the seventh month following the Specified Employee's Separation from Service.

4.04 Delay of Payment

Any payment otherwise due under the Plan which would violate Federal securities laws or other applicable law may not be made until the earliest date on which such payment no longer violates such laws. Payment may be delayed for a reasonable period in accordance with the provisions of Code Section 409A (including in the event the payment is not administratively practical due to events beyond the recipient's control such as where the recipient is not

competent to receive the benefit payment, there is a dispute as to amount due or the proper recipient of such benefit payment, or additional time is needed to calculate the amount payable). Any payment delayed under this Section 4.04 shall be credited with interest in accordance with Section 3.03 during the delay period. Such delayed payments and related interest shall be paid in a single payment at the end of the delay period.

ARTICLE V PLAN ADMINISTRATION

5.01 Administration

(a) The administration of the Plan, the exclusive power and complete discretionary authority to interpret it, and the responsibility for carrying out its provisions are vested in the Committee or its delegate(s). The Committee shall have the complete discretionary authority to administer the Plan and resolve any question under the Plan. The determination of the Committee as to the interpretation of the Plan or any disputed question shall be conclusive and final to the extent permitted by applicable law. The Committee may employ and rely on such legal counsel, actuaries, accountants and agents as it may deem advisable to assist in the administration of the Plan.

(b) The Committee may appoint and delegate to any one or more members of the Committee, or any officer of the Corporation or other individual, any or all of the authority of the Committee with respect to the administration of the Plan, the power and authority to interpret it and the responsibility for carrying out any of the provisions of the Plan otherwise vested in the Committee, subject to such terms as the Committee shall determine. The Committee may revoke or amend the terms of any such delegation at any time but such action shall not invalidate any prior actions of the Committee's delegate or delegates that were consistent with the terms of the Plan and the Committee's prior delegation of authority.

(c) To the extent permitted by law, all agents, delegates and representatives of the Committee shall be indemnified by the Corporation and held harmless against any claims and the expenses of defending against such claims, resulting from any action or conduct relating to the administration of the Plan, except claims arising from gross negligence, willful neglect or willful misconduct.

5.02 Claims Procedures

(a) All claims for benefits under the Plan shall be submitted in writing to the Committee. The Committee shall review the claim when filed and advise the claimant as to whether the claim is approved or denied. If the claim is wholly or partially denied, the Committee shall furnish a written denial within a reasonable period of time. Notwithstanding the foregoing, any written denial (other than a denial of benefits based on a determination of Disability, where Disability is determined other than through the Corporation's long-term disability plan or the Social Security Administration (a "Disability claim")) shall be furnished within ninety (90) days after receipt of the filed claim unless special circumstances require an extension of time for processing the claim. If the Committee determines that special circumstances require an extension of time for processing a claim (other than a Disability claim) is required, written notice of the extension shall be furnished to the claimant prior to the expiration of the initial ninety (90) day period, which shall indicate the special circumstances requiring an extension of time and the date by which the Plan expects to render a decision. In such case, the Committee shall furnish the written denial within one hundred eighty (180) days after receipt of the filed claim. Any written denial of a Disability claim shall be furnished within forty-five (45) days after receipt of the claim. This forty-five (45)-day period may be extended up to thirty (30) days if such an extension is necessary due to matters beyond the control of the Plan, and the claimant is notified, prior to the expiration of the initial forty-five (45)-day period, of the circumstances requiring the extension of time and the date by which the Plan expects to render a decision. If, prior to the end of the first thirty (30) day extension period, the Committee determines that, due to matters beyond the control of the Plan, a decision cannot be rendered within that extension period, the period for making the determination may be extended for up to an additional thirty (30) days, provided that the Committee notifies the claimant, prior to the expiration of the first thirty (30) days extension period, of the circumstances requiring the extension and the date as of which the Plan expects to render a decision. In the case of any extension with respect to a Disability claim, the notice of extension also shall specifically explain the standards on which entitlement to a benefit upon Disability is based, the unresolved issues that prevent a decision on the claim, and the additional information needed to resolve those issues, and the claimant shall be afforded at least forty-five (45) days within which to provide the specified information, if any.

(b) If a claim for a benefit under the Plan is denied in whole or in part, the claimant shall be provided a written notice of the denial. The written denial shall contain (a) the specific reason or

reasons for denial; (b) specific reference to pertinent Plan provisions on which the denial is based; (c) a description of any additional information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary; and (d) appropriate information as to the steps to be taken if the claimant wishes to appeal the denial of the claim including time limits applicable to the appeal procedures, including a statement of the claimant's right to bring a civil action following a claim denial. With respect to a Disability claim, if an internal rule, guideline, protocol, or other similar criterion was relied upon in making the adverse determination, either the specific rule, guideline, protocol, or other similar criterion shall be provided to the claimant free of charge, or the claimant shall be informed that such rule, guideline, protocol, or other criterion shall be provided free of charge upon request.

(c) The Participant may appeal the denial of the claim to the Committee within ninety (90) days after receipt of the adverse benefit determination one hundred eighty (180) days in the case of a Disability claim). The appeal shall be in writing addressed to the Committee and shall state the reason why the Committee should grant the appeal. The claimant may submit written comments, documents, records, and other information relating to his claim for benefits. Upon request, the claimant shall be provided free of charge and reasonable access to, and copies of, all documents, records and other information relevant to his claim.

(d) The Committee shall conduct a full and fair review of the claim that takes into account all comments, documents, records, and other information submitted by the claimant or his authorized representative relating to the claim, without regard to whether such information was submitted or considered in the initial benefit determination. The review of a Disability claim shall not afford deference to the initial benefit determination and shall be conducted by an individual who is neither the individual who made the adverse benefit determination that is the subject of the appeal, nor the subordinate of such individual. With respect to a Disability claim, the Committee shall consult a medical professional who has appropriate training and experience in the field of medicine relating to the claimant's Disability and who is neither consulted as part of the initial denial nor is the subordinate to such individual and shall identify the medical or vocational experts whose advice is obtained with respect to the initial benefit denial, without regard to whether the advice was relied upon in making the decisions. If a Disability claim is denied due to a medical judgment, the Committee will consult with a healthcare

professional who has appropriate training and experience in the field of medicine involved in the medical judgment. The healthcare professional consulted will not be the same person consulted in connection with the initial benefit decision (nor be the subordinate of that person). The decision on review also will identify any medical or vocational experts who advised the Committee in connection with the original benefit decision, even if the advice was not relied upon in making the decision. The Committee shall issue its decision within sixty (60) days (forty-five (45) days in the case of a Disability claim) of the receipt of the appeal unless there are special circumstances that require an extension of time for processing the claim. If the Committee determines that an extension of time for processing is required, the Committee shall notify the claimant in writing prior to the termination of the initial sixty (60) day period (or forty-five (45)-day period, as applicable), indicating the special circumstances that require an extension of time and the date the Plan expects to render a determination on appeal. In no event shall such extension period exceed a period of one hundred twenty (120) days (ninety (90) days in the case of a Disability claim) from the receipt of the claimant's appeal.

(e) If the Committee denies the claim on appeal, it shall notify the claimant in writing, stating the reasons for the denial in a manner calculated to be understood by the participant, and shall make specific references to the pertinent Plan provisions on which the decision is based. The notification of the benefit determination also must include a statement of the claimant's right to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to the claimant's claim for benefits and to bring a civil action. If an internal rule, guideline, protocol, or other similar criterion was relied upon in making the adverse determination with respect to a Disability claim, either the specific rule, guideline, protocol, or other similar criterion shall be provided free of charge, or the claimant may be informed that such rule, guideline, protocol, or other criterion shall be provided free of charge upon request. The Committee's decision upon appeal, or the Committee's initial decision if no appeal is taken, shall be final, conclusive and binding on all parties.

(f) In no event will a Participant or beneficiary be entitled to challenge the Committee's decision in court or in any other administrative proceeding unless and until these claims review procedures have been complied with and exhausted. The claimant then shall have ninety (90) days from the date of receipt of the Committee's decision on appeal in which to file suit regarding a claim

for benefits under the Plan. If suit is not filed within such ninety (90)-day period, it shall be forever barred.

5.03 Expenses

Expenses of the Committee attributable to the administration of the Plan shall be paid directly by the Corporation.

ARTICLE VI GENERAL PROVISIONS

6.01 Funding

(a) All amounts payable in accordance with the Plan shall constitute a general unsecured obligation of the Corporation. Such amounts, as well as any administrative costs relating to the Plan, shall be paid out of the general assets of the Corporation, to the extent not paid from the assets of any trust established pursuant to paragraph (b) below.

(b) The Corporation may, for administrative reasons, establish a grantor trust for the benefit of Participants in the Plan. The assets placed in said trust shall be held separate and apart from other Corporation funds and shall be used exclusively for the purposes set forth in the Plan and the applicable trust agreement, subject to the following conditions:

- a. the creation of said trust shall not cause the Plan to be other than "unfunded" for purposes of Title I of ERISA;
- b. the Corporation shall be treated as "grantor" of said trust for purposes of Section 677 of the Code;
- c. the agreement of said trust shall provide that its assets may be used upon the insolvency or bankruptcy of the Corporation to satisfy claims of the Corporation's general creditors and that the rights of such general creditors are enforceable by them under federal and state law;
- d. the trust shall be sited in the United States;
- e. the funding of the trust shall not be contingent on the financial condition of the Corporation; and
- f. the trust shall always comply with the provisions of Code Section 409A(b).

6.02 Discontinuance and Amendment

The Board of Directors of the Corporation reserves the right to modify, amend, or discontinue in whole or in part, benefit accruals under the Plan at any time. However, no modification, amendment, or discontinuance shall adversely affect the right of any Participant to receive the vested benefits accrued as of the date of such modification, amendment or discontinuance and any such modification, amendment or discontinuance shall comply with the requirements of Code Section 409A.

6.03 Termination of Plan

The Board of Directors of the Corporation reserves the right to terminate the Plan at any time, provided, however, that no termination shall be effective retroactively. As of the effective date of termination of the Plan, no further benefits shall accrue on behalf of any Participant whose benefits have not commenced, and such Participant and his or her Spouse, or Beneficiary shall retain the right to benefits hereunder; provided that on or after the effective date of termination the Participant is vested under the Qualified Plan. Benefits attributable to the Participant's Grandfathered Account shall be paid to the Participant (or the Participant's Beneficiary if the Participant is not alive on the date of Plan termination) as soon as administratively practicable following such Plan termination. Benefits attributable to the Participant's 409A Account shall be paid in accordance with Article IV of the Plan unless such Plan termination meets the requirements for acceleration of payment under Code Section 409A.

All other provisions of the Plan shall remain in effect.

6.04 Plan Not a Contract of Employment

The Plan is not a contract of employment, and the terms of employment of any Participant shall not be affected in any way by the Plan or related instruments, except as specifically provided therein. The establishment of the Plan shall not be construed as conferring any legal rights upon any person for a continuation of employment, nor shall it interfere with the rights of the Corporation or any Affiliate to discharge any person and to treat him or her without regard to the effect which such treatment might have upon him or her under the Plan. Each Participant and all persons who may have or claim any right by reason of his participation shall be bound by the terms of the Plan and all agreements entered into pursuant thereto.

6.05 Facility of Payment

In the event that the Committee shall find that a Participant or Beneficiary is unable to care for his or her affairs because of illness or accident, or because such individual is a minor or has died, the Committee may, unless claim shall have been made therefore by a duly appointed legal representative, direct that any benefit payment due him or her, to the extent not payable from a grantor trust, be paid on his or her behalf to his or her spouse, a child, a parent or other blood relative, or to a person with whom he or she resides, and any such payment so made shall be a complete discharge of the liabilities of the Corporation, its Affiliates, and the Plan therefore.

6.06 Withholding Taxes

The Corporation shall have the right to deduct from any payment to be made under the Plan any required withholding taxes. The Corporation also may deduct from any amounts payable to or on behalf of the Participant from the Plan or otherwise, to the extent permitted by Section 409A of the Code, any required withholding taxes (including any income tax attributable thereto).

6.07 Nonalienation

Subject to any applicable law, no benefit under the Plan shall be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance or charge, and any attempt to do so shall be void, nor shall any such benefit be in any manner liable for or subject to garnishment, attachment, execution or levy, or liable for or subject to the debts, contracts, liabilities, engagements or torts of the person entitled to such benefits.

6.08 Construction

(a) The Plan is intended to constitute an unfunded deferred compensation arrangement maintained for a select group of management or highly compensated employees within the meaning of Section 201(2), Section 301(a)(3), and Section 401(a)(1) of ERISA, and all rights under the Plan shall be governed by ERISA. Subject to the preceding sentence, the Plan shall be construed, regulated and administered under the laws of the State of New Jersey to the extent such laws are not superseded by applicable federal law. The Plan shall be construed and interpreted to meet the applicable requirements of Code Section 409A to avoid a plan failure described in Code Section 409A(a)(1). The Committee is authorized to adopt rules or regulations deemed necessary or appropriate in connection therewith to anticipate and/or comply the requirements of Code Section 409A and to declare any election,

consent or modification thereto void if non-compliant with Code Section 409A. The Committee, the Corporation and any related parties shall not be responsible for the payment of any taxes or related penalties or interest for any failure to comply with Code Section 409A.

(b) The masculine pronoun shall mean the feminine wherever appropriate.

(c) The illegality of any particular provision of this document shall not affect the other provisions and the document shall be construed in all respects as if such invalid provision were omitted.

(d) The headings and subheadings in the Plan have been inserted for convenience of reference only, and are to be ignored in any construction of the provisions thereof.

**PENSION EQUALIZATION PLAN
OF NEW JERSEY RESOURCES CORPORATION**

**Originally Effective as of February 27, 1991
Amended and Restated as of November 16, 2020**

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**PENSION EQUALIZATION PLAN
OF NEW JERSEY RESOURCES CORPORATION**

The Pension Equalization Plan of New Jersey Resources Corporation (the "Plan") was originally authorized and adopted by the Board of Directors of New Jersey Resources (the "Corporation") effective as of February 27, 1991, amended and restated effective January 1, 2005, and now amended and restated effective November 16, 2020. The purpose of the Plan is to provide certain supplemental benefits to certain select management or highly compensated employees who are participants in the Plan for Retirement Allowances for Non-Represented Employees of New Jersey Natural Gas Company (the "Qualified Plan").

All benefits payable under the Plan, which is intended to constitute both an unfunded excess benefit plan under Section 3(36) of Title I of the Employee Retirement Income Security Act of 1974, as amended, ("ERISA"), and a nonqualified, unfunded deferred compensation plan for a select group of management or highly compensated employees under ERISA, shall be paid out of the general assets of the Corporation. The Corporation may establish and fund a trust in order to aid it in providing benefits due under the Plan.

Benefits payable to any participant of the Plan who terminated employment before January 1, 2005 shall be governed by the provisions of the Plan as in effect at the time of termination, except as otherwise specifically stated elsewhere herein. Benefits accruing and /or vesting under the Plan after December 31, 2004 are subject to the provisions of Code Section 409A. Benefits that accrued and became vested under the Plan prior to January 1, 2005 are not subject to Code Section 409A unless the provisions of the Plan relating to such benefits are materially modified after October 3, 2004. On and before December 31, 2008, to the extent applicable, the Plan administrator has administered the Plan in accordance with the provisions of Section 409A of the Code as enacted by the American Jobs Creation Act of 2004 and

regulations and other applicable guidance issued thereunder, including but not limited to the applicable transition rules (collectively “Code Section 409A”).

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**PENSION EQUALIZATION PLAN
OF NEW JERSEY RESOURCES CORPORATION**

ARTICLE I

DEFINITIONS

The following terms when capitalized herein shall have the meanings assigned below.

- a. **Accrued Basic Retirement Allowance** shall mean a Participant's "Accrued Retirement Allowance" (as such term is defined in the Qualified Plan) under the Qualified Plan attributable to the Participant's "Basic Allowance" (as such term is defined in the Qualified Plan) under the Qualified Plan determined, for purposes of calculating the amount of benefits under Section 2.02, 2.08, and Appendices A, B, C, D and E prior to the application of any offset required pursuant to Section 4.9 (Non-duplication of benefits) of the Qualified Plan.
- 1.02 **Actuarial Equivalent** shall mean a benefit of equivalent value to another benefit determined using the factors specified in the Qualified Plan for a similar determination, unless otherwise provided in the Plan. With regard to the Non-Grandfathered Benefit, Actuarial Equivalent will not violate Code Section 409A.
- 1.03 **Affiliate** shall mean any division, subsidiary or affiliated company of the Corporation not participating in the Plan, which is an "Affiliate" as defined in the Qualified Plan but only to the extent such "Affiliate" is required to be treated as the Corporation for purposes of the applicable provision of Code Section 409A.
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- 1.04 **Beneficiary** shall mean the person designated to receive benefits after a Participant's death; provided, however, that if a Participant elects Option C under Section 2.04(c), he or she may elect a primary Beneficiary and a secondary Beneficiary. A Participant may, from time to time, revoke or change his or her Beneficiary designation without the consent of any prior Beneficiary by filing a new designation with the Committee. The last such designation received by the Committee shall be controlling, provided however, that no designation or change or revocation thereof, shall be effective unless received by the Committee prior to the Participant's death or the Participant's Benefit Commencement Date, if earlier, and in no event shall it be effective as of a date prior to such receipt.
- 1.05 **Benefit Commencement Date** shall mean, unless the Plan expressly provides otherwise, the first day of the first period following the Participant's Separation from Service for which an amount is due as an annuity or any other form. The Benefit Commencement Date under the Plan is determined without regard to any delay in payment pursuant to Section 2.06 or Section 2.10.
- 1.06 **Code** shall mean the Internal Revenue Code of 1986, as amended from time to time.
- 1.07 **Committee** shall mean the Benefit Administration Committee of the Corporation or any successor thereto.
- 1.08 **Corporation** shall mean New Jersey Resources Corporation, or any successor by merger, purchase or otherwise.
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- 1.09 **Disabled** shall mean totally disabled and permanently in accordance with a determination by the Social Security Administration. Sufficient proof of such determination shall be provided to the Administrator in order for a Participant to be determined Disabled under the Plan.
- 1.10 **Effective Date** shall mean February 27, 1991.
- 1.11 **Eligible Employee** shall mean: a person:
- (a) who is employed by the Corporation or a wholly-owned subsidiary of the Corporation;
 - (b) who is a participant of the Qualified Plan; and
 - (c) whose benefits under the Qualified Plan are restricted by Sections 401(a)(4), 401(a)(17) and/or 415 of the Internal Revenue Code.
- 1.12 **ERISA** shall mean the Employee Retirement Income Security Act of 1974, as amended from time to time.
- 1.13 **Grandfathered Benefit** shall mean the portion of a Participant's benefit accrued and vested before January 1, 2005, determined under Section 2.02 of the Plan and the final regulations issued under Code Section 409A based on actuarial equivalent assumptions chosen by the Administrator in accordance with Code Section 409A determined without regard to any Plan amendments after October 3, 2004 which would constitute a material modification for Code Section 409A purposes.
- 1.14 **Non-Grandfathered Benefit** shall mean the portion of a Participant's benefit determined under Section 2.02 of the Plan that is not a Grandfathered Benefit.
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- 1.15 **Normal Retirement Date** shall mean a Participant's "Normal Retirement Date" as such term is defined in the Qualified Plan.
- 1.16 **Participant** shall mean an Eligible Employee who is participating in the Plan pursuant to Section 2.01 hereof.
- 1.17 **Plan** shall mean the Pension Equalization Plan of New Jersey Resources Corporation, as set forth herein or as amended from time to time.
- 1.18 **Qualified Plan** shall mean the Plan for Retirement Allowances for Non-Represented Employees of New Jersey Natural Gas Company, as amended from time to time, except that, with regard to the time and form of payment of the Grandfathered Benefit, the Qualified Plan shall mean the Qualified Plan in effect on October 3, 2004 to the extent required to comply with Code Section 409A.
- 1.19 **Qualified Plan Annuity Starting Date** shall mean the Participant's "Annuity Starting Date" (as such term is defined under the Qualified Plan) under the Qualified Plan.
- 1.20 **Separation from Service** shall mean the death of a Participant or the retirement or other termination of employment of the Participant such that he or she ceases to be an employee of the Corporation and all Affiliates, provided that no change in a Participant's employment status shall be considered a Separation from Service unless it would be treated as such pursuant to regulations under Code Section 409A. A Separation from Service shall occur where it is reasonably anticipated that no further services will be performed after that date or that the level of bona fide services the Participant will perform after that date (whether as an employee or independent
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contractor) will permanently decrease to less than 50% of the average level of bona fide services performed over the immediately preceding thirty-six (36) month period. A Participant shall be considered to continue employment and to not have a Separation from Service while on a leave of absence if the leave does not exceed 6 consecutive months (29 months for a disability leave of absence) or, if longer, so long as the Participant retains a right to reemployment with the Corporation or an Affiliate under an applicable statute or by contract. For this purpose, a “disability leave of absence” is an absence due to any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 6 months, where such impairment causes the Participant to be unable to perform the duties of his job or a substantially similar job.

- 1.21 **Spouse** shall mean a person of the opposite sex of the Participant who is the Participant’s husband or wife as provided in the Defense of Marriage Act of 1996.
- 1.22 **Surviving Spouse** shall mean the Spouse of the Participant to whom the Participant has been married throughout the one-year period ending on the date of the Participant’s death.
- 1.23 **Unreduced Benefit Commencement Date** shall mean the earliest date as of which a Participant could commence receiving his or her Accrued Basic Retirement Allowance under the Qualified Plan without reduction for early commencement, regardless of whether or not the Participant actually commences payment of his or her Accrued Basic Retirement Allowance under the Qualified Plan as of such date.

ARTICLE II

PARTICIPATION; AMOUNT AND PAYMENT OF BENEFITS

2.01 Participation

- (a) Eligible Employees participating in the Plan on December 31, 2006 shall continue to be a Participant in the Plan thereafter in accordance with the terms of the Plan.
- (b) Effective on and after January 1, 2007, except as otherwise provided in an Appendix, an Eligible Employee shall become a Participant of the Plan on the first day of calendar year next following the date he or she is approved for participation in the Plan by the Committee.
- (c) A Participant's participation in the Plan shall terminate upon the Participant's death or other Separation from Service, unless a benefit is payable under the Plan with respect to the Participant or his or her Beneficiary under the provisions of this Article II.

b. Amount of Benefits

Except as otherwise provided in an Appendix and prior to adjustment in accordance with Section 2.04, as of each Participant's Benefit Commencement Date, the Participant's benefit under this Article II shall be a monthly payment for the life of the Participant and shall equal the excess, if any, of (a) over (b) as calculated as of Separation from Service (except as provided in Section 2.07(c)) and determined as follows:

- (a) the monthly Accrued Basic Retirement Allowance that would have been payable beginning on the Participant's Benefit Commencement Date in the form of a life annuity under the terms of the Qualified Plan, determined without regard to the limitations
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imposed by Section 401(a)(4) of the Code, the limitation on compensation imposed by Section 401(a)(17) of the Code, or the maximum limitation on benefits imposed by Section 415 of the Code without regard to any election to defer compensation under the New Jersey Resources Corporation Officer's Deferred Compensation Plan (or a successor plan) and without regard to any accruals under the Qualified Plan because of a disability if such accruals relate to any period after which a Participant has commenced his benefit under this Plan;

over

- (b) the monthly Accrued Basic Retirement Allowance that would have been payable beginning on the Participant's Benefit Commencement Date in the form of a life annuity under the terms of the Qualified Plan without regard to any accruals under the Qualified Plan because of a disability if such accruals relate to any period after which a Participant has commenced his benefit under this Plan;

The foregoing determination shall be made as of the Participant's Benefit Commencement Date, with any adjustment for commencement before or after the Participant's Normal Retirement Date made using the applicable adjustment factors under the Qualified Plan.

c. **Vesting**

Except as otherwise provided in Section 4.04 or an Appendix, a Participant shall be vested in, and have a nonforfeitable right to, the benefits payable under this Article II upon the later of the date he or she becomes a Participant in the Plan and the date he or she has a vested and nonforfeitable right to an Accrued Basic Retirement Allowance under the Qualified Plan.

d. **Form of Payment**

- (a) Except as otherwise provided in Appendix A, the benefit under Section 2.02 of a Participant whose Benefit Commencement Date is prior to January 1, 2007 shall be paid in the same form of payment in which the Participant receives his or her Accrued Basic Retirement Allowance under the Qualified Plan.
 - (b) Except as otherwise provided in Appendix A, unless a Participant has made a valid election under paragraph (c) below of an optional form of payment, the benefit under Section 2.02 of a Participant whose Benefit Commencement Date is on or after January 1, 2007 shall be paid in accordance with (i) and (ii) below:
 - (i) The Grandfathered Benefit shall be paid in the same form of payment in which the Participant receives his or her Accrued Basic Retirement Allowance under the Qualified Plan.
 - (ii) The Non-Grandfathered Benefit shall be paid as follows:
 - (A) If the Participant does not have a Spouse on his or her Benefit Commencement Date, a single life annuity for the life of the Participant, with no payments after his or her death.
 - (B) If the Participant does have a Spouse on his or her Benefit Commencement Date, a reduced benefit of Actuarial Equivalent value to the Non-Grandfathered Benefit, which shall be payable for the Participant's life and after his or her death 50% of such reduced amount shall be payable during the life of, and to the Spouse whom the Participant was married on his or her Benefit Commencement Date.
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- (c) Subject to paragraph (d) below, except as otherwise provided in Appendix A, a Participant whose Benefit Commencement Date is on or after January 1, 2007 may elect to convert the Non-Grandfathered Benefit otherwise payable to him or her into an optional benefit of Actuarial Equivalent value as provided in one of the options set forth below:

Option A: A reduced benefit payable during the Participant's life and after his or her death payable during the life of, and to the Participant's Beneficiary.

Option B: A reduced benefit payable during the Participant's life and after his or her death 50% of such reduced amount payable during the life of, and to the Participant's Beneficiary.

Option C: Effective January 1, 2008, a reduced benefit payable during the Participant's life and after his or her death 75% of such reduced amount payable during the life of, and to the Participant's Beneficiary.

Option D: A reduced benefit payable during the Participant's life, and if the Participant dies within 120 months of his or her Benefit Commencement Date, the remaining balance of such 120 monthly payments shall be paid to the Participant's primary Beneficiary (or the Participant's secondary Beneficiary, if one has been designated and if the primary Beneficiary is not then alive); provided, however, that if the primary Beneficiary (or the secondary Beneficiary, if one has been designated, if the primary Beneficiary is not alive on the Participant's date of death) does not survive the 120-month period, a lump sum payment of Actuarial Equivalent value to the remaining payments shall be paid to the estate of the last to survive of the Participant, the primary Beneficiary, and the secondary Beneficiary.

Option E: A benefit payable for the Participant's life with no payments after his or her death.

Except as otherwise provided in an Appendix, Actuarial Equivalent value shall be determined as of the Participant's Benefit Commencement Date for purposes of adjusting the benefit determined under Section 2.02.

- (d) Notwithstanding the foregoing, subject to the provisions of Code Section 409A and except as otherwise provided in Appendix A, a Participant's election to receive his or her Non-Grandfathered Benefit in an optional form of payment as described in paragraph (c) above shall be effective as of the Participant's Benefit Commencement Date, provided that the Participant makes and submits to the Committee his or her election of an optional form of payment prior to his or her Benefit Commencement Date. Any election hereunder as to an optional form of payment may be revoked prior to the Participant's Benefit Commencement Date. A Participant whose Benefit Commencement Date is on or after January 1, 2007 and who does not have a valid form of payment election on file with the Committee on his or her Benefit Commencement Date, shall receive his or her Non-Grandfathered Benefit in accordance with paragraph (b) of this Section 2.04.
- (e) If the Actuarial Equivalent value of the benefits to be paid under the Plan and all plans that are required to be aggregated with the Plan under Code Section 409A is less than or equal to the applicable dollar amount under Section 402(g)(1)(B) of the Code, such benefit shall be paid in one lump sum.
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b. Timing of Payment

- (a) Except as otherwise provided in Appendix A and subject to Section 2.06, the Benefit Commencement Date of a Participant whose Qualified Plan Annuity Starting Date is prior to January 1, 2007 shall be such Qualified Plan Annuity Starting Date.
 - (b) Except as otherwise provided in Section 2.07(b) or an Appendix and subject to Section 2.06, unless a Participant has made a valid election under paragraph (c) below of an optional Benefit Commencement Date, the Benefit Commencement Date of a Participant whose benefits under the Plan have not commenced by January 1, 2007 shall be determined in accordance with (i) and (ii) below:
 - (i) The Benefit Commencement Date for the Participant's Grandfathered Benefit shall be the Participant's Qualified Plan Annuity Starting Date.
 - (ii) The Benefit Commencement Date for the Participant's Non-Grandfathered Benefit shall be the first day of the month following the later of:
 - (A) the Participant's Separation from Service; and
 - (B) (I) the first day of the month following the month in which the Participant's 60th birthday occurs, if the Participant has completed at least 20 or more years of "Credited Service" (as such term is defined in the Qualified Plan as defined in the Qualified Plan on January 1, 2009); or
 - (II) the first day of the month following the month in which the Participant's 65th birthday occurs, if the Participant has not completed at least 20 years of "Credited Service" (as such term is defined in the Qualified Plan as of January 1, 2009).
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- (c) In lieu of the Benefit Commencement Date specified in paragraph (b) above and subject to Section 2.06, a Participant whose benefits under the Plan have not commenced by January 1, 2007 and who is not eligible for benefits under Appendix A may elect to have the Benefit Commencement Date applicable to his or her Non-Grandfathered Benefit be one of the following dates:
- (i) the first day of the month following the Participant's Separation from Service; or
 - (ii) the first day of the month following the later of the Participant's Separation from Service and the date specified by the Participant, provided that such specified date may not be earlier than age 55 nor later than the first day of the month following the Participant's 65th birthday;
- provided, however, that unless the Participant has completed at least 20 years of "Credited Service" (as such term is defined in the Qualified Plan on January 1, 2009 or, if applicable, as provided in an Appendix) as of his or her Separation from Service, the Participant's election under this paragraph (c) shall not be given effect.
- (d) Upon the Committee's approval of an Eligible Employee's initial participation in the Plan but prior to the calendar year in which such Eligible Employee's participation is effective (except as otherwise provided for in an Appendix in accordance with Code Section 409A), the Eligible Employee may elect a Benefit Commencement Date set forth in paragraph (b) above and such election shall become effective and irrevocable, except as allowed in paragraph (e) below and otherwise in accordance with Code Section 409A, on the date the Eligible Employee becomes a participant in the Plan provided such election is received by the Committee prior to such date.
- (e) Unless otherwise made in accordance with paragraph (d) above or as otherwise provided under the provisions of Code Section 409A for a Participant who is employed on or after January 1, 2008, an election pursuant to paragraph (c) above:
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- (i) shall become effective 12 months after the date such election is made;
- (ii) must be made at least 12 months prior to the date payments to the Participant would otherwise commence pursuant to the Plan; and
- (iii) the new Benefit Commencement Date under such election must be at least 5 years after the date payments to the Participant would otherwise commence pursuant to the Plan above.

Notwithstanding the foregoing provisions of this paragraph (e), an election pursuant to paragraph (c) that is made in accordance with a transition rule or other applicable provision under Code Section 409A shall become effective on the date such election is made and shall not be subject to the 5 year delay. For purposes of this paragraph (e), an election is deemed to be made on the date such election is received by the Committee.

- (f) Anything in the Plan to the contrary notwithstanding, no distribution shall be made that would cause the Plan to violate Code Section 409A.

b. Timing of Payment for a “Specified Employee”

Notwithstanding any provision of the Plan to the contrary, the actual payment of a Non-Grandfathered Benefit to a Participant who is classified as a “Specified Employee” as determined under procedures adopted by the Board of Directors of the Corporation or its delegate in accordance with Code Section 409A, on account of such Specified Employee’s Separation from Service (for reasons other than death or disability) shall not commence prior to the first day of the seventh month following the Specified Employee’s Separation from Service. Except as otherwise provided in Appendix A, any payment of a Non-Grandfathered Benefit to the Specified Employee which he or she would have otherwise received under Section 2.02 during the sixmonth period immediately following such Specified Employee’s Separation from Service shall be paid with interest for that six-month period at one-half of the prime rate as published in the Wall Street

Journal on the last day of the last calendar quarter that ends within such six-month period, such prime rate first rounded to the nearest .25%, within 30 days after the later of (a) the first day of seventh month following the Specified Employee's Separation from Service, and (b) the Specified Employee's Benefit Commencement Date.

c. Disability Retirement

- (a) In the event the Participant receives a Disability Retirement Allowance under the Qualified Plan, the Grandfathered Benefit shall be paid at the same time and in the same form as, and subject to the same rules as (including the suspension and termination provisions), the Participant's Disability Retirement Allowance under the Qualified Plan. Such benefit shall not be reduced for early commencement.
 - (b) At the time an Eligible Employee makes his election under Section 2.05(d) or, on or prior to December 31, 2008, as otherwise allowed under Code Section 409A, the Eligible Employee may elect to receive his Non-Grandfathered Benefit under the Plan at the time he is determined to be Disabled. Such Non-Grandfathered Benefit is called his "Disability Retirement Benefit". If the Eligible Employee fails to submit an election at this time, he *or she* shall not be eligible to receive a Disability Retirement Benefit.
 - (c) In the event a Participant who elected a Disability Retirement Benefit in accordance with Section 2.07(b) becomes Disabled, his Benefit Commencement Date shall be on the date he *or she* is considered Disabled and his benefit shall be calculated in accordance with Section 2.02 as of such Benefit Commencement Date. Such benefit shall not be reduced for early commencement.
 - (d) In the event a Participant does not elect, or is deemed not to elect, a Disability Retirement Benefit under Section 2.07(b) but is otherwise Disabled or is receiving long term disability benefits under a long term disability plan maintained by the Corporation or an Affiliate, then such Participant shall continue to accrue benefits as provided in the Qualified Plan until the later of his *or her* Separation from Service or the date *his or her*
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non-grandfathered benefits are scheduled to commence under this Plan in accordance with Section 2.05.

d. **Death**

- (a) If a Participant who is vested in a benefit under the Plan dies before his or her Benefit Commencement Date, such Participant's Surviving Spouse, if any, shall receive a monthly payment for life commencing as of the month coincident with or next following the Participant's date of death.
- (b) Except as otherwise provided in paragraph (c) below, the benefit payable to the Surviving Spouse of a Participant who dies before his Benefit Commencement Date and either (A) while in active service with the Corporation or any Affiliate or (B) while accruing benefits under Section 2.07(c) shall be equal to the excess, if any, of (i) over (ii) as follows:
 - (i) 50% of the monthly Accrued Basic Retirement Allowance that would have been payable to the Participant under the Qualified Plan in the form of a joint and 50% survivor annuity with the Surviving Spouse as contingent annuitant if the Participant had terminated employment on his or her date of death and payments had commenced on the Participant's Normal Retirement Date, determined without regard to the limitations imposed by Section 401(a)(4) of the Code, the limitation on compensation imposed by Section 401(a)(17) of the Code, or the maximum limitation on benefits imposed by Section 415 of the Code, and disregarding any election by the Participant to name a beneficiary for the pre-retirement death benefit under the Qualified Plan other than his or her Surviving Spouse;

over

- (ii) 50% of the monthly Accrued Basic Retirement Allowance that would have been payable to the Participant under the Qualified Plan in the form of a joint and 50% survivor annuity with the Surviving Spouse as contingent annuitant if the Participant had terminated employment on his or her date of death and payments had commenced on the Participant's Normal Retirement Date, determined with regard to the limitations imposed by Section 401(a)(4) of the Code, the limitation on compensation imposed by Section 401(a)(17) of the Code, and the maximum limitation on benefits imposed by Section 415 of the Code but disregarding any election by the Participant to name a beneficiary for the pre-retirement death benefit under the Qualified Plan other than his or her Surviving Spouse.

For the Surviving Spouse of a Participant who does not meet the above requirements but who dies before his Benefit Commencement Date, the benefit payable to the Surviving Spouse shall be equal to the Actuarial Equivalent of the excess of (i) over (ii) above, adjusted for commencement at the Participant's Normal Retirement Date at the time set forth in paragraph (a) above. For this purpose, for a Participant with 20 years of Credited Service (as such term is defined in the Qualified Plan on January 1, 2009), the Actuarial Equivalent of a benefit payable immediately at any age from age 55 and up to age 65 shall be determined using the early retirement factors in the Qualified Plan as of the date of death. Actuarial Equivalence for a benefit payable immediately that is paid before age 55 or with regard to a Participant with less than 20 years of Credited Service (as such term is defined in the Qualified Plan on January 1, 2009) shall be determined using the definition of Actuarial Equivalence specified in the Qualified Plan.

- (c) If within the 180-day period prior to his or her Qualified Plan Annuity Starting Date, a Participant has elected a joint and 100% or 75% survivor annuity form of payment with his or her Surviving Spouse as contingent annuitant under the Qualified Plan, "100%" or "75%", whichever applicable, shall be substituted for "50%" and "Benefit
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Commencement Date” shall be substituted for “Normal Retirement Date” in paragraph (b) above, provided that such substitutions do not cause the Plan to incur any of the failures under Code Section 409A.

- (d) Upon the death of a Participant on or after his or her Benefit Commencement Date, no further benefits shall be paid on behalf of such Participant under the Plan except to the extent such Participant had elected to receive benefits in an optional form, in which case survivor benefits shall be paid in accordance with the option elected.
- (e) If the Actuarial Equivalent value of the benefits to be paid under the Plan and all plans that are required to be aggregated with the Plan under Code Section 409A is less than or equal to the applicable dollar amount under Section 402(g)(1)(B) of the Code, such benefit shall be paid in one lump sum

b. Reemployment of Former Participant or Retired Participant

If a Participant who retired or otherwise has a Separation from Service with the Corporation and its Affiliates is reemployed by the Corporation or an Affiliate, any payment of a Grandfathered Benefit shall cease and any payment of a Non-Grandfathered Benefit under the Plan shall not cease. The Participant shall not accrue any additional benefits under the Plan. Upon the Participant’s subsequent Separation from Service, payment of the Grandfathered Benefit shall be recomputed in accordance with the provisions of the Qualified Plan applicable to reemployed participants and any benefits then payable hereunder shall be reduced by the Actuarial Equivalent value of any Grandfather Benefit previously paid under the Plan.

2.10 Delay of Payments

Any payment otherwise due under the Plan which would violate Federal securities laws or other applicable law may not be made until the earliest date on which such payment no longer violates such laws. Payment may be delayed for a reasonable period in accordance with the provisions of Code Section 409A (including in the event the payment is not administratively practical due to

events beyond the recipient's control such as where the recipient is not competent to receive the benefit payment, there is a dispute as to amount due or the proper recipient of such benefit payment, or additional time is needed to calculate the amount payable). Any benefit delayed under this Section 2.10 shall be adjusted appropriately to maintain its Actuarial Equivalent value in accordance with Code Section 409A.

2.11 Qualified Domestic Relations Orders

Any domestic relations order must be submitted to the Committee and determined by the Committee to be qualified. Any domestic relations order determined to be qualified by the Committee (a "QDRO") shall only apply to future benefits payable under the Plan. No benefits shall be paid under the Plan pursuant to a QDRO until a Participant elects to or otherwise begins to receive his benefit under the Plan. Any payment to an alternate payee pursuant to a QDRO shall be based on the time and form of payment elected by the Participant or, if applicable, the death benefit provisions in the Plan.

ARTICLE III

PLAN ADMINISTRATION

a. Administration

- (a) The administration of the Plan, the exclusive power and complete discretionary authority to interpret it, and the responsibility for carrying out its provisions are vested in the Committee or its designate. The Committee shall have the complete discretionary
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authority to administer the Plan and resolve any question under the Plan. The determination of the Committee as to the interpretation of the Plan or any disputed question shall be conclusive and final to the extent permitted by applicable law. The Committee may employ and rely on such legal counsel, actuaries, accountants and agents as it may deem advisable to assist in the administration of the Plan.

- (b) To the extent permitted by law, all agents and representative of the Committee shall be indemnified by the Corporation and held harmless against any claims and the expenses of defending against such claims, resulting from any action or conduct relating to the administration of the Plan, except claims arising from gross negligence, willful neglect or willful misconduct.

b. **Claims Procedure**

(a) **Submission of Claims**

Claims for benefits under the Plan shall be submitted in writing to the Committee or to an individual designated by the Committee for this purpose.

(b) **Denial of Claim**

If any claim for benefits is wholly or partially denied, the claimant shall be given written notice within 90 days following the date on which the claim is filed, which notice shall set forth

- (i) the specific reason or reasons for the denial;
 - (ii) specific reference to pertinent Plan provisions on which the denial is based;
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- (iii) a description of any additional material or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary; and
- (iv) an explanation of the Plan's claim review procedure.

If special circumstances require an extension of time for processing the claim, written notice of an extension shall be furnished to the claimant prior to the end of the initial period of 90 days following the date on which the claim is filed. Such an extension may not exceed a period of 90 days beyond the end of said initial period.

If the claim has not been granted and written notice of the denial of the claim is not furnished within 90 days following the date on which the claim is filed, the claim shall be deemed denied for the purpose of proceeding to the claim review procedure.

(c) Claim Review Procedure

The claimant or his authorized representative shall have 60 days after receipt of written notification of denial of a claim to request a review of the denial by making written request to the Committee, and may review pertinent documents and submit issues and comments in writing within such 60-day period.

Not later than 60 days after receipt of the request for review, the Committee or its designate shall render and furnish to the claimant a written decision, which shall include specific reasons for the decision and shall make specific references to pertinent Plan provisions on which it is based. If special circumstances require an extension of time for processing, the decision shall be rendered as soon as possible, but not later than 120 days

after receipt of the request for review, provided that written notice and explanation of the delay are given to the claimant prior to commencement of the extension. Such decision by the Committee shall not be subject to further review. If a decision on review is not furnished to a claimant within the specified time period, the claim shall be deemed to have been denied on review.

(d) Exhaustion of Remedy

No claimant shall institute any action or proceeding in any state or federal court of law or equity or before any administrative tribunal or arbitrator for a claim for benefits under the Plan until the claimant has first exhausted the procedures set forth in this section.

c. Expenses

Expenses of the Committee attributable to the administration of the Plan shall be paid directly by the Corporation.

ARTICLE IV

GENERAL PROVISIONS

a. **Funding**

- (a) All amounts payable in accordance with the Plan shall constitute a general unsecured obligation of the Corporation. Such amounts, as well as any administrative costs relating to the Plan, shall be paid out of the general assets of the Corporation, to the extent not paid from the assets of any trust established pursuant to paragraph (b) below.
 - (b) The Corporation may, for administrative reasons, establish a grantor trust for the benefit of Participants in the Plan. The assets placed in said trust shall be held separate and apart from other Corporation funds and shall be used exclusively for the purposes set forth in the Plan and the applicable trust agreement, subject to the following conditions:
 - (i) the creation of said trust shall not cause the Plan to be other than "unfunded" for purposes of Title I of ERISA;
 - (ii) the Corporation shall be treated as "grantor" of said trust for purposes of Section 677 of the Code;
 - (iii) the agreement of said trust shall provide that its assets may be used upon the insolvency or bankruptcy of the Corporation to satisfy claims of the Corporation's general creditors and that the rights of such general creditors are enforceable by them under federal and state law;
 - (iv) the trust shall be sited in the United States; and
 - (v) the funding of the trust shall not be contingent on the financial condition of the Corporation.
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b. **Duration of Benefits**

Benefits shall accrue under the Plan on behalf of a Participant only for so long as the provisions of Section 401(a)(4), Section 401(a)(17), or Section 415 of the Code limit the benefits that are payable under the Qualified Plan.

c. **Discontinuance and Amendment**

The Board of Directors of the Corporation reserves the right to modify, amend, or discontinue in whole or in part, benefit accruals under the Plan at any time. However, no modification, amendment, or discontinuance shall adversely affect the right of any Participant to receive the vested benefits accrued as of the date of such modification, amendment or discontinuance. Notwithstanding the foregoing, following any amendment, benefits may be adjusted as required to take into account the amount of benefits payable under the Qualified Plan after the application of the limitations referred to in Section 2.02 hereof. Notwithstanding any of the foregoing, any modification, amendment, or discontinuance shall comply with the requirements of Code Section 409A.

d. **Termination of Plan**

The Board of Directors of the Corporation reserves the right to terminate the Plan at any time, provided, however, that no termination shall be effective retroactively and any such termination shall comply with the requirements of Code Section 409A. As of the effective date of termination of the Plan:

- i. A Participant shall become vested in, and have a nonforfeitable right to, his or her Grandfathered Benefit;
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- ii. the benefits of any Participant, Spouse, Surviving Spouse, or Beneficiary whose benefit payments have commenced shall continue to be paid, but only to the extent such benefits are not otherwise payable under the Qualified Plan because of the limitations referred to in Section 2.02 hereof, and
- (c) no further benefits shall accrue on behalf of any Participant whose benefits have not commenced, and such Participant and his or her Spouse, Surviving Spouse, or Beneficiary shall:
 - (1) retain the right to Grandfathered Benefits hereunder; and
 - (2) retain the right to Non-Grandfathered Benefits hereunder, provided that on or after the effective date of Plan termination the Participant is vested under the Qualified Plan.

All other provisions of the Plan shall remain in effect.

e. **Plan Not a Contract of Employment**

The Plan is not a contract of employment, and the terms of employment of any Participant shall not be affected in any way by the Plan or related instruments, except as specifically provided therein. The establishment of the Plan shall not be construed as conferring any legal rights upon any person for a continuation of employment, nor shall it interfere with the rights of the Corporation or any Affiliate to discharge any person and to treat him or her without regard to the effect which such treatment might have upon him or her under the Plan. Each Participant and all persons who may have or claim any right by reason of his participation shall be bound by the terms of the Plan and all agreements entered into pursuant thereto.

f. **Facility of Payment**

In the event that the Committee shall find that a Participant or Beneficiary is unable to care for his or her affairs because of illness or accident, or because such individual is a minor or has died, the Committee may, unless claim shall have been made therefore by a duly appointed legal representative, direct that any benefit payment due him or her, to the extent not payable from a grantor trust, be paid on his or her behalf to his or her spouse, a child, a parent or other blood relative, or to a person with whom he or she resides, and any such payment so made shall be a complete discharge of the liabilities of the Corporation, its Affiliates, and the Plan therefore.

g. **Withholding Taxes**

The Corporation shall have the right to deduct from each payment to be made under the Plan any required withholding taxes.

h. **Nonalienation**

Subject to any applicable law, no benefit under the Plan shall be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance or charge, and any attempt to do so shall be void, nor shall any such benefit be in any manner liable for or subject to garnishment, attachment, execution or levy, or liable for or subject to the debts, contracts, liabilities, engagements or torts of the person entitled to such benefits.

i. **Construction**

- (a) The Plan is intended to constitute an unfunded deferred compensation arrangement maintained for a select group of management or highly compensated employees within the meaning of Section 201(2), Section 301(a)(3), and Section 401(a)(1) of ERISA, and all rights under the Plan shall be governed by ERISA. Subject to the preceding sentence,
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the Plan shall be construed, regulated and administered under the laws of the State of New Jersey, to the extent such laws are not superseded by applicable federal law. The Plan shall be construed and interpreted to meet the applicable requirements of Code Section 409A to avoid a plan failure described in Code Section 409A(a)(1). The Committee is authorized to adopt rules or regulations deemed necessary or appropriate in connection therewith to anticipate and/or comply the requirements of Code Section 409A and to declare any election, consent or modification thereto void if noncompliant with Code Section 409A. The Committee, the Corporation and any related parties shall not be responsible for the payment of any taxes or related penalties or interest for any failure to comply with Code Section 409A.

- (b) The masculine pronoun shall mean the feminine wherever appropriate.
 - (c) The illegality of any particular provision of this document shall not affect the other provisions and the document shall be construed in all respects as if such invalid provision were omitted.
 - (d) The headings and subheadings in the Plan have been inserted for convenience of reference only, and are to be ignored in any construction of the provisions thereof.
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APPENDIX A
SPECIAL PROVISIONS APPLICABLE TO PARTICIPANTS
UNDER THE ENHANCED RETIREMENT PROGRAM

This Appendix A, which is effective as of September 15, 2004 and constitutes an integral part of the Plan, is applicable solely with respect to Participants who elect to retire from the Corporation and all Affiliates pursuant to the Enhanced Retirement Program offered from September 16, 2004 through November 10, 2004 (hereinafter referred to as an “ERP Participant”).

Amount of Benefits

If an ERP Participant’s Benefit Commencement Date is prior to the earlier of his or her Qualified Plan Annuity Starting Date and his or her Unreduced Benefit Commencement Date:

- (a) prior to the earlier of the Participant’s Qualified Plan Annuity Starting Date and his or her Unreduced Benefit Commencement Date, the ERP Participant’s benefit under Section 2.02, prior to adjustment in accordance with Section 2.04, shall be a monthly payment for the life of the ERP Participant and shall equal the amount determined in accordance with Section 2.02(a), without regard to the offset set forth in Section 2.02(b); and
 - (b) on and after the earlier of the Participant’s Qualified Plan Annuity Starting Date and his or her Unreduced Benefit Commencement Date, the ERP Participant’s benefit under Section 2.02, prior to adjustment in accordance with Section 2.04, shall be a monthly payment for the life of the ERP Participant and shall equal the amount determined in accordance with Section 2.02, including the offset set forth in Section 2.02(b), substituting the earlier of the Participant’s Qualified Plan Annuity Starting Date and his or her “Unreduced Benefit Commencement Date” for “Benefit Commencement Date” in Section 2.02(b)
-

Form of Payment

- (a) If an ERP Participant's Benefit Commencement Date is on or after his or her Qualified Plan Annuity Starting Date but prior to January 1, 2007, the benefit under Section 2.02 shall be paid in the same form of payment in which the ERP Participant receives his or her Accrued Basic Retirement Allowance under the Qualified Plan.
 - (b) If an ERP Participant's Benefit Commencement Date is prior to his or her Qualified Plan Annuity Starting Date or after December 31, 2006, the benefit under Section 2.02 shall be paid from the ERP Participant's Benefit Commencement Date until such Qualified Plan Annuity Starting Date in the form of payment provided for in accordance with the following:
 - (i) Unless an ERP Participant has made a valid election under paragraph (ii) below of an optional form of payment, the benefit under Section 2.02(a) of an ERP Participant shall be paid as follows:
 - (A) If the ERP Participant does not have a Spouse on his or her Benefit Commencement Date, a single life annuity for the life of the ERP Participant, with no payments after his or her death.
 - (B) If the ERP Participant does have a Spouse on his or her Benefit Commencement Date, a reduced benefit of Actuarial Equivalent value to the benefit payable under Section 2.02(a), which shall be payable for the ERP Participant's life and after his or her death 50% of such reduced amount shall be payable during the life of, and to the Spouse whom the ERP Participant was married on his or her Benefit Commencement Date.
 - (ii) Subject to paragraph (iii) below, an ERP Participant may elect to convert the benefit otherwise payable to him or her under the provisions of Section 2.02(a) into an optional benefit of Actuarial Equivalent value as provided in one of the options set forth below;
-

Option A: A reduced benefit payable during the ERP Participant's life and after his or her death payable during the life of, and to the ERP Participant's Beneficiary.

Option B: A reduced benefit payable during the ERP Participant's life and after his or her death 50% of such reduced amount payable during the life of, and to the ERP Participant's Beneficiary.

Option C: Effective January 1, 2008, a reduced benefit payable during the Participant's life and after his or her death 75% of such reduced amount payable during the life of, and to the Participant's Beneficiary.

Option D: A reduced benefit payable during the ERP Participant's life, and if the ERP Participant dies within 120 months of his or her Benefit Commencement Date, the remaining balance of such 120 monthly payments shall be paid to the ERP Participant's primary Beneficiary (or the ERP Participant's secondary Beneficiary, if one has been designated and if the primary Beneficiary is not then alive); provided, however, that if the primary Beneficiary (or the secondary Beneficiary, if one has been designated, if the primary Beneficiary is not alive on the ERP Participant's date of death) does not survive the 120-month period, a lump sum payment of Actuarial Equivalent value to the remaining payments shall be paid to the estate of the last to survive of the ERP Participant, the primary Beneficiary, and the secondary Beneficiary.

Option E: A benefit payable for the ERP Participant's life with no payments after his or her death.

If an ERP Participant elects to receive his or her benefit under Section 2.02 prior to his or her Qualified Plan Annuity Starting Date, Actuarial Equivalent value shall be determined:

- i. as of the Participant's Benefit Commencement Date for purposes of adjusting the amount of benefit determined under Section 2.02(a); and
 - ii. as of the earlier of the Participant's Unreduced Benefit Commencement Date and his or her Qualified Plan Annuity Starting Date for purposes of adjusting the amount of benefit determined under Section 2.02(b).
- (3) Notwithstanding the foregoing, subject to the provisions of Code Section 409A , an ERP Participant's election to receive his or her benefit payable under Section 2.02 in an optional form of payment as described in paragraph (b) above shall be effective as of the ERP Participant's Benefit Commencement Date, provided that the ERP Participant makes and submits to the Committee his or her election of an optional form of payment prior to his or her Benefit Commencement Date. Any election hereunder as to an optional form of payment may be revoked prior to the ERP Participant's Benefit Commencement Date. An ERP Participant who does not have a valid form of payment election on his or her Benefit Commencement Date shall receive his or her benefit in accordance with subparagraph (i)(A) or (B) above.

Timing of Payment

- (a) Unless an ERP Participant has made a valid election under paragraphs (b) and (c) below of an optional Benefit Commencement Date, the Benefit Commencement Date of an ERP Participant shall be the first day of the month following the later of:
- (i) the ERP Participant's Separation from Service; and
 - (ii) the earliest date the ERP Participant could receive an unreduced retirement allowance under the Plan.
-

- (b) In lieu of the Benefit Commencement Date specified in paragraph (a) above, an ERP Participant may elect to commence his or her benefits under the Plan on one of the following dates:
 - (i) the first day of the month following the ERP Participant's Separation from Service; or
 - (ii) the first day of the month following the later of:
 - (A) the ERP Participant's Separation from Service; and
 - 2. the date specified by the ERP Participant (which date shall be no later than the ERP Participant's 60th birthday).
- (c) An ERP Participant's initial election under paragraph (b) above must have been made by October 29, 2004. Unless otherwise provided under the provisions of Code Section 409A, an ERP Participant who made an initial election under paragraph (b) above by October 29, 2004 may revoke his or her initial election under paragraph (b) above and make a one-time subsequent election under paragraph (b) above or an ERP Participant who did not make an initial election under paragraph (b) above by October 29, 2004 may make a one-time election under paragraph (b), provided such one-time election:
 - (i) shall become effective 12 months after the date such election is made;
 - (ii) must be made at least 12 months prior to the date payments to the ERP Participant would otherwise commence pursuant to paragraph (a) above; and
 - (iii) the new Benefit Commencement Date under such election must be at least 5 years after the date payments to the ERP Participant would otherwise commence pursuant to paragraph (b) above.

Notwithstanding the foregoing provisions of this paragraph (c), an initial election pursuant to paragraph (b) that is made by October 29, 2004 shall become effective on the date such election is made. For purposes of this paragraph (c), an election is deemed to be made on the date such election is received by the Committee.

Vesting

An ERP Participant shall be vested in, and have a nonforfeitable right to, the benefits payable under Article II of the Plan, as modified by this Appendix A, upon his or her Separation from Service.

APPENDIX B

Special Provisions Applicable to Kathleen T. Ellis

This Appendix B, which is effective as of May 15, 2005 and constitutes an integral part of the Plan, is applicable solely with respect to Kathleen T. Ellis.

Kathleen T. Ellis shall be eligible to participate in this Plan as of December 31, 2004.

Amount of Benefits

If, as of her date of termination from the Corporation and all Affiliates, Kathleen T. Ellis has completed at least five full years of service with the Corporation or an Affiliate, Kathleen T. Ellis shall be entitled to a benefit under the Plan equal to:

- (a) the monthly Accrued Basic Retirement Allowance that would have been payable to Kathleen T. Ellis beginning on her Benefit Commencement Date in the form of a life annuity under the terms of the Qualified Plan, determined without regard to the limitations imposed by Section 401(a)(4) of the Code, the limitation on compensation imposed by Section 401(a)(17), or the maximum limitation on benefits imposed by Section 415 of the Code, and as if Kathleen T. Ellis had completed five additional years of “Credited Service” (as such term is defined in the Qualified Plan) under the Qualified Plan without regard to any election to defer compensation under the New Jersey Resources Corporation Officer’s Deferred Compensation Plan (or a successor plan) and without regard to any accruals under the Qualified Plan because of a disability if such accruals relate to any period after which a Participant has commenced her benefit under this Plan;

over

(b) the monthly Accrued Basic Retirement Allowance that would have been payable to Kathleen T. Ellis beginning on her Benefit Commencement Date in the form of a life annuity under the terms of the Qualified Plan without regard to any accruals under the Qualified Plan because of a disability if such accruals relate to any period after which a Participant has commenced her benefit under this Plan;

provided; however, that if Kathleen T. Ellis's Benefit Commencement Date is prior to the earlier of her Qualified Plan Annuity Starting Date and her Unreduced Benefit Commencement Date, the offset under paragraph (b) above shall not be applied until the first day of the month coincident with or next following the earlier of her Qualified Plan Annuity Starting Date and her Unreduced Benefit Commencement Date, and by substituting "the earlier of her Qualified Plan Annuity Starting Date and her Unreduced Benefit Commencement Date" for "her Benefit Commencement Date" in paragraph (b) above.

The determination under paragraph (a) above shall be made as of Kathleen T. Ellis's Benefit Commencement Date, and any adjustment to the amount computed pursuant to paragraph (a) above for commencement before or after her Normal Retirement Date shall be made using the applicable adjustment factors under the Qualified Plan, determined taking the five additional years of Credited Service into account.

The determination under paragraph (b) above shall be made as of the later of Kathleen T. Ellis's Benefit Commencement Date or the earlier of her Qualified Plan Annuity Starting Date and her Unreduced Benefit Commencement Date and by substituting "the earlier of her Qualified Plan Annuity Starting Date and her Unreduced Benefit Commencement Date" for "her Benefit Commencement Date" in paragraph (b) above. Any adjustment to the amount computed pursuant to paragraph (b) above for commencement before or after her Normal Retirement Date shall be made using the applicable adjustment factors under the Qualified Plan, determined without taking the five additional years of Credited Service into account.

Form of Payment

If Kathleen T. Ellis elects to receive her benefit under Section 2.02 prior to her Qualified Plan Annuity Starting Date, Actuarial Equivalent value shall be determined:

- (a) as of her Benefit Commencement Date for purposes of adjusting the amount of benefit determined under Section 2.02(a); and
- (b) as of the earlier of her Unreduced Benefit Commencement Date and her Qualified Plan Annuity Starting Date for purposes of adjusting the amount of benefit determined under Section 2.02(b).

Timing of Payment

For purposes of Sections 2.05(b) and 2.05(c) of the Plan, Kathleen T. Ellis's years of Credited Service shall include any additional years of Credited Service she is credited with pursuant to paragraph (a) of the "Amount of Benefits" provisions of this Appendix B.

NEW JERSEY RESOURCES CORPORATION

Officers' Deferred Compensation Plan

Amended and Restated Effective November 16, 2020

NEW JERSEY RESOURCES CORPORATION

Officers' Deferred Compensation Plan

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NEW JERSEY RESOURCES CORPORATION

Officers' Deferred Compensation Plan

Amended and Restated Effective November 16, 2020

1. Purposes. The purpose of this Officers' Deferred Compensation Plan (the "Plan") is to provide certain members of a select group of management or highly compensated employees of New Jersey Resources Corporation (the "Company") and its Affiliates a means to defer receipt of specified portions of compensation and to have such deferred amounts treated as if invested in specified investment vehicles in order to enhance the competitiveness of the Company's executive compensation program and, therefore, its ability to attract and retain qualified key personnel necessary for the continued success and progress of the Company. The provisions of this Plan shall apply only to those deferred amounts that became vested, within the meaning of Code Section 409A (as defined below), subsequent to December 31, 2004.

2. Definitions. In addition to the terms defined in Section 1 above, the following terms used in the Plan shall have the meanings set forth below:

(a) "Administrator" shall mean the person or persons to whom the Committee has delegated the authority to take action under the Plan

(b) "Affiliate" shall mean any entity (whether or not incorporated) which, by reason of its relationship with the Company, would be considered a single employer with the Company under Section 414(b) or 414(c) of the Code, subject to the requirements and definitions contained in Code Section 409A.

(c) "Beneficiary" shall mean any person (which may include trusts and is not limited to one person) who has been designated by the Participant in his or her most recent written beneficiary designation filed with the Company to receive the benefits specified under the Plan in the event of the Participant's death. If no Beneficiary has been designated who survives the Participant's death, then Beneficiary means any person(s) entitled by will or, in the absence thereof, the laws of descent and distribution to receive such benefits.

(d) For the purposes of this Agreement, a "Change In Control" shall be deemed to have occurred if:

(i) Any Person (as defined below) acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such Person) Voting Securities (as defined below), of the Company and, immediately thereafter, is the "beneficial ownership" (within the meaning of Rule 13d-3, as promulgated under Section 13(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) of Voting Securities of the Company representing fifty percent (50%) or more of the combined Voting Power (as defined below) of the Company's securities; or

(ii) Within any 12-month period, the persons who were directors of the Company immediately before the beginning of such period (the "Incumbent Directors") shall

cease (for any reason other than death) to constitute at least a majority of the Board or the board of directors of any successor to the Company, provided that any director who was not a director at the beginning of such period shall be deemed to be an Incumbent Director if such director was elected to the Board by, or on the recommendation of or with the approval of, at least a majority of the directors who then qualified as Incumbent Directors either actually or by prior operation of this Section 7(b); or

(iii) the consummation of a merger, consolidation, share exchange, division, sale or other disposition of all or substantially all of the assets of the Company (a "Corporate Event"), except that a Corporate Event shall not trigger a Change in Control under this clause (c) if the shareholders of the Company immediately prior to such Corporate Event shall hold, directly or indirectly, immediately following such Corporate Event a majority of the Voting Power of (x) in the case of a merger or consolidation, the surviving or resulting corporation, (y) in the case of a share exchange, the acquiring corporation or (z) in the case of a division or a sale or other disposition of assets, each surviving, resulting or acquiring corporation.

(iv) Person Defined. "Person" shall have the meaning ascribed to such term in Section 3(a)(9) of the Exchange Act, as supplemented by Section 13(d)(3) of the Exchange Act; provided, however, that Person shall not include (y) the Company or any subsidiary of the Company or (z) any employee benefit plan sponsored by the Company or any subsidiary of the Company.

(v) Voting Power Defined. A specified percentage of "Voting Power" of a company shall mean such number of the Voting Securities as shall enable the holders thereof to cast such percentage of all the votes which could be cast in an annual election of directors (without consideration of the rights of any class of stock other than the common stock of the company to elect directors by a separate class vote); and "Voting Securities" shall mean all securities of a company entitling the holders thereof to vote in an annual election of directors (without consideration of the rights of any class of stock other than the common stock of the company to elect directors by a separate class vote).

(vi) The above definitions shall be interpreted and applied in a manner that complies with the change in control or ownership trigger event rules under Code Section 409A.

(e) "Code" shall mean the Internal Revenue Code of 1986, as amended. References to any provision of the Code or regulation (including a proposed regulation) thereunder shall include any successor provisions or regulations.

(f) "Code Section 409A" shall mean Section 409A of the Code and any regulations issued thereunder.

(g) "Committee" shall mean the Leadership Development and Compensation Committee of the Board of Directors of the Company or any other directors of the Company designated as the Committee by the Board of Directors of the Company. Except as may be otherwise required under the terms of the Plan or by applicable law, any function of the Committee may be delegated to the Administrator.

(h) "Deferral Account" shall mean the account or subaccount established and maintained by the Company for specified deferrals by a Participant, as described in Section 6. A

Deferral Account will be maintained solely as a bookkeeping entry by the Company to evidence unfunded obligations of the Company.

(i) "Deferral Election" shall mean the form submitted by a Participant to the Administrator instructing the Administrator as to both the type and amount of compensation that is to be deferred and the time and form of payment of such deferred amounts, but only if such form is filed within the time limits prescribed by the Plan and fully complies in all other respects with the requirements of the Plan.

(j) "Deferred Stock" shall mean a right to receive Stock at the end of a specified deferral period.

(k) "Disability" or "Disabled" shall mean that the Participant (as defined below) is, by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, receiving income replacement benefits for a period of not less than 3 months under the long term disability provisions of the benefit plans of the Company or its Affiliates, as applicable.

(l) "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended. References to any provision of the Exchange Act or rule thereunder shall include any successor provisions or rules.

(m) "Participant" shall mean any employee of the Company or any Affiliate who is designated by the Committee as eligible to participate in the Plan and who makes an election to participate in the Plan.

(n) "Retirement" shall mean a Participant's Separation from Service (as defined below) at or after attaining age 55 (including a Separation from Service at or after age 55 due to a Disability).

(o) "Specified Employee" shall mean any Participant who is a key employee of the Company, as defined in Section 416(i) of the Code without regard to Section 416(i)(5) of the Code, and who is determined to be a Specified Employee pursuant to procedures adopted by the Board of Directors of the Company or its delegate in accordance with Code Section 409A .

(p) "Separation from Service" shall mean the Participant resigns, dies, retires or otherwise has a termination of employment with the Company and its Affiliates subject to the following additional rules and the requirements of Code Section 409A. A Separation from Service shall occur where it is reasonably anticipated that no further services will be performed after that date or that the level of bona fide services the Participant will perform after that date (whether as an employee or independent contractor) will permanently decrease to less than 50% of the average level of bona fide services performed over the immediately preceding thirty-six (36) month period. A Participant shall be considered to continue employment and to not have a Separation from Service while on a leave of absence if the leave does not exceed 6 consecutive months (29 months for a disability leave of absence) or, if longer, so long as the Participant retains a right to reemployment with the Company or an Affiliate under an applicable statute or by contract. For this purpose, a "disability leave of absence" is an absence due to any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 6 months, where such impairment causes the Participant to be unable to perform the duties of his job or a substantially

similar job. Continued services solely as a director of the Company or an Affiliate shall not prevent a Separation from Service from occurring.

(q) "Stock" shall mean New Jersey Resources Corporation Common Stock, or any other equity securities of the Company designated by the Committee.

(r) "Trust" shall mean any trust or trusts established or designated by the Company to hold Stock or other assets in connection with the Plan; provided, however, that (i) such trust shall be sited in the United States, (ii) the funding of such trust shall in no way be contingent upon the financial condition of the Company, and (iii) the assets of such trust shall remain subject to the claims of the general creditors of the Company in the event of an insolvency of the Company. The Company shall be considered "insolvent" for purposes of this Plan and any Trust if (i) the Company is unable to pay its debts as they become due, or (ii) the Company is subject to a pending proceeding as a debtor under the United States Bankruptcy Code.

(s) "Trustee" shall mean the trustee of a Trust.

(t) "Trust Agreement" shall mean the agreement entered into between the Company and the Trustee to carry out the purposes of the Plan, as amended or restated from time to time.

3. Administration.

(a) Authority. Except where the terms of the Plan specifically provide otherwise, the Administrator (subject to the ability of the Committee to restrict the Administrator) shall administer the Plan in accordance with its terms, and shall have all powers necessary to accomplish such purpose, including the power and authority to construe and interpret the Plan, to define the terms used herein, to prescribe, amend and rescind rules and regulations, agreements, forms, and notices relating to the administration of the Plan, and to make all other determinations necessary or advisable for the administration of the Plan. Any actions of the Committee or the Administrator with respect to the Plan shall be conclusive and binding upon all persons interested in the Plan, except that any action of the Administrator will not be binding on the Committee. The Committee and Administrator may each appoint agents and delegate thereto powers and duties under the Plan, except as otherwise limited by the Plan.

(b) Administrator. The Administrator shall be appointed by, shall remain in office at the will of, and may be removed, with or without cause, by the Committee, and may be one person or a committee of several persons. The Administrator may resign at any time. The Administrator shall not be entitled to act on or decide any matter relating solely to himself or herself or any of his or her rights or benefits under the Plan. The Administrator shall not receive any special compensation for serving in his or her capacity as Administrator but shall be reimbursed for any reasonable expenses incurred in connection therewith. No bond or other security need be required of the Administrator in any jurisdiction.

(c) Limitation of Liability. Each member of the Committee and the Administrator shall be entitled to, in good faith, rely or act upon any report or other information furnished to him or her by any officer or other employee of the Company or any Affiliate, the Company's independent certified public accountants, or any executive compensation consultant, legal counsel, or other professional retained by the Company to assist in the administration of the Plan. To the maximum extent permitted by law, no member of the Committee or the

Administrator, nor any person to whom ministerial duties have been delegated, shall be liable to any person for any action taken or omitted in good faith in connection with the interpretation and administration of the Plan.

(d) Indemnification. To the maximum extent permitted by law, members of the Committee and the Administrator shall be fully indemnified and protected by the Company with respect to any action taken or omitted in good faith in connection with the interpretation or administration of the Plan.

(e) Plan Year. The Plan's books and records and administrative functions shall be maintained and operated on the basis of a 12-month calendar year commencing each January 1.

4. Participation. The Administrator will notify each person of his or her eligibility to participate in the Plan not later than 30 days (or such lesser period as may be practicable in the circumstances) prior to any deadline for filing an election form.

5. Initial Deferral Elections.

(a) In General. To the extent authorized by the Committee, a Participant may submit to the Administrator a Deferral Election to defer the receipt of compensation or awards which may be in the form of cash, Stock, Stock-denominated awards or other property to be received from the Company or an Affiliate, including salary, annual bonus awards, long-term awards, and compensation payable under other plans and programs, employment agreements or other arrangements, or otherwise, as may be provided under the terms of such plans, programs and arrangements or as designated by the Administrator (an "Initial Deferral Election.") An Initial Deferral Election with respect to compensation otherwise payable to the Participant in a given Plan Year shall specify (i) the timing and form of deferred payment, lump sum or installments, of such compensation subject to such Deferral Election to be made at a future date specified by the Participant through which the Participant has continuously remained an employee of the Company, or upon the Participant's Retirement, or upon the earlier of such specified date or such Retirement, and (ii) the dollar amount or percentage of such compensation to be deferred. Initial Deferral Elections applicable to compensation otherwise payable in different Plan Years may specify different times and forms of payment. In addition to any terms and conditions of deferral set forth under plans, programs or arrangements from which receipt of the Stock-denominated award or other compensation is deferred, the Committee may impose limitations on the amounts permitted to be deferred and other terms and conditions of deferrals under the Plan, including minimum and/or maximum periods of deferral. Any such limitations, and other terms and conditions of deferral, other than those required by Code Section 409A to be included within this plan document, shall be set forth in the rules relating to the Plan or election forms, other forms, or instructions published by the Committee and/or the Administrator.

(b) Date of Election. Each Initial Deferral Election must be received by the Administrator prior to the following dates or will have no effect whatsoever:

(i) With respect to salary, the December 31 immediately preceding the year in which the salary is earned;

(ii) With respect to any annual or long-term incentive pay which qualifies as "performance-based compensation" within the meaning of Code Section 409A, by the earlier of

(A) the December 31 immediately preceding the end of the performance measurement period applicable to such incentive pay or
(B) the date six months prior to the end of the performance measurement period applicable to such incentive pay provided such additional requirements set forth in Code Section 409A are met;

(iii) With respect to “fiscal year compensation” as defined under Code Section 409A, by the last day of the Company’s fiscal year preceding the year in which the fiscal year compensation is earned;

(iv) With respect to awards of restricted stock units or other legally binding rights to a payment of compensation in a subsequent year that is subject to a forfeiture condition requiring the Participant’s continued services for a period of at least 12 months, on or before the 30th day following the grant of such award, provided that the election is made at least 12 months in advance of the earliest date at which the forfeiture condition could lapse.

Each Initial Deferral Election shall become irrevocable at the dates specified above, unless (i) the Participant incurs an Unforeseeable Financial Hardship (as defined below), or (ii) as otherwise permitted both under Code Section 409A and by the Administrator. In the case of an Initial Deferral Election with respect to salary earned during a Plan Year, such election shall remain valid with respect to salary earned in succeeding Plan Years until revoked or revised by the Participant in compliance with the deadlines and other provisions of the Plan. An Initial Deferral Election, if submitted to the Administrator earlier than the dates specified above, may be changed by the Participant at any time prior to the applicable date specified above.

(c) First Year of Eligibility. Notwithstanding the above, in the case of the Plan Year in which a Participant first becomes eligible to participate in the Plan, the Participant may make an Initial Deferral Election with respect to salary within 30 days after becoming so eligible, but only with respect to salary to be paid for services to be performed subsequent to the election. However, as of the date the Participant first becomes eligible to participate in the Plan, if the Participant has been eligible to participate in the Plan or any other nonqualified deferred compensation account balance plans sponsored by the Company or an Affiliate within the 24 months preceding his eligibility date, then such election shall apply to salary earned beginning on January 1st of the following calendar year.

(d) Permitted Elections Regarding Timing and Form of Payment. The Administrator shall prescribe the form on which Initial Deferral Elections are to be specified. With respect to the timing of payments of deferred amounts, the Administrator may permit, in its sole discretion, Participants to select as commencement dates for such payments (i) a specified date, (ii) the Participant’s Retirement, or (iii) the earlier of, or later of, a specified date or the Participant’s Retirement (collectively hereinafter referred to as “Commencement Events”). With respect to the form of payment, the Administrator may permit either lump sum or installments, but may not permit any form of annuity. Further, the Administrator may permit, in its sole discretion, Participants to select different times and forms of payment for different Commencement Events, or different times and forms for a given Commencement Event that may occur at different dates in the future, subject to the requirements of Code Section 409A.

6. Deferral Accounts.

(a) Establishment; Crediting of Amounts Deferred. One or more Deferral Accounts will be established for each Participant, as determined by the Administrator. The amount of compensation or awards deferred with respect to each Deferral Account will be credited to such Account as of the date on which such amounts would have been paid to the Participant but for the Participant's election to defer receipt hereunder, unless otherwise determined by the Administrator. Stock-denominated awards deferred with respect to each Deferral Account will be credited to the Participant's Deferral Account as units of Deferred Stock, with one share of Stock equal to one unit of Deferred Stock as opposed to cash amounts valued by reference to the market price of Stock. With respect to any fractional shares of Stock or Stock-denominated awards, the Administrator, in its sole discretion, shall pay such fractional shares to the Participant in cash, credit the Deferral Account with cash in lieu of depositing fractional shares into the Deferral Account, or credit the Deferral Account with a fraction of a share calculated to at least three decimal places. The amounts of hypothetical income and appreciation and depreciation in value of such Account will be credited and debited to, or otherwise reflected in, such Account from time to time. Unless otherwise determined by the Administrator, amounts credited to a Deferral Account shall be deemed invested in a hypothetical investment as of the date of deferral.

(b) Hypothetical Investments. Subject to the provisions of Sections 6(c), amounts credited to a Deferral Account shall be deemed to be invested, at the Participant's direction, in one or more investment vehicles as may be specified from time to time by the Administrator. The Administrator may change or discontinue any hypothetical investment vehicle available under the Plan in its discretion; provided, however, that each affected Participant shall be given the opportunity, without limiting or otherwise impairing any other right of such Participant regarding changes in investment directions, to redirect the allocation of his or her Deferral Account deemed invested in the discontinued investment vehicle among the other hypothetical investment vehicles, including any replacement vehicle. The time and form of payments of hypothetical investment earnings shall be the same as those applicable to the deferred amounts to which such earnings are attributable.

(c) Allocation and Reallocation of Hypothetical Investments. A Participant may allocate amounts credited to his or her Deferral Account to one or more of the hypothetical investment vehicles authorized under the Plan. Subject to the rules established by the Administrator, if more than one hypothetical investment vehicle is provided, a Participant may reallocate amounts credited to his or her Deferral Account as allowed and provided for by the Administrator. The Administrator may, in its discretion, restrict allocation into or reallocation by specified Participants into or out of specified investment vehicles or specify minimum or maximum amounts that may be allocated or reallocated by Participants.

(d) Trusts. The Administrator may, in its discretion, establish one or more Trusts (including sub-accounts under such Trust(s)), and deposit therein amounts of cash, Stock, or other property not exceeding the amount of the Company's obligations with respect to a Participant's Deferral Account established under this Section 6. In such case, the amounts of hypothetical income and appreciation and depreciation in value of such Deferral Account shall be equal to the actual income on, and appreciation and depreciation of, the assets in such Trust(s). Other provisions of this Section 6 notwithstanding, the timing of allocations and reallocations of assets in such a Deferral Account, and the investment vehicles available with respect to such Deferral Account, may be varied to reflect the timing of actual investments of the assets of such Trust(s) and the actual investments available to such Trust(s).

(e) Restrictions on Participant Direction. The provisions of Section 6(b) and 6(c) notwithstanding, the Administrator may restrict or prohibit reallocations of amounts deemed invested in specified investment vehicles, and subject such amounts to a risk of forfeiture and other restrictions, in order to conform to restrictions applicable to Stock, a Stock-denominated award, or any other award or amount deferred under the Plan and resulting in such deemed investment, to comply with any applicable law or regulation, or for such other purpose as the Administrator may determine is not inconsistent with the Plan. Notwithstanding any other provision of the Plan to the contrary, amounts credited as Deferred Stock to a Participant's Deferral Account may not be reallocated or deemed reinvested in any other investment vehicle, but shall remain as Deferred Stock until such time as the Deferral Account is settled in accordance with Section 8.

(f) Dividend Equivalents. Except as provided in Section 6(d), dividend equivalents will be credited on Deferred Stock credited to a Participant's Deferral Account as follows:

(i) *Cash and NonStock Dividends.* If the Company declares and pays a dividend on Stock in the form of cash or property other than shares of Stock, then a number of additional shares of Deferred Stock shall be credited to a Participant's Deferral Account as of the payment date for such dividend equal to (A) the number of shares of Deferred Stock credited to the Deferral Account as of the record date for such dividend, multiplied by (B) the amount of cash plus the fair market value of any property other than shares actually paid as a dividend on each share at such payment date, divided by (C) the fair market value of a share of Stock at such payment date.

(ii) *Stock Dividends and Splits.* If the Company declares and pays a dividend on Stock in the form of additional shares of Stock, or there occurs a forward split of Stock, then a number of additional shares of Deferred Stock shall be credited to the Participant's Deferral Account as of the payment date for such dividend or forward Stock split equal to (A) the number of shares of Deferred Stock credited to the Deferral Account as of the record date for such dividend or split, multiplied by (B) the number of additional shares actually paid as a dividend or issued in such split in respect of each share of Stock.

7. Subsequent Deferral Elections. The Plan Administrator may, in its sole discretion, permit Participants to submit additional deferral elections with respect to amounts previously subject to an Initial Deferral Election in order to delay, but not to accelerate, a payment, or to change the form of payment of an amount of deferred compensation (a "Subsequent Deferral Election"), but if, and only if, the following conditions are satisfied: (i) the Subsequent Deferral Election must not take effect until 12 months after the date on which it is made, (ii) in the case of a payment other than a payment attributable to the Participant's death or on account of the occurrence of an Unforeseeable Emergency (as defined below), the Subsequent Election further defers the payment for a period of not less than 5 years from the date such payment would otherwise have been made, or in the case of installment payments, 5 years from the date the first installment was scheduled to be paid, and (iii) the Subsequent Election is received by the Administrator at least 12 months prior to the date the payment would otherwise have been made, or in the case of installment payments, 12 months prior to the date the first installment was scheduled to be paid. In addition, Participants may be further permitted to revise the form of payment they have elected, or the number of installments elected, provided that such revisions comply with the requirements of clauses (i), (ii), and (iii) above.

8. Settlement of Deferral Accounts.

(a) Medium of Payment. The Company shall settle a Participant's Deferral Account, and discharge all of its obligations to pay deferred compensation under the Plan with respect to such Deferral Account, by payment of cash or, in the discretion of the Administrator, by delivery of other assets (including Stock) having a fair market value equal to the amount credited to the Deferral Account. Notwithstanding any other provision of the Plan to the contrary, amounts credited as Deferred Stock to a Participant's Deferral Account shall be settled by delivery of shares of Stock.

(b) Forfeitures Under Other Plans and Arrangements. To the extent that Stock or any other award or amount (i) is deposited in a Trust pursuant to Section 6 in connection with a deferral of Stock, a Stock-denominated award, or any other award or amount under another plan, program, employment agreement or other arrangement and (ii) is forfeited pursuant to the terms of such plan, program, agreement or arrangement, the Participant shall not be entitled to the value of such Stock and other property related thereto (including without limitation, dividends and distributions thereon) or other award or amount, or proceeds thereof.

(c) Payments Under the Plan. No payment may be made under the Plan earlier than the Participant's Separation from Service, the date specified in a Deferral Election, or the occurrence of a Change-in-Control or Unforeseeable Emergency. Payments in settlement of a Deferral Account shall be made on the date or dates (including upon the occurrence of specified events), as may be directed by the Participant in his or her election relating to such deferred amount. For the purposes of Code Section 409A, the entitlement to a series of installment payments will be treated as the entitlement to a single payment. Irrespective of any elections made by a Participant, all amounts credited to a Participant's Deferral Account will be paid out in a single lump sum within thirty (30) days in the event of the Participant's Separation from Service with the Company (i) within 60 days following a Change-In-Control or (ii) other than upon Retirement.

(d) In-Service Payments Under the Plan. (i) Date Specified In A Deferral Election. Payments will commence on any date specified by a Participant in an Initial Deferral Election or Subsequent Deferral Election, pursuant to the form specified in such election, to the extent payment of the applicable deferred amounts has not already commenced as at such date pursuant to other applicable provisions of the Plan. (ii) Unforeseeable Emergency. Other provisions of the Plan notwithstanding, if, upon the written application of a Participant, the Committee determines that the Participant has an Unforeseeable Emergency, the Committee may, in its sole discretion, direct the payment to the Participant of all or a portion of the balance of a Deferral Account in a lump sum payment, provided that any such withdrawal shall be limited by the Committee to the amount reasonably necessary to meet the emergency, including amounts needed to pay any income taxes or penalties reasonably anticipated to result from the payment. No payment may be made to the extent that such emergency is or may be relieved through reimbursement or compensation from insurance or otherwise, by liquidation of the Participant's assets, to the extent the liquidation of such assets would not cause severe financial hardship, or by cessation of deferrals under the Plan. For purposes of this Plan, an "Unforeseeable Emergency" shall mean a severe financial hardship of the Participant or the Participant's beneficiary resulting from an illness or accident of the Participant or beneficiary, the Participant's or beneficiary's spouse or dependent (as defined in section 152(a) of the Code); loss of the Participant's or beneficiary's property due to casualty; or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the

Participant or beneficiary. (iii) Change In Control. Other provisions of the Plan notwithstanding, upon the occurrence of an event or transaction constituting a Change In Control, the Administrator will direct the immediate payment to the Participant of the balance of his or her Deferral Account as a lump sum.

(e) Payments Upon Separation from Service. (i) Retirement. Upon the Separation from Service of the Participant due to his or her Retirement (including a Disability that results in a Separation from Service at or after age 55), payments of deferred amounts shall commence within thirty (30) days in the form specified by the Participant on his or her Deferral Election (ii) Separation from Service Other than Retirement. Upon the Separation from Service of the Participant due to reasons other than Retirement (including a Disability that results in a Separation from Service at or after age 55)], the entire balance of the Participant's Deferral Account shall be paid to the Participant in a lump sum within thirty (30) days following such Separation from Service.

(f) Specified Employees. Other provisions of the Plan notwithstanding, payment may not be made to a Participant who is a Specified Employee before the date that is 6 months after the date of termination of employment (other than a termination caused by death) (the "Six Month Date") or, if earlier, the date of death of the Participant. To effectuate this requirement, all payments otherwise due to the Participant under the terms of the Plan, or pursuant to the terms of a valid Initial Deferral Election or Subsequent Deferral Election made by the Participant, before the Six Month Date will be paid to the Participant, with simple interest calculated at a prime rate determined and applied by the Administrator at the Six Month Date, on the first day following the end of the Six Month Date.

(g) Delay of Payments. Any payment otherwise due under the terms of the Plan which would violate Federal securities laws or other applicable law may not be made until the earliest date on which such payment no longer violates such laws. Payment may be delayed for a reasonable period in accordance with the provisions of Code Section 409A (including in the event the payment is not administratively practical due to events beyond the recipient's control such as where the recipient is not competent to receive the benefit payment, there is a dispute as to amount due or the proper recipient of such benefit payment, or additional time is needed to calculate the amount payable). Except as provided in paragraph (f) above, no interest shall accrue or be paid because of any delay of payment.

(h) Acceleration of Payments. The Administrator may not permit the acceleration of the time or schedule of any payment or amount scheduled to be paid pursuant to the Plan, unless such acceleration of the time or schedule is (i) necessary to fulfill a domestic relations order (as defined in section 414(p)(1)(B) of the Code) or to comply with conflicts of interest or ethics laws (as defined in Code Section 409A), (ii) to be used for the payment of FICA or other approved taxes on amounts deferred under the Plan, (iii) equal to amounts included in the federal personal taxable income of the Participant under Code Section 409A or (iv) as otherwise allowed under Code Section 409A.

9. Statements. The Administrator will furnish written statements to each Participant reflecting the amount credited to a Participant's Deferral Accounts and transactions therein not less frequently than once each calendar quarter. Such written statements shall be in addition to any information or communication available to a Participant with respect to his Deferral Account through other means, such as the internet or telephony.

10. Sources of Stock: Limitation on Amount of Stock-Denominated Deferrals. If shares of Stock are deposited under the Plan in a Trust pursuant to Section 6 in connection with a deferral of a Stock-denominated award under another plan, program, employment agreement or other arrangement that provides for the issuance of shares, the shares so deposited shall be deemed to have originated, and shall be counted against the number of shares reserved, under such other plan, program or arrangement. Shares of Stock actually delivered in settlement of Deferral Accounts shall be originally issued shares or treasury shares, in the discretion of the Committee. If the Committee authorizes deemed investments in Stock by Participants deferring cash, any shares to be deposited under the Plan in a Trust in connection with such deemed investments in Stock shall be solely treasury shares or shares acquired in the market by or on behalf of the Trust. For this purpose, a total of 200,000 shares of Stock held in treasury by the Company, offset by the number of shares issued under the Compensation Deferral Plan of the Company, are hereby reserved for issuance under the Plan, subject to adjustment to reflect stock splits, stock dividends, and other extraordinary corporate events resulting in adjustments to the number of shares reserved under stock option plans of the Company.

11. Amendment/Termination.

(a) In General. The Committee may, with prospective or retroactive effect, amend, alter, suspend, discontinue, or terminate the Plan at any time without the consent of Participants, stockholders, or any other person; provided, however, that, without the consent of a Participant, no such action shall materially and adversely affect the rights of such Participant with respect to any rights to payment of amounts credited to such Participant's Deferral Account and any such action shall comply with the restrictions under the requirements of Code Section 409A.

(b) Termination and Payment. Notwithstanding the provisions of section 11(a), the Committee may, in its sole discretion, terminate the Plan (in whole or in part) with respect to one or more Participants and distribute to such affected Participants the amounts credited to their Deferral Accounts in a lump sum as soon as reasonably practicable following such termination, but if, and only if, such termination and accelerated payment complies with the requirements of Code Section 409A.

12. General Provisions.

(a) Limits on Transfer of Awards. Other than by will or the laws of descent and distribution, no right, title or interest of any kind in the Plan shall be transferable or assignable by a Participant or his or her Beneficiary or be subject to alienation, anticipation, encumbrance, garnishment, attachment, levy, execution or other legal or equitable process, nor subject to the debts, contracts, liabilities or engagements, or torts of any Participant or his or her Beneficiary. Any attempt to alienate, sell, transfer, assign, pledge, garnish, attach or take any other action subject to legal or equitable process or encumber or dispose of any interest in the Plan shall be void.

(b) Receipt and Release. Payments (in any form) to any Participant or Beneficiary in accordance with the provisions of the Plan shall, to the extent thereof, be in full satisfaction of all claims for the awards or other compensation deferred and relating to the Deferral Account to which the payments relate against the Company or any Affiliate, the Committee, or the Administrator, and the Administrator may require such Participant or Beneficiary, as a condition to such payments, to execute a receipt and release to such effect. In

the case of any payment under the Plan of less than all amounts then credited to an account in the form of Stock, the amounts paid shall be deemed to relate to the Stock credited to the account at the earliest time.

(c) Unfunded Status of Awards; Creation of Trusts. The Plan is intended to constitute an "unfunded" plan for deferred compensation and Participants shall rely solely on the unsecured promise of the Company for payment hereunder. With respect to any payment not yet made to a Participant under the Plan, nothing contained in the Plan shall give a Participant any rights that are greater than those of a general unsecured creditor of the Company; provided, however, that the Committee may authorize the creation of Trusts, including but not limited to the Trusts referred to in Section 6 hereof, or make other arrangements to meet the Company's obligations under the Plan, which Trusts or other arrangements shall be consistent with the "unfunded" status of the Plan unless otherwise determined by the Committee.

(d) Compliance. A Participant in the Plan shall have no right to receive payment (in any form) with respect to his or her Deferral Account until legal and contractual obligations of the Company relating to establishment of the Plan and the making of such payments shall have been complied with in full. In addition, the Company shall impose such restrictions on Stock delivered to a Participant hereunder and any other interest constituting a security as it may deem advisable in order to comply with the Securities Act of 1933, as amended, the requirements of any stock exchange or automated quotation system upon which the Stock is then listed or quoted, any applicable state securities laws, any provision of the Company's Certificate of Incorporation or Bylaws, or any other law, regulation, or binding contract to which the Company is a party.

Any benefit, payment or other right provided by the Plan shall be provided or made in a manner, and at such time, in such form and subject to such election procedures (if any), as complies with the applicable requirements of Code Section 409A to avoid a plan failure described in Code Section 409A(a)(1). Notwithstanding any other provision hereof or document pertaining hereto, the Plan shall be so construed and interpreted to meet the applicable requirements of Code Section 409A to avoid a plan failure described in Code Section 409A(a)(1). The Committee is authorized to adopt rules or regulations deemed necessary or appropriate in connection therewith to anticipate and/or comply the requirements of Code Section 409A and to declare any election, consent or modification thereto void if noncompliant with Code Section 409A. The Administrator, Committee, the Company and any related parties shall not be responsible for the payment of any taxes or related penalties or interest for any failure to comply with Code Section 409A.

(e) Other Participant Rights. No Participant shall have any of the rights or privileges of a stockholder of the Company under the Plan, including as a result of the crediting of Stock-denominated units or other amounts to a Deferral Account, or the creation of any Trust and deposit of such Stock therein, except at such time as Stock may be actually delivered in settlement of a Deferral Account. No provision of the Plan or transaction hereunder shall confer upon any Participant any right to be employed by the Company or an Affiliate, or to interfere in any way with the right of the Company or an Affiliate to increase or decrease the amount of any compensation payable to such Participant. Subject to the limitations set forth in Section 12(a) hereof, the Plan shall inure to the benefit of, and be binding upon, the parties hereto and their successors and assigns.

(f) Tax Withholding. The Company and any Affiliate shall have the right to deduct from amounts otherwise payable in settlement of a Deferral Account any sums that

federal, state, local or foreign tax law requires to be withheld with respect to such payment. Shares may be withheld to satisfy such obligations in any case where taxation would be imposed upon the delivery of shares, except that shares issued or delivered under any plan, program, employment agreement or other arrangement may be withheld only in accordance with the terms of such plan, program, employment agreement or other arrangement and any applicable rules, regulations, or resolutions thereunder.

(g) Governing Law. The validity, construction, and effect of the Plan and any rules and regulations relating to the Plan shall be determined in accordance with the laws of the State of New Jersey, without giving effect to principles of conflicts of laws, and applicable provisions of federal law.

(h) Limitation. A Participant and his or her Beneficiary shall assume all risk in connection with any decrease in value of the Deferral Account and neither the Company, the Committee nor the Administrator shall be liable or responsible therefor.

(i) Adjustments. In the event that any dividend or other distribution (whether in the form of cash, Stock, or other property), recapitalization, forward or reverse split, reorganization, merger, consolidation, spinoff, combination, repurchase, share exchange, liquidation, dissolution or other similar corporate transaction or any other event or condition occurs that affects the Stock such that an adjustment is determined by the Administrator or the Committee to be appropriate in order to prevent dilution or enlargement of a Participant's rights under the Plan, then the Administrator or the Committee may, in such manner as it may deem equitable, adjust any or all of the number and kind of shares of Stock to be issued upon settlement of Deferred Stock then credited to a Deferral Account under the Plan.

(j) Construction. The captions and numbers preceding the sections of the Plan are included solely as a matter of convenience of reference and are not to be taken as limiting or extending the meaning of any of the terms and provisions of the Plan. Whenever appropriate, words used in the singular shall include the plural or the plural may be read as the singular.

(k) Severability. In the event that any provision of the Plan shall be declared illegal or invalid for any reason, said illegality or invalidity shall not affect the remaining provisions of the Plan but shall be fully severable, and the Plan shall be construed and enforced as if said illegal or invalid provision had never been inserted herein.

(l) Status. The establishment and maintenance of, or allocations and credits to, the Deferral Account of any Participant shall not vest in any Participant any right, title or interest in and to any Plan or Company assets or benefits except at the time or times and upon the terms and conditions and to the extent expressly set forth in the Plan and in accordance with the terms of the Trust.

13. Effective Date. The Plan shall be effective as of November 16, 2020.

IN WITNESS WHEREOF, New Jersey Resources Corporation has caused this Plan to be executed this 16th day of November, 2020.

NEW JERSEY RESOURCES CORPORATION

Attest: /s/ Richard Reich

Richard Reich

Corporate Secretary and
Officer

By: /s/ Amanda Mullan

Amanda E. Mullan

Senior Vice President and Chief Assistant General Counsel

Human Resources

NEW JERSEY RESOURCES CORPORATION
DIRECTORS' DEFERRED COMPENSATION PLAN
Amended and Restated Effective November 16, 2020

New Jersey Resources Corporation (“NJR” or the “Corporation”) hereby amends and restates its deferral plan (the “Plan”) for the purpose of permitting a member of the Board of Directors of the Corporation (each an “NJR Director”) and members of the Boards of Directors of any and all subsidiaries of the Corporation (each a “Subsidiary”) who are not employees of NJR or any Subsidiaries (each a “Subsidiary Director” and, together with NJR Directors, “Directors”) to elect from time to time to defer the receipt of all or a portion of (i) the Director's retainer and other fees and (ii) any common stock, par value \$2.50 per share (the “Common Stock”), of the Corporation that the Director may otherwise receive on settlement of any restricted stock units (“RSUs”) that the Directors may be granted under the New Jersey Resources Corporation 2017 Stock Award and Incentive Plan (the “Stock Incentive Plan”) or any similar compensatory plan or arrangement of the Corporation. The provisions of this Plan shall apply only to those deferred amounts that were otherwise to be earned by and paid to the Directors subsequent to December 31, 2019. The terms of the Plan as in effect prior to this amendment and restatement shall govern the deferrals of retainers and other fees earned by and paid to the Directors prior to January 1, 2020. This amendment and restatement of the Plan is to comply with the requirements of Internal Revenue Code Section 409A and applicable guidance issued thereunder (collectively “Code Section 409A”) and is to be effective November 16, 2020.

Section 1. Initial Deferral Elections.

a. Election to Defer. A Director may irrevocably elect to defer (an “Initial Deferral Election”) the receipt of all or a portion of the fees, including, without limitation, any retainer, meeting fee or committee meeting fee (“Fees”), that the Director will become entitled to receive for services as a member of the NJR Board of Directors for a given Plan Year (as defined below) or for services as a Subsidiary Director for a given Plan Year. An Initial Deferral Election shall remain valid with respect to Fees earned in succeeding Plan Years until revoked or revised by the Director in compliance with the deadlines and other provisions of the Plan.

A Director also may irrevocably elect to defer pursuant to an Initial Deferral Election the receipt of shares of Common Stock otherwise issuable upon settlement of any such RSUs granted to the Director (“RSU Shares”) in a given Plan Year for services as a member of the NJR Board of Directors for a given Plan Year or for services as a Subsidiary Director for a given Plan Year. For purposes of the Plan, RSUs refer to an award granted under the Stock Incentive Plan, as amended, or any similar compensatory plan or arrangement of the Corporation of the right to receive shares of

Common Stock and, if applicable, dividend equivalents on such shares of Common Stock, pursuant to the terms of the award. Any dividend equivalents payable with respect to the Director's RSUs will be subject to the Director's election the same as the related Common Stock issuable under such RSUs.

b. Election of Deferral Period. A Director who elects to defer receipt of all or a portion of the Director's Fees or RSU Shares for a given Plan Year shall also elect whether the deferred Fees or RSU Shares are to be paid, or commence to be paid,

(i) during January of the fifth year following the calendar year in which the deferred Fees would otherwise have been paid to the Director and in which the related RSUs were granted to the Director;

(ii) on the first day of the second month of the calendar quarter following the calendar quarter in which the Director's Separation from Service occurs; or

(iii) the earlier of clause (i) or clause (ii) above.

Initial Deferral Elections applicable to Fees payable, or RSUs granted, in different Plan Years may specify different times and forms of payment. If the Director does not make an election under this Section 1(b) with respect to the time of payment of his deferred Fees or RSU Shares for a given Plan Year, the Director's deferred Fees for that Plan Year, and RSU Shares payable under RSUs granted in that Plan Year, shall be paid on the first day of the calendar quarter following the calendar quarter in which the Director's Separation from Service occurs.

A Separation from Service occurs when the Director ceases to be a member of the Board of the Corporation and any Board of an Affiliate (which includes any entity required to be treated as the Corporation under Code Section 409A). A Separation from Service shall also occur when it is reasonably anticipated that the level of bona fide services the Director will perform after that date as a member of the Board of the Corporation and any Board of an Affiliate will permanently decrease to less than 50% of the average level of bona fide services performed as a member of the Board of the Corporation and any Board of an Affiliate over the immediately preceding thirty-six (36) month period.

The Deferral Period for Fees is the period beginning on the date the deferred Fees would otherwise have been paid to the Director and ending on the date the deferred Fees are to be paid, or commence to be paid, pursuant to the Director's election under this Section 1(b). The Deferral Period for RSU Shares is the period beginning on the date the deferred RSU Shares would otherwise have been issued to the Director and ending on the date the deferred RSU Shares are to be paid, or commence to be paid, pursuant to the Director's election under this Section 1(b).

c. Election of Method of Payment of Deferred Fees and RSU Shares. A Director who elects to defer the receipt of all or a portion of the Director's Fees or RSU Shares for a given Plan Year shall also elect whether the deferred Fees or RSU Shares are to be paid, subject to Section 3,

(i) in a single sum payment at the end of the Deferral Period, or

(ii) in the number of annual installments elected by the Director (but not more than 5) with such installments commencing at the end of the Deferral Period. The amount of each such installment shall be equal to the amount credited to the Director's Deferred Fee Account (as defined in Section 2 below) or Deferred RSU Share Account (as defined in Section 2 below), as applicable), on the day next preceding the date of payment of the installment, divided by the number of installments remaining to be paid. The unpaid portion of the Director's deferred Fees or deferred RSU Shares shall continue to be adjusted, as provided in Section 2, during the period that the Director is receiving such installment payments. For the purposes of Code Section 409A, the entitlement to a series of installment payments will be treated as the entitlement to a single payment.

A Director shall also elect the form and number of installments of payments to be paid in the case of Disability. "Disability" shall mean that the Director is considered disabled as defined by the Social Security Administration. If a Director does not make an election under this Section 1(c) with respect to the method of payment of his deferred Fees or deferred RSU Shares for a given Plan Year, the Director's deferred Fees for that Plan Year, and deferred RSU Shares to be issued under RSUs granted in that Plan Year, shall be paid in the same manner as the Director's deferred Fees or deferred RSU Shares for the next preceding Plan Year with respect to which the Director made an election as to the method of payment. If the Director has not previously elected to defer Fees or RSU Shares, or has not previously elected the method of payment of his deferred Fees or deferred RSU Shares, the Director's deferred Fees and deferred RSU Shares shall be paid in a single sum payment after the end of the Deferral Period for such deferred Fees or deferred RSU Shares.

d. Time and Manner of Elections. A Director's elections shall be made by filing a written notice with the Corporate Secretary of the Corporation (the "Secretary") on the form prescribed by the Secretary for this purpose. The elections with respect to the deferral of the Director's Fees for a given Plan Year or of the Director's RSU Shares issuable under RSUs granted within a given Plan Year, shall be made no later than December 31st of the preceding Plan Year; provided, however, that for the Plan Year in which an individual first becomes a Director or, in the case of Subsidiary Directors, such Directors first become eligible to participate in the Plan, the Director may make the elections with respect to Fees for such Plan Year to be earned after such elections are made within 30 days after first becoming a Director or first becoming eligible to participate. However, if, as of the date the Director first becomes eligible to

participate in the Plan, the Director has been eligible to participate in the Plan or any other nonqualified deferred compensation account balance plans sponsored by the Corporation or an affiliate (as required under Code Section 409A) within the 24 months preceding his eligibility date, then such election shall apply to Fees earned beginning on January 1st of the following Plan Year. A Director may not elect to defer RSU Shares issuable under RSUs granted in the first Plan Year in which the individual becomes a Director or, in the case of Subsidiary Directors, such Director first becomes eligible to participate in the Plan, unless the election is made no later than December 31st of the preceding Plan Year. An Initial Deferral Election, if submitted to the Committee earlier than the dates specified above, may be changed by the Director at any time prior to the date specified above.

Section 2. Subsequent Deferral Elections. The Committee may, in its sole discretion, permit participating Directors to submit additional deferral elections with respect to amounts previously subject to an Initial Deferral Election in order to delay, but not to accelerate, a payment, or to change the form of or number of installments elected with respect to, the payment of an amount of deferred Fees or deferred RSU Shares (a “Subsequent Deferral Election”), but if, and only if, the following conditions are satisfied: (i) the Subsequent Deferral Election must not take effect until 12 months after the date on which it is made, (ii) in the case of a payment other than a payment attributable to the Director’s death, the Subsequent Election further defers the payment for a period of not less than 5 years from the date such payment would otherwise have been made, or in the case of installment payments, 5 years from the date the first installment was scheduled to be paid, and (iii) the Subsequent Election is received by the Administrator at least 12 months prior to the date the payment would otherwise have been made, or in the case of installment payments, 12 months prior to the date the first installment was scheduled to be paid.

Section 3. Administration of the Plan.

a. Authority. The Nominating and Corporate Governance Committee of the Board of Directors of the Corporation (hereinafter referred to as “the Committee”) shall administer the Plan in accordance with its terms, and shall have all powers necessary to accomplish such purpose, including the power and authority to construe and interpret the Plan, to define the terms used herein, to prescribe, amend and rescind rules and regulations, agreements, forms, and notices relating to the administration of the Plan, and to make all other determinations necessary or advisable for the administration of the Plan. Any actions of the Committee with respect to the Plan shall be conclusive and binding upon all persons interested in the Plan. The Committee may appoint agents and delegate thereto powers and duties under the Plan, except as otherwise limited by the Plan. The Committee shall not be entitled to act on or decide any matter relating solely to members or any of their rights or benefits under the Plan. The Committee shall not receive any special compensation for serving in this capacity but shall be reimbursed for any reasonable expenses incurred in connection therewith. No bond or other security need be required of the Committee in any jurisdiction.

b. Limitation of Liability. Each member of the Committee shall be entitled to, in good faith, rely or act upon any report or other information furnished to him or her by any officer or other employee of the Corporation, the Corporation's independent certified public accountants, or any executive compensation consultant, legal counsel, or other professional retained by the Corporation to assist in the administration of the Plan. To the maximum extent permitted by law, no member of the Committee, nor any person to whom ministerial duties have been delegated, shall be liable to any person for any action taken or omitted in good faith in connection with the interpretation and administration of the Plan.

c. Indemnification. To the maximum extent permitted by law, members of the Committee shall be fully indemnified and protected by the Corporation with respect to any action taken or omitted in good faith in connection with the interpretation or administration of the Plan.

d. Plan Year. The Plan's books and records and administrative functions shall be maintained and operated on the basis of a 12-month calendar year commencing each January 1.

Section 4. Earnings on Deferred Fees.

a. Establishment of Deferral Accounts. A Director's deferred Fees for a given calendar year shall be credited to an account established and maintained to record such deferred Fees (a "Deferred Fee Account"). Such credit shall be as of the date such deferred Fees would otherwise have been payable to the Director. A separate Deferred Fee Account shall be established and maintained for each calendar year.

A Director's deferred RSU Shares with respect to RSUs granted within a given calendar year shall be credited to an account established and maintained to record such deferred RSU Shares (a "Deferred RSU Share Account"). Such credit shall be as of the date such deferred RSU Shares would otherwise have been issued to the Director. A separate Deferred RSU Share Account shall be established and maintained for each calendar year.

b. Hypothetical Investment Elections for Deferred Fees. At the time a Director elects to defer receipt of Fees, the Director shall designate in writing the portion of such Deferred Fees, stated as a whole percentage, to be credited to the Interest Account and the portion to be credited to the Stock Account. Any Deferred Fees to be credited to either such Account shall be rounded to the nearest whole cent, with amounts equal to or greater than \$.005 rounded up and amounts below \$.005 rounded down. If a Director fails to elect how to allocate any Deferred Fees between the two investment accounts, 100% of such Deferred Fees shall be credited to the Interest Account. By written notice to the Secretary of the Company, a Director may change the allocation of Deferred Fees previously credited to the Interest Account to the Stock Account. Any such election shall be effective as of the first calendar quarter commencing after receipt of such election. No

Director may make any election to change the way in which amounts previously allocated to the Director's Deferral Account are deemed invested within six months of the date of the last such election by such Director to change the way in which such amounts are deemed invested. A Director may elect to change the way Fees not yet credited to the Director's Deferred Fee Account are deemed invested as of the end of any calendar month by written notice to the Company received prior to the end of such month, and may make up to three such elections each year.

As of the end of each calendar month, any Deferred Fees credited to the Interest Account will be credited with interest, at an annual rate equal to (1) the Prime Rate in effect on the last business day of such month plus two (2) percentage points, on the average daily balance credited to the account during such month. The Prime Rate with respect to a calendar month shall be determined by reference to the Prime Rate listed in the Wall Street Journal as the "base rate on corporate loans" posted by at least 75% of the nation's 30 largest banks or, if at any time such rate is not reported in the Wall Street Journal, such comparable publicly available measurement of the cost of corporate borrowing as the NJR Board of Directors shall determine. If more than one Prime Rate is listed in the Wall Street Journal for a given day, the Prime Rate for that day shall be the average of such Prime Rates.

c. Stock Account. Any Deferred Fees allocated to the Stock Account shall be deemed invested in a number of notional shares of the Company's common stock (the "Units") equal to the quotient of (i) such Deferred Fees divided by (ii) the Fair Market Value (defined below) on either the date the Deferred Fees then being allocated to the Stock Account would otherwise have been paid or such other date, not later than 90 days thereafter, as may be specified for deemed investment by the Company (this provision permitting the Company to establish a quarterly investment date, for convenient and economical administration of the Plan). Fractional Units shall be credited, but shall be rounded to the nearest hundredth percentile, with amounts equal to or greater than .005 rounded up and amounts less than .005 rounded down. Deferred RSU Shares shall only be allocated to the Stock Account and deemed invested in Units equal to the number of RSU Shares, including RSU Shares issuable pursuant to dividend equivalents, on the date the RSU Shares would otherwise have been issued. If the dividend equivalents are to be paid in cash (instead of RSU Shares), the cash dividends will be deemed invested in Units in the same manner as Deferred Fees. Whenever a dividend other than a dividend payable in the form of shares of Common Stock is declared with respect to shares of Common Stock, the number of Units in the Director's Stock Account shall be increased by the number of Units determined by dividing (i) the product of (A) the number of Units in the Director's Stock Account on the related dividend record date and (B) the amount of any cash dividend declared by the Company on a share of Common Stock (or, in the case of any dividend distributable in property other than Common Stock, the per share value of such dividend, as determined by the Company for purposes of income tax reporting) by (ii) the Fair Market Value on the related dividend payment date. In the case of any dividend declared on Common Stock which is payable in shares of Common Stock, the Director's Stock Account shall be increased by the number of Units equal to the product

of (i) the number of Units credited to the Directors Stock Account on the related dividend record date and (ii) the number of shares of Common Stock (including any fraction thereof) distributable as a dividend on a share of Common Stock. In the event of any change in the number or kind of outstanding shares of Common Stock by reason of any recapitalization, reorganization, merger, consolidation, stock split or any similar change affecting such shares, other than a dividend of cash, stock or property as provided above, the NJR Board of Directors shall make an appropriate adjustment in the number of Units credited to the Director's Stock Account. For purposes of this section, "Fair Market Value" on any date shall mean the closing price of a share of Common Stock on such date as reported in the principal consolidated transaction reporting system on which the Common Stock is principally traded.

d. Distribution from Accounts Upon Separation from Service as a Director. The time and form of payments of hypothetical investment earnings shall be the same as those applicable to the deferred Fees or deferred RSU Shares to which such earnings are attributable. Notwithstanding any other provision of the Plan to the contrary, amounts credited to a Director's Stock Account may not be reallocated or deemed reinvested in any other investment vehicle, but shall remain as Deferred Stock until such time as the Deferred Fee Account or Deferred RSU Share Account, as applicable, is settled in accordance with Section 1.c.

e. Statements. The Committee will furnish written statements to each Participant reflecting the amount credited to a Participant's Deferral Accounts and transactions therein not less frequently than once each calendar quarter. Such written statements shall be in addition to any information or communication available to a Participant with respect to his Deferral Account through other means, such as the internet or telephony.

Section 5. Payments Not Specified in a Deferral Election.

a. Method of Payment in the Event of Death. If a Director dies while a member of the NJR or NJNG Board of Directors or prior to the full payment to the Director of all of the Director's deferred Fees and deferred RSU Shares, as adjusted as provided in Section 2, an amount equal to the unpaid portion of such deferred Fees and deferred RSU Shares, as adjusted as provided in Section 2, shall be paid in a single sum payment to the Director's designated beneficiary or beneficiaries. Such single sum payment shall be made within 30 days after the death of the Director.

b. Delay of Payments. Any payment otherwise due under the terms of the Plan which would violate Federal securities laws or other applicable law may not be made until the earliest date on which such payment no longer violates such laws. Payment may be delayed for a reasonable period in accordance with the provisions of Code Section 409A (including in the event the payment is not administratively practical due to events beyond the recipient's control such as where the recipient is not competent to receive the benefit payment, there is a dispute as to amount due or the proper recipient of such benefit payment, or additional time is needed to

calculate the amount payable). No interest shall accrue or be paid because of any delay of payment.

c. Acceleration of Payments. The Committee may not permit the acceleration of the time or schedule of any payment or amount scheduled to be paid pursuant to the Plan, unless such acceleration of the time or schedule is (i) necessary to fulfill a domestic relations order (as defined in section 414(p)(1)(B) of the Code) or to comply with conflict of interest or ethics laws (as defined in Code Section 409A), (ii) to be used for the payment of FICA or other approved taxes on amounts defined under the Plan, (iii) equal to amounts included in the federal personal taxable income of the Participant under Code Section 409A or (iv) otherwise allowed under Code Section 409A. Other provisions of the Plan notwithstanding, should the Director experience a Separation from Service within 60 days following the occurrence of an event or transaction constituting a Change In Control, the participating Director shall be paid the balance of his or her Deferred Fee Account and Deferred RSU Share Account as a lump sum within 60 days following such Separation from Service.

d. For the purposes of this Agreement, a “Change In Control” shall be deemed to have occurred if:

(i) Any Person (as defined below) acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such Person) Voting Securities (as defined below), of the Company and, immediately thereafter, is the “beneficial ownership” (within the meaning of Rule 13d-3, as promulgated under Section 13(d) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) of Voting Securities of the Company representing fifty percent (50%) or more of the combined Voting Power (as defined below) of the Company's securities; or

(ii) Within any 12-month period, the persons who were directors of the Company immediately before the beginning of such period (the “Incumbent Directors”) shall cease (for any reason other than death) to constitute at least a majority of the Board or the board of directors of any successor to the Company, provided that any director who was not a director at the beginning of such period shall be deemed to be an Incumbent Director if such director was elected to the Board by, or on the recommendation of or with the approval of, at least a majority of the directors who then qualified as Incumbent Directors either actually or by prior operation of this Section 5(d); or

(iii) the consummation of a merger, consolidation, share exchange, division, sale or other disposition of all or substantially all of the assets of the Company (a “Corporate Event”), except that a Corporate Event shall not trigger a Change in Control under this clause (iii) if the shareholders of the Company immediately prior to such Corporate Event shall hold, directly or indirectly, immediately following such Corporate Event a majority of the Voting Power of (x) in the case of a merger or

consolidation, the surviving or resulting corporation, (y) in the case of a share exchange, the acquiring corporation or (z) in the case of a division or a sale or other disposition of assets, each surviving, resulting or acquiring corporation.

(iv) Person Defined. For purposes of this Section 7, “Person” shall have the meaning ascribed to such term in Section 3(a)(9) of the Exchange Act, as supplemented by Section 13(d)(3) of the Exchange Act; provided, however, that Person shall not include (x) the Company or any subsidiary of the Company or (y) any employee benefit plan sponsored by the Company or any subsidiary of the Company.

(v) Voting Power Defined. A specified percentage of “Voting Power” of a company shall mean such number of the Voting Securities as shall enable the holders thereof to cast such percentage of all the votes which could be cast in an annual election of directors (without consideration of the rights of any class of stock other than the common stock of the company to elect directors by a separate class vote); and “Voting Securities” shall mean all securities of a company entitling the holders thereof to vote in an annual election of directors (without consideration of the rights of any class of stock other than the common stock of the company to elect directors by a separate class vote).

(vi) Section 409A. The above definitions shall be interpreted and applied in a manner that complies with change in control or ownership trigger event rules under Code Section 409A.

Section 6. Assets Placed in Trust.

The Corporation may, in its discretion, establish one or more Trusts (including sub-accounts under such Trust(s)), and deposit therein amounts of cash, Common Stock, or other property not exceeding the amount of the Corporation's obligations with respect to a Director's Deferred Fee Account or Deferred RSU Share Account established under Section 2. In such case, the amounts of hypothetical income and appreciation and depreciation in value of such Deferred Fee Account or Deferred RSU Share Account shall be equal to the actual income on, and appreciation and depreciation of, the assets in such Trust(s). Other provisions of this Section 4 notwithstanding, the timing of allocations and reallocations of assets in such a Deferred Fee Account or Deferred RSU Share Account, and the investment vehicles available with respect to such Deferred Fee Account or Deferred RSU Share Account, may be varied to reflect the timing of actual investments of the assets of such Trust(s) and the actual investments available to such Trust(s).

"Trust" shall mean any trust or trusts established or designated by the Company to hold Stock or other assets in connection with the Plan; provided, however, that (i) such trust shall be sited in the United States, (ii) the funding of such trust shall in no way be contingent upon the financial condition of the Company, and (iii) the assets of such trust shall remain subject to the claims of the general creditors of the Company in the event of an insolvency of the Company. The Company shall be considered “insolvent” for

purposes of this Plan and any Trust if (i) the Company is unable to pay its debts as they become due, or (ii) the Company is subject to a pending proceeding as a debtor under the United States Bankruptcy Code.

Section 7. Plan Termination.

a. In General. The Committee may, with prospective or retroactive effect, amend, alter, suspend, discontinue, or terminate the Plan at any time without the consent of participating Directors, stockholders, or any other person; provided, however, that, without the consent of a participating Director, no such action shall materially and adversely affect the rights of such Director with respect to any rights to payment of amounts credited to such Director's Deferred Fee Account or Deferred RSU Share Account and any such action shall comply with the restriction under and requirements of Code Section 409A.

b. Termination and Payment. Notwithstanding the provisions of section 11(a), the Committee may, in its sole discretion, terminate the Plan (in whole or in part) with respect to one or more participating Directors and distribute to such affected Directors the amounts credited to their Deferred Fee Accounts and Deferred RSU Share Account in a lump sum as soon as reasonably practicable following such termination, but if, and only if such termination and accelerated payment complies with the requirements of Code Section 409A.

Section 8. Miscellaneous.

a. Designation of Beneficiary. A Director may designate a beneficiary or beneficiaries (which may be an entity other than a natural person) to receive any payments of the Director's deferred Fees and deferred RSU Shares to be made upon the Director's death. At any time, and from time to time, any such designation may be changed or canceled by the Director without the consent of any beneficiary. Any such designation, change or cancellation must be by written notice filed with the Secretary and shall not be effective until received by the Secretary. Any such written notice may apply to (i) only the Director's deferred Fees and deferred RSU Shares for a particular Plan Year or Years, or (ii) all of the Director's deferred Fees and deferred RSU Shares, including Fees and RSU Shares to be deferred in future years.

If a Director designates more than one beneficiary with respect to any portion of the Director's deferred Fees or deferred RSU Shares, any payments to such beneficiaries shall be made in equal shares unless the Director has designated otherwise, in which case the payments shall be made in the shares designated by the Director. If no beneficiary has been named by a Director with respect to all or a portion of the Director's deferred Fees or deferred RSU Shares, or the designated beneficiaries with respect to all or a portion of the Director's deferred Fees or deferred RSU Shares have predeceased the Director, the Director's beneficiary with respect to such deferred Fees or deferred RSU Shares shall be the executor or administrator of the Director's estate.

b. Payments Generally In Cash. All payments of deferred Fees shall be made in cash, provided that a Director who has elected to have all or a portion of any of the Director's Deferred Fee Account treated as though invested in shares of Common Stock and who elects to receive a distribution of any such Account in a single lump sum may elect to receive the portion of such Account so invested in shares of Common Stock. All payments of deferred RSU Shares shall be made in shares of Common Stock, except that dividend equivalents on RSUs which are to be paid in cash (instead of RSU Shares) will be deemed invested in Units in the same manner as Deferred Fees and paid in cash except as described above.

c. No Right to Continue as a Director. Nothing contained in this Plan shall be construed as conferring upon a Director any right to continue as a member of the NJR Board of Directors or any Subsidiary Board of Directors.

d. No Right to Corporate Assets. Nothing contained in this Plan shall be construed as giving a Director, a Director's designated beneficiaries or any other person any equity or interest of any kind in the assets of the Corporation or creating a trust of any kind or a fiduciary relationship of any kind between the Corporation and any such person. As to any claim for payments due with respect to a Director's deferred Fees and deferred RSU Shares, the Director, the Director's designated beneficiaries and any other persons having a claim for payments shall be unsecured creditors of the Corporation.

e. No Limit on Further Corporate Action. Nothing contained in this Plan shall be construed so as to prevent the Corporation from taking any corporate action which is deemed by the Corporation to be appropriate or in its best interest.

f. Assignment; Successor in Interest. The rights and benefits of a Director with respect to the Director's deferred Fees and deferred RSU Shares are personal to the Director, and neither the Director nor the Director's designated beneficiaries shall have the power or right to transfer, assign, anticipate, mortgage, or otherwise encumber any payments to be made with respect to the Director's deferred Fees or deferred RSU Shares.

The obligations of the Corporation with respect to deferred Fees and deferred RSU Shares are not assignable or transferable except to a corporation which acquires all or substantially all of the assets of the Corporation, or any corporation into which the Corporation may be merged, converted or consolidated.

These terms and provisions shall inure to the benefit of a Director's designated beneficiaries, heirs, executors, administrators and successors in interest.

g. Amendment and Termination. The NJR Board of Directors may from time to time and at any time alter or amend this Plan or suspend, discontinue or terminate the deferral by Directors of their retainer and other fees and shares of Common Stock otherwise issuable pursuant to RSUs; provided, however, that no such action, which would adversely affect the amount, form or time of payment of the retainer and other fees

and shares of Common Stock issuable pursuant to RSUs which, as of the effective date of such action, had been deferred pursuant to a Director's election, shall be effective without the Director's written consent.

h. Compliance with Code Section 409A. Any benefit, payment or other right provided by the Plan shall be provided or made in a manner, and at such time, in such form and subject to such election procedures (if any), as complies with the applicable requirements of Code Section 409A to avoid a plan failure described in Code Section 409A(a)(1). Notwithstanding any other provision hereof or document pertaining hereto, the Plan shall be so construed and interpreted to meet the applicable requirements of Code Section 409A to avoid a plan failure described in Code Section 409A(a)(1). The Committee is authorized to adopt rules or regulations deemed necessary or appropriate in connection therewith to anticipate and/or comply the requirements of Code Section 409A and to declare any election, consent or modification thereto void if noncompliant with Code Section 409A. The Committee, the Corporation and any related parties shall not be responsible for the payment of any taxes or related penalties or interest for any failure to comply with Code Section 409A.

i. Governing Law. This Plan shall be construed in accordance with and be governed by the laws of the State of New Jersey.

IN WITNESS WHEREOF, New Jersey Resources Corporation has caused this Plan to be executed this 16th day of November, to be effective on that date.

NEW JERSEY RESOURCES CORPORATION

Attest: /s/ Richard Reich By: /s/ Amanda Mullan

Name: Richard Reich Name: Amanda Mullan

Title: Corporate Secretary and Assistant General
Counsel Resources Officer

Title: Sr. Vice President and Chief Human

Schedule of Employment Continuation Agreements of Named Executive Officers dated September 30, 2018.

Name	Termination Benefit
Stephen D. Westhoven, President and Chief Executive Officer	Three times the sum, of (x) his then annual base salary and (y) the average of his annual bonuses paid or payable with respect to the last three calendar years ended prior to the Change of Control.
Patrick J. Migliaccio, Senior Vice President and Chief Financial Officer	Two times the sum, of (x) her then annual base salary and (y) the average of her annual bonuses paid or payable with respect to the last three calendar years ended prior to the Change of Control (“ 2x ”).
Amy Cradic, Senior Vice President and Chief Operating Officer, Non-Utility Businesses, Strategy and External Affairs	2x
Amanda Mullan, Senior Vice President and Chief Human Resources Officer	2x
Nancy A. Washington, Senior Vice President and General Counsel	2x

NEW JERSEY RESOURCES CORPORATION

2017 Stock Award and Incentive Plan

Restricted Stock Units Agreement

This Restricted Stock Units Agreement (the "Agreement"), which includes the attached "Terms and Conditions of Restricted Stock Units" (the "Terms and Conditions"), confirms the grant on November ____, 2019 (the "Grant Date") by NEW JERSEY RESOURCES CORPORATION, a New Jersey corporation (the "Company"), to ("Employee"), under Section 6(e) of the 2017 Stock Award and Incentive Plan (the "Plan"), of Restricted Stock Units, including rights to Dividend Equivalents as specified herein, as follows:

Number of Restricted Stock Units granted: _____

How Restricted Stock Units Vest: The Restricted Stock Units, if not previously forfeited, will vest on the dates and as to the number of Restricted Stock Units in the following table provided Employee remains employed by the Company or a Subsidiary from the Grant Date through the Stated Vesting Date:

<u>Stated Vesting Date</u>	<u>Number of Restricted Stock Units that Vest at that Date</u>
October 15, 2020	_____
October 15, 2021	_____
October 15, 2022	_____

In addition, if not previously vested or forfeited, the Restricted Stock Units (i) will become immediately vested in full upon a Change in Control prior to the Stated Vesting Date, if (A) Employee remains employed by the Company or a Subsidiary from the Grant Date through the Change in Control and (B) no provision is made for the continuance, assumption or substitution of the Restricted Stock Units by the Company or its successor in connection with the Change in Control; and (ii) will become vested upon the Employee's Termination of Employment, prior to the Stated Vesting Date, to the extent provided in Section 3 of the attached Terms and Conditions. The terms "vest" and "vesting" mean that the Restricted Stock Units have become earned and payable. If Employee has a Termination of Employment prior to a Stated Vesting Date, and the Restricted Stock Units are not otherwise deemed vested by or as of that date as set forth above, such unvested Restricted Stock Units will be immediately forfeited. Forfeited Restricted Stock Units cease to be outstanding and in no event will thereafter result in any delivery of shares of Stock to Employee.

Settlement: The Restricted Stock Units, to the extent vested, including Restricted Stock Units credited as the result of Dividend Equivalents, to the extent vested, will be settled by delivery of one share of Stock for each Restricted Stock Unit to be settled, as soon as administratively practicable (and no later than sixty (60) days) after the earlier of (i) the Stated Vesting Date that corresponds to the applicable tranche of vested Restricted Stock Units or (ii) a Change in Control if no provision is made for the continuance, assumption or substitution of the Restricted Stock Units by the Company or its successor

in connection with the Change in Control. Notwithstanding the foregoing, the Committee may determine to permit Employee to elect to defer settlement (or redefer) if such election would be permissible under Section 11(k) of the Plan and Code Section 409A. In addition to any applicable requirements under Code Section 409A, any such deferral election shall be made only while Employee remains employed and at a time permitted under Code Section 409A. The form under which an election is made shall set forth the time and form of payment of such amount deferred. Any amount deferred shall be subject to a 6-month delay upon payment if required under Section 11(k)(i)(F) of the Plan. Any elective deferral will be subject to such additional terms and conditions as the Senior Vice President and Chief Human Resources Officer, or the officer designated by the Company as responsible for administration of the Agreement, may reasonably impose.

Further Conditions to Settlement: Notwithstanding any other provision of this Agreement, except as otherwise set forth below, the Company's obligation to settle the Restricted Stock Units and Employee's right to distribution of the Restricted Stock Units will be forfeited immediately upon the occurrence of any one or more of the following events (defined terms are attached hereto as Exhibit B):

- (a) **Competitive Employment.** In the event that Employee, prior to full settlement of the Restricted Stock Units and within the Restricted Territory, directly or indirectly, whether on Employee's own behalf or on behalf of any other person or entity, performs services of the type which are the same as or similar to those conducted, authorized, offered or provided by Employee to the Company within the last 24 months, and which support business activities which compete with the Business of the Company.
- (b) **Recruitment of Company Employees and Contractors.** In the event that Employee, prior to full settlement of the Restricted Stock Units, directly or indirectly, whether on Employee's own behalf or on behalf of any other person or entity, solicits or induces any employee or independent contractor of the Company with whom Employee had Material Contact to terminate or lessen such employment or contract with the Company.
- (c) **Solicitation of Company Customers.** In the event that Employee, prior to full settlement of the Restricted Stock Units, directly or indirectly, whether on Employee's own behalf or on behalf of any other person or entity, solicits any actual or prospective customers of the Company with whom Employee had Material Contact for the purpose of selling any products or services which compete with the Business of the Company.
- (d) **Solicitation of Company Vendors.** In the event that Employee, prior to full settlement of the Restricted Stock Units, directly or indirectly, whether on Employee's own behalf or on behalf of any other person or entity, solicits any actual or prospective vendor of the Company with whom Employee had Material Contact for the purpose of purchasing products or services to support business activities which compete with the Business of the Company.
- (e) **Breach of Confidentiality.** In the event that Employee, at any time prior to full settlement of the Restricted Stock Units, directly or indirectly, divulges or makes use of any Confidential Information or Trade Secrets of the Company other than in the performance of Employee's duties for the Company. This provision does not limit the remedies available to the Company under common or statutory law as to trade secrets or other forms of confidential information, which may impose longer duties of non-disclosure and provide for injunctive relief and damages. Notwithstanding anything herein to the contrary, nothing herein is intended to or will be used in any way to prevent Employee from providing truthful testimony

under oath in a judicial or administrative proceeding or to limit Employee's right to communicate with a government agency, as provided for, protected under or warranted by applicable law. The Employee further understands nothing herein limits the Employee's ability to file a charge or complaint with the Equal Employment Opportunity Commission, the National Labor Relations Board, the Occupational Safety and Health Administration, the Securities and Exchange Commission, or any other federal, state or local government agency or commission ('Government Agencies'). Nothing herein limits the Employee's ability to communicate with any Government Agencies or otherwise participate in any investigation or proceeding that may be conducted by the Government Agency, including providing documents or information without notice to the Company. This Agreement does not limit the Employee's right to receive an award for information provided to any Government Agency. Notwithstanding anything herein to the contrary, the Employee shall not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a Trade Secret that (i) is made in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney and solely for the purpose of reporting or investigating a suspected violation of law or (ii) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. In addition, if the Employee files a lawsuit for retaliation for reporting a suspected violation of law, the Employee may disclose the Trade Secret to his or her attorney and use the Trade Secret information in the court proceeding, as long as the Employee files any document containing the Trade Secret under seal and does not disclose the Trade Secret, except pursuant to court order.

- (f) *Return of Property and Information.* In the event that prior to full settlement of the Restricted Stock Units Employee fails to return all of the Company's property and information (whether confidential or not) within Employee's possession or control within seven (7) calendar days following the termination or resignation of Employee from employment with the Company. Such property and information includes, but is not limited to, the original and any copy (regardless of the manner in which it is recorded) of all information provided by the Company to Employee or which Employee has developed or collected in the scope of Employee's employment with the Company, as well as all Company-issued equipment, supplies, accessories, vehicles, keys, instruments, tools, devices, computers, cell phones, pagers, materials, documents, plans, records, notebooks, drawings, or papers. Upon request by the Company, Employee shall certify in writing that Employee has complied with this provision, and has permanently deleted all Company information from any computers or other electronic storage devices or media owned by Employee. Employee may only retain information relating to the Employee's benefit plans and compensation to the extent needed to prepare Employee's tax returns.
- (g) *Disparagement.* In the event that prior to full settlement of the Restricted Stock Units Employee makes any statements, either verbally or in writing, that are disparaging with regard to the Company or any of its subsidiaries or their respective executives and Board members.
- (h) *Failure to Provide Information.* In the event that prior to full settlement of the Restricted Stock Units Employee fails to promptly and fully respond to requests for information from the Company regarding Employee's compliance with any of the foregoing conditions.

If it is determined by the Leadership Development and Compensation Committee of the Company's Board of Directors, in its sole discretion, that any of the foregoing events have occurred prior to full settlement of the Restricted Stock Units, any unpaid portion of the

Restricted Stock Units will be forfeited without any compensation therefor, provided, however, that none of the foregoing conditions shall restrict any Employee who is a lawyer from practicing law. To the extent any such condition would restrict any Employee who is a lawyer from practicing law or would penalize the Employee for practicing law, such condition shall not be effective and the Leadership Development and Compensation Committee may not forfeit any of the Restricted Stock Units on account therefor.

The Restricted Stock Units are subject to the terms and conditions of the Plan and this Agreement, including the attached Terms and Conditions deemed a part hereof. The number of Restricted Stock Units and the kind of shares deliverable in settlement and other terms and conditions of the Restricted Stock Units are subject to adjustment in accordance with Section 4(b) of the attached Terms and Conditions and Section 11(c) of the Plan. Capitalized terms used in this Agreement but not defined herein shall have the same meanings as in the Plan.

Employee acknowledges and agrees that (i) Restricted Stock Units are nontransferable, except as provided in Section 2 of the attached Terms and Conditions and Section 11(b) of the Plan, (ii) the Restricted Stock Units are subject to forfeiture in the event of Employee's Termination of Employment in certain circumstances prior to vesting, as specified in Section 3 of the attached Terms and Conditions, and (iii) sales of the shares of Stock following vesting and settlement of the Restricted Stock Units will be subject to the Company's policy regulating trading by employees.

IN WITNESS WHEREOF, NEW JERSEY RESOURCES CORPORATION has caused this Agreement to be executed by its officer thereunto duly authorized, and Employee has duly executed this Agreement, by which each has agreed to the terms of this Agreement.

EMPLOYEE NEW JERSEY RESOURCES CORPORATION

By: _____
[Employee Name] [Name] [Title]

TERMS AND CONDITIONS OF RESTRICTED STOCK UNITS

The following Terms and Conditions apply to the Restricted Stock Units granted to Employee by NEW JERSEY RESOURCES CORPORATION (the "Company"), and Restricted Stock Units resulting from Dividend Equivalents (as defined below), if any, as specified in the Restricted Stock Units Agreement (of which these Terms and Conditions form a part). Certain terms of the Restricted Stock Units, including the number granted, vesting date(s) and settlement times, are set forth on the preceding pages, which is an integral part of this Agreement.

1. **General.**

(a) The Restricted Stock Units are granted to Employee under the Company's 2017 Stock Award and Incentive Plan (the "Plan"), a copy of which has been previously delivered to Employee and/or is available upon request to the Human Resources Department. All of the applicable terms, conditions and other provisions of the Plan are incorporated by reference herein. Capitalized terms used in this Agreement but not defined herein shall have the same meanings as in the Plan. If there is any conflict between the provisions of this document and mandatory provisions of the Plan, the provisions of the Plan govern. By accepting the grant of Restricted Stock Units, Employee agrees to be bound by all of the terms and provisions of the Plan (as presently in effect or later amended), the rules and regulations under the Plan adopted from time to time, and the decisions and determinations relating to the Plan and grants thereunder of the Leadership Development and Compensation Committee of the Company's Board of Directors (the "Committee") made from time to time.

(b) *Account for Employee.* The Company shall maintain a bookkeeping account for Employee (the "Account") reflecting the number of Restricted Stock Units then credited to Employee hereunder as the result of such grant of Restricted Stock Units and any crediting of additional Restricted Stock Units to Employee pursuant to dividends paid on shares of Stock under Section 4 hereof ("Dividend Equivalents").

2. **Nontransferability.** Until such time as the Restricted Stock Units are settled by delivery of Stock in accordance with this Agreement, Employee may not transfer Restricted Stock Units or any rights hereunder to any third party other than by will or the laws of descent and distribution, except for transfers to a Beneficiary or as otherwise permitted and subject to the conditions under Section 11(b) of the Plan. This restriction on transfer precludes any sale, assignment, pledge, or other encumbrance or disposition of the Restricted Stock Units (except for forfeitures to the Company).

3. **Termination of Employment.** The following provisions will govern the vesting or forfeiture, and the settlement, of the Restricted Stock Units that are outstanding at the time of Employee's Termination of Employment (i) due to Employee's death, Disability or Retirement, (ii) by the Company without Cause or by the Employee for Good Reason, in either case during the CIC Protection Period, or (iii) under circumstances other than those set forth in the immediately preceding clauses (i) and (ii), in each case prior to the Stated Vesting Date that corresponds to the applicable tranche of Restricted Stock Units, unless otherwise determined by the Committee (subject to Section 7(e) hereof):

(a) *Death, Disability or Retirement.* In the event of Employee's Termination of Employment, prior to the Stated Vesting Date that applies to the applicable tranche of Restricted Stock Units, due to death, Disability or Retirement, the outstanding Restricted Stock Units will be vested with respect to no less than a Pro Rata Portion of the outstanding Restricted Stock Units, to the extent not vested previously, and all Restricted Stock Units, to the extent vested, including Restricted Stock Units credited as the result of Dividend Equivalents, to the extent vested, shall be settled, as soon as administratively practicable (and no later than sixty (60) days) after the earlier of (i) the Stated Vesting Date that corresponds to the applicable tranche of vested Restricted Stock Units or (ii) a Change in Control if no provision is made for the continuance, assumption or substitution of the Restricted Stock Units by the Company or its successor in connection with the Change in Control. Restricted Stock Units that are not vested by or as of the

date of Employee's Termination of Employment due to death, Disability or Retirement will be immediately forfeited.

(b) *Termination by the Company or by Employee in Certain Events.* In the event of Employee's Termination of Employment, prior to the Stated Vesting Date that applies to the applicable tranche of Restricted Stock Units, by the Company without Cause within the CIC Protection Period and other than for Disability or Retirement, or by Employee for Good Reason within the CIC Protection Period, the outstanding Restricted Stock Units will be vested with respect to no less than a Pro Rata Portion of the outstanding Restricted Stock Units, to the extent not previously vested, and all Restricted Stock Units, to the extent vested, including Restricted Stock Units credited as the result of Dividend Equivalents, to the extent vested, shall be settled, as soon as administratively practicable (and no later than sixty (60) days) after (i) the Stated Vesting Date that corresponds to the applicable tranche of vested Restricted Stock Units or (ii) a Change in Control if no provision is made for the continuance, assumption or substitution of the Restricted Stock Units by the Company or its successor in connection with the Change in Control. Restricted Stock Units that are not vested by or as of the date of Employee's Termination of Employment, by the Company without Cause within the CIC Protection Period and other than for Disability or Retirement or by Employee for Good Reason within the CIC Protection Period, will be immediately forfeited.

(c) *Other Termination of Employment.* In the event of Employee's Termination of Employment, prior to the Stated Vesting Date that applies to the applicable tranche of Restricted Stock Units, (i) other than due to death, Disability or Retirement and (ii) other than by the Company without Cause within the CIC Protection Period and other than for Disability or Retirement, or by Employee for Good Reason within the CIC Protection Period, all Restricted Stock Units, to the extent vested, including Restricted Stock Units credited as the result of Dividend Equivalents, to the extent vested, shall be settled, as soon as administratively practicable (and no later than sixty (60) days) after the earlier of (i) the Stated Vesting Date that corresponds to the applicable tranche of vested Restricted Stock Units or (ii) a Change in Control if no provision is made for the continuance, assumption or substitution of the Restricted Stock Units by the Company or its successor in connection with the Change in Control. Restricted Stock Units that are not vested by or as of the date of Employee's Termination of Employment as described herein will be immediately forfeited.

(d) *Certain Definitions.* The following definitions apply for purposes of this Agreement:

(i) "Cause" has the same definition as under any employment or similar agreement between the Company and Employee or, if no such agreement exists or if such agreement does not contain any such definition, Cause means (i) Employee's conviction of a felony or the entering by Employee of a plea of nolo contendere to a felony charge, (ii) Employee's gross neglect, willful malfeasance or willful gross misconduct in connection with his or her employment which has had a significant adverse effect on the business of the Company and its subsidiaries, unless Employee reasonably believed in good faith that such act or non-act was in or not opposed to the best interest of the Company, or (iii) repeated material violations by Employee of the duties and obligations of Employee's position with the Company which have continued after written notice thereof from the Company, which violations are demonstrably willful and deliberate on Employee's part and which result in material damage to the Company's business or reputation.

(ii) "CIC Protection Period" means the two-year period beginning on the date of a Change in Control and ending on the day before the second annual anniversary of the date of the Change in Control.

(iii) "Disability" means Employee has been incapable of substantially fulfilling the positions, duties, responsibilities and obligations of his employment because of physical, mental or emotional incapacity resulting from injury, sickness or disease for a period of at least six consecutive months. The Company and Employee shall agree on the identity of a physician to resolve any question as to Employee's disability. If the Company and Employee cannot agree on the physician to make such determination, then the Company and Employee shall each select a physician and those physicians shall jointly select a third physician, who shall make the determination. The determination of any such physician shall be final and conclusive for all purposes of this Agreement. Only the Company can initiate a Termination of Employment due to Disability.

(iv) "Good Reason" has the same definition as under any employment or similar agreement between the Company and Employee; but, if no such agreement exists or if any such agreement does not contain or reference any such definition, Good Reason shall not apply to the Employee for purposes of this Agreement.

(v) "Pro Rata Portion" means, for each tranche of Restricted Stock Units, a fraction the numerator of which is the number of days that have elapsed from the first day of the Company's fiscal year which includes the Grant Date to the date of Employee's Termination of Employment and the denominator of which is the number of days from the first day of the Company's fiscal year which includes the Grant Date to the Stated Vesting Date for that tranche. A "tranche" is each portion of the Restricted Stock Units that has a unique Stated Vesting Date.

(vii) "Retirement" means Employee's Termination of Employment on or after the Employee has attained age 65, or age 55 with 20 or more years of service.

(viii) "Subsidiary" means any subsidiary corporation of the Company within the meaning of Section 424(f) of the Code ("Section 424(f) Corporation") and any partnership, limited liability company or joint venture in which either the Company or Section 424(f) Corporation is at least a fifty percent (50%) equity participant.

(ix) "Termination of Employment" and "Termination" means the earliest time at which Employee is not employed by the Company or a Subsidiary of the Company and is not serving as a non-employee director of the Company or a Subsidiary of the Company, subject to Section 7(f) below.

(e) *Termination by the Company for Cause.* In the event of Employee's Termination of Employment by the Company for Cause, the portion of the then-outstanding Restricted Stock Units not vested previously will be forfeited immediately upon notice to Employee that the Company is terminating the Employee's employment for Cause (notwithstanding whether Employee is eligible to terminate employment due to Disability or Retirement at that time).

4. Dividend Equivalents and Adjustments.

(a) *Dividend Equivalents.* Dividend Equivalents will be credited on Restricted Stock Units (other than Restricted Stock Units that, at the relevant record date, previously have been settled or forfeited) and deemed converted into additional Restricted Stock Units. Dividend Equivalents will be credited as follows, except that the Company may vary the manner of crediting (for example, by crediting cash Dividend Equivalents rather than additional Restricted Stock Units) for administrative convenience:

(i) *Cash Dividends.* If the Company declares and pays a dividend or distribution on shares of Stock in the form of cash, then additional Restricted Stock Units shall be credited to Employee's Account as of the payment date of such cash dividend or

distribution (or settled as of the payment date of such cash dividend or distribution if the Restricted Stock Units are to be settled before the payment date) equal to the number of Restricted Stock Units credited to the Account as of the record date of such dividend or distribution multiplied by the amount of cash paid per share of Stock in such dividend or distribution divided by the Fair Market Value of a share of Stock at the payment date for such dividend or distribution.

(ii) *Non-Share Dividends.* If the Company declares and pays a dividend or distribution on shares of Stock in the form of property other than shares of Stock, then a number of additional Restricted Stock Units shall be credited to Employee's Account as of the payment date for such dividend or distribution (or settled as of the payment date for such dividend or distribution if the Restricted Stock Units are to be settled before the payment date) equal to the number of Restricted Stock Units credited to the Account as of the record date for such dividend or distribution multiplied by the fair market value of such property actually paid as a dividend or distribution on each outstanding share of Stock at such payment date, divided by the Fair Market Value of a share of Stock at such payment date for such dividend or distribution.

(iii) *Share Dividends and Splits.* If the Company declares and pays a dividend or distribution on shares of Stock in the form of additional shares of Stock, or there occurs a forward split of shares of Stock, then a number of additional Restricted Stock Units shall be credited to Employee's Account as of the payment date for such dividend or distribution or forward split (or settled as of the payment date for such dividend or distribution or forward split if the Restricted Stock Units are to be settled before the payment date) equal to the number of Restricted Stock Units credited to the Account as of the record date for such dividend or distribution or split multiplied by the number of additional shares of Stock actually paid as a dividend or distribution or issued in such split in respect of each outstanding share of Stock.

(b) *Adjustments.* The number of Restricted Stock Units credited to Employee's Account shall be appropriately adjusted in order to prevent dilution or enlargement of Employee's rights with respect to Restricted Stock Units or to reflect any changes in the number of outstanding shares of Stock resulting from any event referred to in Section 11(c) of the Plan, taking into account any Restricted Stock Units credited to Employee in connection with such event under Section 4(a) hereof. In furtherance of the foregoing, in the event of an equity restructuring, as defined in ASC Topic 718, which affects the shares of Stock, Employee shall have a legal right to an adjustment to Employee's Restricted Stock Units which shall preserve without enlarging the value of the Restricted Stock Units, with the manner of such adjustment to be determined by the Committee in its discretion. All adjustments will be made in a manner as to maintain the Restricted Stock Units' exemption from Code Section 409A or, to the extent Code Section 409A applies, to comply with Code Section 409A. Any adjustments shall be subject to the requirements and restrictions set forth in Section 11(c) of the Plan.

(c) *Risk of Forfeiture and Settlement of Restricted Stock Units Resulting from Dividend Equivalents and Adjustments.* Restricted Stock Units which directly or indirectly result from Dividend Equivalents or adjustments to Restricted Stock Units granted hereunder shall be subject to the same risk of forfeiture and other conditions as apply to the granted Restricted Stock Units with respect to which the Dividend Equivalents or adjustments related and will be settled at the same time as such related Restricted Stock Units (unless the Restricted Stock Units are to be settled prior to the payment date of the Dividend Equivalents or the date of the adjustments, in which case the Dividend Equivalents or adjustments will be settled at the payment date of the dividend or the date of the adjustments (and in no event later than sixty (60) days after the Restricted Stock Units otherwise are to be settled)).

5. Other Terms of Restricted Stock Units.

(a) *Voting and Other Shareholder Rights.* Employee shall not be entitled to vote Restricted Stock Units on any matter submitted to a vote of holders of Common Stock, and shall not have any other rights of a shareholder of the Company, unless and until the Restricted Stock Units are settled as described in the Agreement.

(b) *Consideration for Grant of Restricted Stock Units.* Employee shall not be required to pay cash consideration for the grant of the Restricted Stock Units and Dividend Equivalents, but Employee's performance of services to the Company prior to the settlement of the Restricted Stock Units shall be deemed to be consideration for this grant of Restricted Stock Units and Dividend Equivalents.

(c) *Insider Trading Policy Applicable.* Employee acknowledges that sales of shares resulting from Restricted Stock Units that have been settled will be subject to the Company's policies governing the purchase and sale of Company securities.

(d) *Certificates Evidencing Restricted Stock Units.* On the date any Restricted Stock Units subject to this Agreement are to be settled (the "Payment Date"), such Restricted Stock Units shall be settled by the Company delivering to the Employee, a number of shares of Stock equal to the number of shares of Restricted Stock Units that are to be settled upon that Payment Date, subject to any applicable withholding requirements described below. The Company shall issue the shares either (i) in certificate form or (ii) in book entry form, registered in the name of the Employee. Delivery of any certificates will be made to the Employee's last address reflected on the books of the Company unless the Company is otherwise instructed in writing. The Company shall pay fractional Restricted Stock Units in cash, subject to any applicable withholding requirements described below. Neither the Employee nor any of the Employee's successors, heirs, assigns or personal representatives shall have any further rights or interests in any Restricted Stock Units and Dividend Equivalents that are so paid.

6. Employee Representations and Warranties and Release. As a condition to settlement of the Restricted Stock Units to Employee that vest upon Termination of Employment, the Company may require Employee (i) to make any representation or warranty to the Company as may be required under any applicable law or regulation, and (ii) to execute a release from claims against the Company arising at or before the date of such release, in such form as may be specified by the Company, and not revoke such release prior to the expiration of any applicable revocation period, all within sixty (60) days after Termination of Employment.

7. Miscellaneous.

(a) *Binding Agreement; Written Amendments.* This Agreement shall be binding upon the heirs, executors, administrators and successors of the parties. This Agreement constitutes the entire agreement between the parties with respect to the Restricted Stock Units, and supersedes any prior agreements (either verbal or written) or documents with respect to the Restricted Stock Units. No amendment or alteration of this Agreement which may impose any additional obligation upon the Company shall be valid unless expressed in a written instrument duly executed in the name of the Company, and no amendment, alteration, suspension or termination of this Agreement which may materially impair the rights of Employee with respect to the Restricted Stock Units shall be valid unless expressed in a written instrument executed by Employee.

(b) *No Promise of Employment.* The Restricted Stock Units and the granting thereof shall not constitute or be evidence of any agreement or understanding, express or implied, that Employee has a right to continue as an officer or employee of the Company for any period of time, or at any particular rate of compensation.

(c) *Governing Law.* The validity, construction, and effect of this Agreement shall be determined in accordance with the laws (including those governing contracts) of the state of New Jersey, without giving effect to principles of conflicts of laws, and applicable federal law.

(d) *Fractional Restricted Stock Units and Shares.* The number of Restricted Stock Units credited to Employee's Account shall include fractional Restricted Stock Units calculated to at least three decimal places, unless otherwise determined by the Committee. Unless settlement is effected through a third-party broker or agent that can accommodate fractional shares (without requiring issuance of a fractional Share by the Company), upon settlement of the Restricted Stock Units, the Committee, in its sole discretion, may either (i) round the fractional Share to be delivered up to a whole Share or (ii) provide that Employee shall be paid, in cash, an amount equal to the value of any fractional Share that would have otherwise been deliverable in settlement of such Restricted Stock Units.

(e) *Mandatory Tax Withholding.* Unless otherwise determined by the Committee, or unless Employee has elected at least ninety (90) days prior to payout to satisfy the tax obligations in cash by other means, at the time of settlement of the Restricted Stock Units to Employee, the Company will withhold first from any cash payable and then from any Shares deliverable, in accordance with Section 11(d)(i) of the Plan, the number of whole Shares having a value nearest to, but not exceeding, the amount of income and employment taxes to be withheld (after withholding of any cash payable hereunder) (only with respect to the minimum amount of Shares necessary to satisfy statutory withholding requirements, unless withholding of any additional amount of Shares will not result in additional accounting expense to the Company and is permitted by the Committee), and pay the amount of such withholding taxes in cash to the appropriate taxing authorities. Employee will be responsible for any withholding taxes not satisfied by means of such mandatory withholding and for all taxes in excess of such withholding taxes that may be due upon settlement of the Restricted Stock Units.

(f) *Notices.* Any notice to be given the Company under this Agreement shall be addressed to the Company at its principal executive offices, in care of the Senior Vice President and Chief Human Resources Officer, and any notice to Employee shall be addressed to Employee at Employee's address as then appearing in the records of the Company.

(g) *Compliance with Code Section 409A.* Other provisions of this Agreement notwithstanding, because the Restricted Stock Units described herein will constitute a "deferral of compensation" under Section 409A of the Code ("Code Section 409A") as presently in effect (i.e., the Restricted Stock Units are not excluded or exempted under Code Section 409A or a regulation or other official governmental guidance thereunder; Note: an elective deferral would cause the Restricted Stock Units, if not already, to be a deferral of compensation subject to Code Section 409A after the deferral), such Restricted Stock Units are considered a 409A Award under the Plan and shall be subject to the additional requirements set forth in Section 11(k) of the Plan, including without limitation that (i) Termination of Employment shall be construed consistent with the meaning of a Separation from Service under Section 409A of the Code and (ii) a Change in Control under this Agreement shall be construed consistent with the meaning of a 409A Ownership/Control Change.

NEW JERSEY RESOURCES CORPORATION

2017 Stock Award and Incentive Plan

Definitions Under Further Conditions to Settlement

- a. “Business of the Company” means the following areas of its business which are selected below, which Employee acknowledges are areas of the Company’s business in which Employee has responsibilities:

(check as applicable)

___ Natural Gas Distribution: Consists of New Jersey Natural Gas Company, a natural gas utility company that provides regulated retail natural gas service to residential and commercial customers in central and northern New Jersey and participates in the off-system sales and capacity release markets.

___ Energy Services: Maintains and transacts around a portfolio of physical assets consisting of natural gas storage and transportation contracts and also provides wholesale energy management services to other energy companies and natural gas producers in market areas including states from the Gulf Coast and Mid-continent regions to the Appalachian and Northeast regions, the West Coast and Canada.

___ Clean Energy Ventures: Investor, owner, and operator in the renewable energy sector, including, but not limited to, investments in residential and commercial rooftop and ground mount solar systems.

___ Midstream Assets: Includes investments in natural gas transportation and storage assets and is comprised of the following: Steckman Ridge, which is a partnership that owns and operates a 17.7 Bcf natural gas storage facility, with up to 12 Bcf working capacity, in western Pennsylvania that is 50 percent owned by a Company Subsidiary; Leaf River Energy Center, a natural gas storage facility located in southeastern Mississippi with a combined working natural gas storage capacity of 32.2 million dekatherms; a 20 percent ownership interest in the proposed PennEast Pipeline, a 118-mile pipeline designed to bring natural gas produced in the Marcellus Shale region to homes and businesses in Pennsylvania and New Jersey; and Adelpia Gateway, which upon closing of the proposed acquisition of the membership interests of Interstate Energy Company, LLC, will operate an 84-mile pipeline in southeastern Pennsylvania.

___ Home Services: Consists of NJR Home Services Company, which provides Heating, Ventilating, and Air Conditioning (HVAC) service, sales and installation of appliances, as well as installation of solar equipment.

- b. “Confidential Information” means all valuable and/or proprietary information (in oral, written, electronic or other forms) belonging to or pertaining to the Company, its customers and vendors, that is not generally known or publicly available, and which would be useful to competitors of the Company or otherwise damaging to the Company if disclosed. Confidential Information may include, but is not necessarily limited to: (i) the identity of the Company’s customers or potential customers, their purchasing histories, and the terms or proposed terms upon which the Company offers or may offer its products and services to such customers, (ii) the identity of the Company’s vendors or potential vendors, and the terms or proposed terms upon which the Company may

purchase products and services from such vendors, (iii) technology used by the Company to provide its services, (iv) the terms and conditions upon which the Company employs its employees and independent contractors, (v) marketing and/or business plans and strategies, (vi) financial reports and analyses regarding the revenues, expenses, profitability and operations of the Company, and (vii) information provided to the Company by customers and other third parties under a duty to maintain the confidentiality of such information. Notwithstanding the foregoing, Confidential Information does not include information that: (i) has been voluntarily disclosed to the public by Company or any Employer, except where such public disclosure has been made by Employee without authorization from Company or Employer; (ii) has been independently developed and disclosed by others, or (iii) which has otherwise entered the public domain through lawful means. Confidential Information also does not include information related to any claim of sexual harassment or sexual assault and nothing herein restricts the disclosure of such information. Nothing herein shall prohibit, prevent or restrict the Employee from reporting any allegations of unlawful conduct to federal, state or local officials or to an attorney retained by the Employee.

- c. "Material Contact" means contact in person, by telephone, or by paper or electronic correspondence, or the supervision of those who have such conduct, and which is done in furtherance of the business interests of the company and within the last 36 months.
- d. "Restricted Territory" consists of the following areas, to the extent such areas have been identified as applicable to the definition of the "Business of the company" above:

Natural Gas Distribution: The State of New Jersey and for those employees engaged in or supervising off system sales, the States of New Jersey, New York and Pennsylvania.

Energy Services: The Continental United States and within a 100 mile radius of the Dawn Storage Hub in Canada.

Clean Energy Ventures: The State of New Jersey.

Midstream Assets: The States of New Jersey, New York, Connecticut, Pennsylvania, Virginia West Virginia, Mississippi, Alabama, Louisiana and Texas.

Home Services: The State of New Jersey.

- e. "Trade Secrets" means a trade secret of the Company as defined by applicable law.



NEW JERSEY RESOURCES CORPORATION

**2017 Stock Award and Incentive Plan
Performance Share Units Agreement – TSR**

This Performance Share Units Agreement (the “Agreement”), which includes the attached “Terms and Conditions of Performance Share Units” (the “Terms and Conditions”) and the attached Exhibit A captioned “Performance Goal and Earning of Performance Share Units”, confirms the grant on November , 2019 (the “Grant Date”) by NEW JERSEY RESOURCES CORPORATION, a New Jersey corporation (the “Company”), to _____ (“Employee”), under Sections 6(e), 6(i) and 7 of the 2017 Stock Award and Incentive Plan (the “Plan”), of Performance Share Units (the “Performance Share Units”), including rights to Dividend Equivalents as specified herein, as follows:

Target Number Granted: _____ Performance Share Units (“Target Number”)

How Performance Share Units are Earned and Vest: The Performance Share Units, if not previously forfeited, (i) will be earned, if and to the extent that the Performance Goal defined on Exhibit A to this Agreement is achieved, with the corresponding number of Performance Share Units earned (ranging from 0% to 150% of the Target Number) as specified on Exhibit A, on the date set forth on Exhibit A (the “Earning Date”) and (ii) will vest as to the number of Performance Share Units earned if Employee remains employed by the Company or a Subsidiary from the Grant Date through the Earning Date (the “Stated Vesting Date”). To the extent vested, all earned Performance Share Units shall be settled within 60 days after the Stated Vesting Date. In addition, if not previously forfeited or payable, upon a Change in Control prior to the Stated Vesting Date, the Performance Share Units (i) will be earned in an amount equal to (A) the Target Number of the Performance Share Units if the Change in Control occurs within the first 12 months of the 36-month earning period specified on Exhibit A or (B) the number of Performance Share Units that would have been earned based upon the actual level of achievement if the performance period had ended at the date of the Change in Control if the Change in Control occurs within the last 24 months of the 36-month earning period specified on Exhibit A and (ii) will (A) immediately vest on the Change in Control with respect to such earned Performance Share Units and will be settled within 60 days thereafter, if Employee remains employed by the Company or a Subsidiary from the Grant Date through the Change in Control and no provision is made for the continuance, assumption or substitution of the Performance Share Units by the Company or its successor in connection with the Change in Control, or (B) vest on the Stated Vesting Date with respect to such earned Performance Share Units and will be settled within 60 days thereafter, if Employee remains employed by the Company or a Subsidiary from the Grant Date through the Stated Vesting Date and provision is made for the continuance, assumption or substitution of the Performance Share Units by the Company or its successor in connection with the Change in Control. In addition, if not previously forfeited or payable, the Performance Share Units will become vested upon the occurrence of certain events relating to Employee’s Termination of Employment to the extent provided in Section 4 of

the attached Terms and Conditions, and such vested Performance Share Units will continue to be subject to the Performance Goal and will be eligible to be earned if and to the extent that the Performance Goal is achieved or there is a Change in Control prior to the Stated Vesting Date and settled in accordance with Section 6(a) hereof. The terms “vest” and “vesting” mean that the Performance Share Units have become non-forfeitable in relation to Employee’s employment but may continue to be subject to a substantial risk of forfeiture based on the Performance Goal to the extent provided in Section 4 of the attached Terms and Conditions. If the Performance Goal is not met (or not fully met), and no Change in Control occurs within the first 12 months of the 36-month earning period specified on Exhibit A, the Performance Share Units (or the unearned portion of the Performance Share Units) will be immediately forfeited (whether vested or not). If Employee has a Termination of Employment prior to the Stated Vesting Date and the Performance Share Units are not otherwise vested by that date, the Performance Share Units will be immediately forfeited except as otherwise provided in Section 4 of the attached Terms and Conditions. Forfeited Performance Share Units cease to be outstanding and in no event will thereafter result in any delivery of shares of Stock to Employee.

Performance Goal and Earning Date: The Performance Goal and Earning Date, and the number of Performance Share Units earned for specified levels of performance at the Earning Date, shall be as specified in Exhibit A hereto.

Settlement: Performance Share Units that are to be settled hereunder, including Performance Share Units credited as a result of Dividend Equivalents, will be settled by delivery of one share of Stock, for each Performance Share Unit being settled. Settlement shall occur at the time specified above and in Section 6(a) of the attached Terms and Conditions.

Further Conditions to Settlement: Notwithstanding any other provision of this Agreement, except as otherwise set forth below, the Company’s obligation to settle the Performance Share Units and Employee’s right to distribution of the Performance Share Units will be forfeited immediately upon the occurrence of any one or more of the following events (defined terms are attached hereto as Exhibit B):

(a) *Competitive Employment.* In the event that Employee, prior to full settlement of the Performance Share Units and within the Restricted Territory, directly or indirectly, whether on Employee’s own behalf or on behalf of any other person or entity, performs services of the type which are the same as or similar to those conducted, authorized, offered or provided by Employee to the Company within the last 24 months, and which support business activities which compete with the Business of the Company.

(b) *Recruitment of Company Employees and Contractors.* In the event that Employee, prior to full settlement of the Performance Share Units, directly or indirectly, whether on Employee’s own behalf or on behalf of any other person or entity, solicits or induces any employee or independent contractor of the Company with whom Employee had Material Contact to terminate or lessen such employment or contract with the Company.

(c) *Solicitation of Company Customers.* In the event that Employee, prior to full settlement of the Performance Share Units, directly or indirectly, whether on Employee's own behalf or on behalf of any other person or entity, solicits any actual or prospective customers of the Company with whom Employee had Material Contact for the purpose of selling any products or services which compete with the Business of the Company.

(d) *Solicitation of Company Vendors.* In the event that Employee, prior to full settlement of the Performance Share Units, directly or indirectly, whether on Employee's own behalf or on behalf of any other person or entity, solicits any actual or prospective vendor of the Company with whom Employee had Material Contact for the purpose of purchasing products or services to support business activities which compete with the Business of the Company.

(e) *Breach of Confidentiality.* In the event that Employee, at any time prior to full settlement of the Performance Share Units, directly or indirectly, divulges or makes use of any Confidential Information or Trade Secrets of the Company other than in the performance of Employee's duties for the Company. This provision does not limit the remedies available to the Company under common or statutory law as to trade secrets or other forms of confidential information, which may impose longer duties of non-disclosure and provide for injunctive relief and damages. Notwithstanding anything herein to the contrary, nothing herein is intended to or will be used in any way to prevent Employee from providing truthful testimony under oath in a judicial or administrative proceeding or to limit Employee's right to communicate with a government agency, as provided for, protected under or warranted by applicable law. The Employee further understands nothing herein limits the Employee's ability to file a charge or complaint with the Equal Employment Opportunity Commission, the National Labor Relations Board, the Occupational Safety and Health Administration, the Securities and Exchange Commission, or any other federal, state or local government agency or commission ("Government Agencies"). Nothing herein limits the Employee's ability to communicate with any Government Agencies or otherwise participate in any investigation or proceeding that may be conducted by the Government Agency, including providing documents or information without notice to the Company. This Agreement does not limit the Employee's right to receive an award for information provided to any Government Agency. Notwithstanding anything herein to the contrary, the Employee shall not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a Trade Secret that (i) is made in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney and solely for the purpose of reporting or investigating a suspected violation of law or (ii) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. In addition, if the Employee files a lawsuit for retaliation for reporting a suspected violation of law, the Employee may disclose the Trade Secret to his or her attorney and use the Trade Secret information in the court proceeding, as long as the Employee files any document containing the Trade Secret under seal and does not disclose the Trade Secret, except pursuant to court order.

(f) *Return of Property and Information.* In the event that prior to full settlement of the Performance Share Units Employee fails to return all of the Company's property and information (whether confidential or not) within

Employee's possession or control within seven (7) calendar days following the termination or resignation of Employee from employment with the Company. Such property and information includes, but is not limited to, the original and any copy (regardless of the manner in which it is recorded) of all information provided by the Company to Employee or which Employee has developed or collected in the scope of Employee's employment with the Company, as well as all Company-issued equipment, supplies, accessories, vehicles, keys, instruments, tools, devices, computers, cell phones, pagers, materials, documents, plans, records, notebooks, drawings, or papers. Upon request by the Company, Employee shall certify in writing that Employee has complied with this provision, and has permanently deleted all Company information from any computers or other electronic storage devices or media owned by Employee. Employee may only retain information relating to the Employee's benefit plans and compensation to the extent needed to prepare Employee's tax returns.

(g) *Disparagement.* In the event that prior to full settlement of the Performance Share Units Employee makes any statements, either verbally or in writing, that are disparaging with regard to the Company or any of its subsidiaries or their respective executives and Board members.

(h) *Failure to Provide Information.* In the event that prior to full settlement of the Performance Share Units Employee fails to promptly and fully respond to requests for information from the Company regarding Employee's compliance with any of the foregoing conditions.

If it is determined by the Leadership Development and Compensation Committee of the Company's Board of Directors, in its sole discretion, that any of the foregoing events have occurred prior to full settlement of the Performance Share Units, any unpaid portion of the Performance Share Units will be forfeited without any compensation therefor, provided, however, that none of the foregoing conditions shall restrict any Employee who is a lawyer from practicing law. To the extent any such condition would restrict any Employee who is a lawyer from practicing law or would penalize the Employee for practicing law, such condition shall not be effective and the Leadership Development and Compensation Committee may not forfeit any of the Performance Share Units on account therefor.

The Performance Share Units are subject to the terms and conditions of the Plan and this Agreement, including the Terms and Conditions of Performance Share Units attached hereto and deemed a part hereof. The number of Performance Share Units and the kind of shares deliverable in settlement and other terms and conditions of the Performance Share Units are subject to adjustment in accordance with Section 5 of the attached Terms and Conditions and Section 11(c) of the Plan.

Employee acknowledges and agrees that (i) the Performance Share Units are nontransferable, except as provided in Section 3 of the attached Terms and Conditions and Section 11(b) of the Plan, (ii) the Performance Share Units are subject to forfeiture in the event of Employee's Termination of Employment in certain circumstances prior to vesting, as specified in Section 4 of the attached Terms and Conditions, (iii) the foregoing conditions shall apply to the Performance Share Units prior to settlement and (iv) sales of shares of Stock delivered upon

settlement of the Performance Share Units will be subject to any Company policy regulating trading by employees.

Capitalized terms used in this Agreement but not defined herein shall have the same meanings as in the Plan.

IN WITNESS WHEREOF, NEW JERSEY RESOURCES CORPORATION has caused this Agreement to be executed by its officer thereunto duly authorized.

NEW JERSEY RESOURCES CORPORATION

By: _____
[NAME]
[Title]

EMPLOYEE

[NAME]
[Title]

TERMS AND CONDITIONS OF PERFORMANCE SHARE UNITS

The following Terms and Conditions apply to the Performance Share Units granted to Employee by NEW JERSEY RESOURCES CORPORATION (the “Company”) and Performance Share Units resulting from Dividend Equivalents (as defined below), if any, as specified in the Performance Share Units Agreement (of which these Terms and Conditions form a part). Certain terms of the Performance Share Units, including the number of Performance Share Units granted, vesting date(s) and settlement date, are set forth on the cover page hereto and Exhibit A, which are an integral part of this Agreement.

1. **General.** The Performance Share Units are granted to Employee under the Company’s 2017 Stock Award and Incentive Plan (the “Plan”), which has been previously delivered to Employee and/or is available upon request to the Corporate Benefits Department. All of the applicable terms, conditions and other provisions of the Plan are incorporated by reference herein. Capitalized terms used in this Agreement but not defined herein shall have the same meanings as in the Plan. If there is any conflict between the provisions of this document and mandatory provisions of the Plan, the provisions of the Plan govern. By accepting the grant of the Performance Share Stock Units, Employee agrees to be bound by all of the terms and provisions of the Plan (as presently in effect or later amended), the rules and regulations under the Plan adopted from time to time, and the decisions and determinations relating to the Plan and grants thereunder of the Leadership Development and Compensation Committee of the Company’s Board of Directors (the “Committee”) made from time to time.

2. **Account for Employee.** The Company shall maintain a bookkeeping account for Employee (the “Account”) reflecting the number of Performance Share Units then credited to Employee hereunder as a result of such grant of Performance Share Units and any crediting of additional Performance Share Units to Employee pursuant to dividends paid on shares of Stock under Section 5 hereof (“Dividend Equivalents”).

3. **Nontransferability.** Until Performance Share Units are settled by delivery of shares of Stock in accordance with the terms of this Agreement, Employee may not transfer Performance Share Units or any rights hereunder to any third party other than by will or the laws of descent and distribution, except for transfers to a Beneficiary or as otherwise permitted and subject to the conditions under Section 11(b) of the Plan. This restriction on transfer precludes any sale, assignment, pledge or other encumbrance or disposition of the Performance Share Units (except for forfeitures to the Company).

4. **Termination of Employment.** The following provisions will govern the earning, vesting and forfeiture of the Performance Share Units that are outstanding at the time of Employee’s Termination of Employment (as defined below) (i) by the Company without Cause (as defined below) or by the Employee for Good Reason (as defined below), in either case during the CIC Protection Period (as defined below), or (ii) due to death, Disability (as defined below) or Retirement (as defined below), unless otherwise determined by the Committee (subject to Section 8(e) hereof):

(a) **Termination by the Company or by the Employee in Certain Events.** In the event of Employee’s Termination of Employment, prior to the Stated Vesting Date, by the Company without Cause within the CIC Protection Period and other than for Disability or Retirement, or by Employee for Good Reason within the CIC Protection Period, the outstanding Performance Share Units will be vested with respect to no less than a Pro Rata Portion (as defined below) of the Performance Share Units, to the extent earned previously (upon a Change in Control where provision is made for the continuance, assumption or substitution of the Performance Share Units

by the Company or its successor in connection with the Change in Control or otherwise), to the extent not vested previously, and such earned and vested Performance Share Units will be settled in accordance with Section 6(a) hereof. In the event of Employee's Termination of Employment, prior to the Stated Vesting Date, (i) by the Company for Cause and other than for Disability or Retirement, (ii) by the Company for any reason other than Disability or Retirement prior to or after the CIC Protection Period, (iii) by Employee (other than for Good Reason within the CIC Protection Period or upon Retirement), or (iv) by Employee (other than upon Retirement) before or after the CIC Protection Period, the portion of the then-outstanding Performance Share Units not earned and vested at the date of Employee's Termination of Employment will be forfeited.

(b) *Death, Disability or Retirement.* In the event of Employee's Termination of Employment, prior to the Stated Vesting Date and before a Change in Control, due to Employee's death, Disability or Retirement, the outstanding Performance Share Units will be vested with respect to no less than a Pro Rata Portion (as defined below) of the Performance Share Units, to the extent not earned previously, that may become earned on the Earning Date, to the extent not previously vested, and such vested Performance Share Units will continue to be subject to the Performance Goal and will be eligible to be earned if and to the extent that the Performance Goal is achieved or there is a Change in Control prior to the Stated Vesting Date and settled in accordance with Section 6(a) hereof. In the event of Employee's Termination of Employment, prior to the Stated Vesting Date and on or after a Change in Control, due to Employee's death, Disability or Retirement, the outstanding Performance Share Units will be vested with respect to no less than a Pro Rata Portion of the Performance Share Units, to the extent earned previously (upon a Change in Control where provision is made for the continuance, assumption or substitution of the Performance Share Units by the Company or its successor in connection with the Change in Control or otherwise), to the extent not vested previously, and such earned and vested Performance Share Units will be settled in accordance with Section 6(a) hereof. Any portion of the then-outstanding Performance Share Units not vested at or before the date of Employee's Termination of Employment will be forfeited.

(c) *Certain Definitions.* The following definitions apply for purposes of this Agreement:

(i) "Cause" has the same definition as under any employment or similar agreement between the Company and Employee or, if no such agreement exists or if such agreement does not contain any such definition, Cause means (i) Employee's conviction of a felony or the entering by Employee of a plea of nolo contendere to a felony charge, (ii) Employee's gross neglect, willful malfeasance or willful gross misconduct in connection with his or her employment which has had a significant adverse effect on the business of the Company and its subsidiaries, unless Employee reasonably believed in good faith that such act or non-act was in or not opposed to the best interest of the Company, or (iii) repeated material violations by Employee of the duties and obligations of Employee's position with the Company which have continued after written notice thereof from the Company, which violations are demonstrably willful and deliberate on Employee's part and which result in material damage to the Company's business or reputation.

(ii) "CIC Protection Period" means the two-year period beginning on the date of a Change in Control and ending on the day before the second annual anniversary of the date of the Change in Control.

(iii) "Disability" means Employee has been incapable of substantially fulfilling the positions, duties, responsibilities and obligations of his employment because of physical, mental or emotional incapacity resulting from injury, sickness or disease for a period of at least six

consecutive months. The Company and Employee shall agree on the identity of a physician to resolve any question as to Employee's disability. If the Company and Employee cannot agree on the physician to make such determination, then the Company and Employee shall each select a physician and those physicians shall jointly select a third physician, who shall make the determination. The determination of any such physician shall be final and conclusive for all purposes of this Agreement. Only the Company can initiate a Termination of Employment due to Disability.

(iv) "Good Reason" has the same definition as under any employment or similar agreement between the Company and Employee; but, if no such agreement exists or if any such agreement does not contain or reference any such definition, Good Reason shall not apply to the Employee for purposes of this Agreement.

(v) "Pro Rata Portion" means a fraction, the numerator of which is the number of days from the first day of the 36-month earning period specified on Exhibit A to the date of Employee's Termination of Employment due to Employee's death, Disability or Retirement, or by the Company without Cause within the CIC Protection Period and other than for Disability or Retirement or by Employee for Good Reason within the CIC Protection Period, and the denominator of which is the number of days from the first day of such 36-month earning period to the Earning Date.

(vi) "Retirement" means the Employee has attained age 65, or age 55 with 20 or more years of service.

(vii) "Subsidiary" means any subsidiary corporation of the Company within the meaning of Section 424(f) of the Code ("Section 424(f) Corporation") and any partnership, limited liability company or joint venture in which either the Company or Section 424(f) Corporation is at least a fifty percent (50%) equity participant.

(viii) "Termination of Employment" and "Termination" means the earliest time at which Employee is not employed by the Company or a Subsidiary of the Company.

(d) *Termination by the Company for Cause.* In the event of Employee's Termination of Employment by the Company for Cause, the portion of the then-outstanding Performance Share Units not earned and vested prior to such time will be forfeited immediately upon notice to Employee that the Company is terminating the Employee's employment for Cause.

5. Dividend Equivalents and Adjustments.

(a) *Dividend Equivalents.* Dividend Equivalents will be credited on Performance Share Units (other than Performance Share Units that, at the relevant record date, previously have been settled or forfeited) and deemed converted into additional Performance Share Units. Dividend Equivalents will be credited as follows, except that the Company may vary the manner of crediting (for example, by crediting cash dividend equivalents rather than additional Performance Share Units) for administrative convenience:

(i) *Cash Dividends.* If the Company declares and pays a dividend or distribution on shares of Stock in the form of cash, then additional Performance Share Units shall be credited to Employee's Account as of the payment date of such cash dividend or distribution (or settled as of the payment date of such cash dividend or distribution if the Performance Share Units are to be settled before the payment date) equal to the number of Performance Share Units credited to the Account as of the relevant record date multiplied by the amount of cash paid per share of Stock in

such dividend or distribution divided by the Fair Market Value of a share of Stock at the payment date for such dividend or distribution.

(ii) *Non-Share Dividends.* If the Company declares and pays a dividend or distribution on shares of Stock in the form of property other than shares of Stock, then a number of additional Performance Share Units shall be credited to Employee's Account as of the payment date of such cash dividend or distribution (or settled as of the payment date of such cash dividend or distribution if the Performance Share Units are to be settled before the payment date) equal to the number of Performance Share Units credited to the Account as of the record date for such dividend or distribution multiplied by the fair market value of such property actually paid as a dividend or distribution on each outstanding share of Stock at such payment date, divided by the Fair Market Value of a share of Stock at such payment date for such dividend or distribution.

(iii) *Share Dividends and Splits.* If the Company declares and pays a dividend or distribution on shares of Stock in the form of additional shares of Stock, or there occurs a forward split of shares of Stock, then a number of additional Performance Share Units shall be credited to Employee's Account as of the payment date for such dividend or distribution or forward split (or settled as of the payment date for such dividend or distribution or forward split if the Performance Share Units are to be settled before the payment date) equal to the number of Performance Share Units credited to the Account as of the record date for such dividend or distribution or split multiplied by the number of additional shares of Stock actually paid as a dividend or distribution or issued in such split in respect of each outstanding share of Stock.

(b) *Adjustments.* The number of Performance Share Units credited to Employee's Account shall be appropriately adjusted in order to prevent dilution or enlargement of Employee's rights with respect to Performance Share Units or to reflect any changes in the number of outstanding shares of Stock resulting from any event referred to in Section 11(c) of the Plan, taking into account any Performance Share Units credited to Employee in connection with such event under Section 5(a) hereof. In furtherance of the foregoing, in the event of an equity restructuring, as defined in ASC Topic 718, which affects the shares of Stock, Employee shall have a legal right to an adjustment to Employee's Performance Share Units which shall preserve without enlarging the value of the Performance Share Units, with the manner of such adjustment to be determined by the Committee in its discretion. All adjustments will be made in a manner as to maintain the Performance Share Unit's exemption from Code Section 409A or, to the extent Code Section 409A applies, to comply with Code Section 409A. Any adjustments shall be subject to the requirements and restrictions set forth in Section 11(c) of the Plan.

(c) *Risk of Forfeiture and Settlement of Performance Share Units Resulting from Dividend Equivalents and Adjustments.* Performance Share Units which directly or indirectly result from Dividend Equivalents on or adjustments to Performance Share Units granted hereunder shall be subject to the same risk of forfeiture and other conditions as apply to the granted Performance Share Units with respect to which the Dividend Equivalents or adjustments related and will be settled at the same time as such related Performance Share Units (unless the Performance Share Units are to be settled prior to the payment date of the Dividend Equivalents or the date of such adjustments, in which case the Dividend Equivalents or adjustments will be settled at the payment date of the dividends or the date of such adjustments (and in no event later than 60 days after the Performance Share Units otherwise are to be settled)).

6. *Settlement and Deferral.*

(a) *Settlement Date.* Except as otherwise set forth above under "Further Conditions to Settlement," Performance Share Units granted hereunder that have become earned and vested,

together with Performance Share Units credited as a result of Dividend Equivalents with respect thereto, to the extent earned and vested, shall be settled by delivery of one share of Stock for each Performance Share Unit being settled at the time specified herein. Settlement of earned and vested Performance Share Units granted hereunder shall occur at the Earning Date (with shares to be delivered within 60 days after the Earning Date); provided, however, that settlement of earned and vested Performance Share Units shall occur within 60 days after a Change in Control if no provision is made for the continuance, assumption or substitution of the Performance Share Units by the Company or its successor in connection with the Change in Control; and provided further, that settlement shall be deferred if so elected by Employee in accordance with Section 6(b) hereof subject to Section 6(c) hereof. Settlement of Performance Share Units which directly or indirectly result from Dividend Equivalents on Performance Share Units granted hereunder generally shall occur at the time of settlement of the related Performance Share Units except as otherwise described above.

(b) *Elective Deferral.* The Committee may determine to permit Employee to elect to defer settlement (or redefer) if such election would be permissible under Section 11(k) of the Plan and Code Section 409A. In addition to any applicable requirements under Code Section 409A, any such deferral election shall be made only while Employee remains employed and at a time permitted under Code Section 409A. The form under which an election is made shall set forth the time and form of payment of such amount deferred. Any amount deferred shall be subject to a 6 month delay upon payment if required under Section 11(k)(i)(F) of the Plan. Any elective deferral will be subject to such additional terms and conditions as the Senior Vice President, Chief Human Resources Officer, or the officer designated by the Company as responsible for administration of the Agreement, may reasonably impose.

(c) *Compliance with Code Section 409A.* Other provisions of this Agreement notwithstanding, because the Performance Share Units will constitute a "deferral of compensation" under Section 409A of the Code ("Code Section 409A") as presently in effect or hereafter amended (i.e., the Performance Share Units are not excluded or exempted under Code Section 409A or a regulation or other official governmental guidance thereunder; Note: an elective deferral under Section 6(b) would cause the Performance Share Units, if not already, to be a deferral of compensation subject to Code Section 409A after the deferral), such Performance Share Units will be considered a 409A Award under the Plan and, shall be subject to the additional requirements set forth in Section 11(k) of the Plan including without limitation that (i) Termination of Employment shall be construed consistent with the meaning of a Separation from Service and (ii) a Change in Control under the Agreement shall be construed consistent with the meaning of a 409A Ownership/Control Change.

7. *Employee Representations and Warranties Upon Settlement.* As a condition to the settlement of the Performance Share Units, the Company may require Employee (i) to make any representation or warranty to the Company as may be required under any applicable law or regulation and (ii) to execute a release from claims against the Company arising at or before the date of the release, in such form as may be specified by the Company, and not revoke such release prior the expiration of any applicable revocation period, all within 60 days after Termination of Employment.

8. *Miscellaneous.*

(a) *Binding Agreement; Written Amendments.* This Agreement shall be binding upon the heirs, executors, administrators and successors of the parties. This Agreement constitutes the entire agreement between the parties with respect to the Performance Share Units, and supersedes any prior agreements or documents with respect to the Performance Share Units. No amendment

or alteration of this Agreement which may impose any additional obligation upon the Company shall be valid unless expressed in a written instrument duly executed in the name of the Company, and no amendment, alteration, suspension or termination of this Agreement which may materially impair the rights of Employee with respect to the Performance Share Units shall be valid unless expressed in a written instrument executed by Employee.

(b) *No Promise of Employment.* The Performance Share Units and the granting thereof shall not constitute or be evidence of any agreement or understanding, express or implied, that Employee has a right to continue as an officer or employee of the Company for any period of time, or at any particular rate of compensation.

(c) *Governing Law.* The validity, construction, and effect of this Agreement shall be determined in accordance with the laws (including those governing contracts) of the state of New Jersey, without giving effect to principles of conflicts of laws, and applicable federal law.

(d) *Fractional Performance Share Units and Shares.* The number of Performance Share Units credited to Employee's Account shall include fractional Performance Share Units calculated to at least three decimal places, unless otherwise determined by the Committee. Unless settlement is effected through a third-party broker or agent that can accommodate fractional shares (without requiring issuance of a fractional Share by the Company), upon settlement of the Performance Share Units, the Committee, in its sole discretion, may either (i) round the fractional share to be delivered up to a whole Share or (ii) provide that Employee shall be paid, in cash, an amount equal to the value of any fractional Share that would have otherwise been deliverable in settlement of such Performance Share Units.

(e) *Mandatory Tax Withholding.* Unless otherwise determined by the Committee, or Employee has elected at least 90 days prior to payout to satisfy the tax obligations in cash by other means, at the time of vesting and/or settlement the Company will withhold first from any cash payable and then from any shares of Stock deliverable in settlement of the Performance Share Units, in accordance with Section 11(d)(i) of the Plan, the number of whole shares of Stock having a value nearest to, but not exceeding, the minimum amount of income and employment taxes required to be withheld under applicable laws and regulations (only with respect to the minimum amount of Shares necessary to satisfy statutory withholding requirements, unless withholding of any additional amount of Shares will not result in additional accounting expense to the Company and is permitted by the Committee), and pay the amount of such withholding taxes in cash to the appropriate taxing authorities. Employee will be responsible for any withholding taxes not satisfied by means of such mandatory withholding and for all taxes in excess of such minimum withholding taxes that may be due upon vesting or settlement of Performance Share Units.

(f) *Statements.* An individual statement of each Employee's Account will be issued to Employee at such times as may be determined by the Company. Such a statement shall reflect the number of Performance Share Units credited to Employee's Account, transactions therein during the period covered by the statement, and other information deemed relevant by the Company. Such a statement may be combined with or include information regarding other plans and compensatory arrangements. Employee's statements shall be deemed a part of this Agreement, and shall evidence the Company's obligations in respect of Performance Share Units, including the number of Performance Share Units credited as a result of Dividend Equivalents (if any). Any statement containing an error shall not, however, represent a binding obligation to the extent of such error, notwithstanding the inclusion of such statement as part of this Agreement.

(g) *Unfunded Obligations.* The grant of the Performance Share Units and any provision for distribution in settlement of Employee's Account hereunder shall be by means of bookkeeping entries on the books of the Company and shall not create in Employee any right to, or claim against any, specific assets of the Company, nor result in the creation of any trust or escrow account for Employee. With respect to Employee's entitlement to any distribution hereunder, Employee shall be a general creditor of the Company.

(h) *Notices.* Any notice to be given the Company under this Agreement shall be addressed to the Company at its principal executive offices, in care of the Senior Vice President, Chief Human Resources Officer, or the officer designated by the Company as responsible for administration of the Agreement, and any notice to Employee shall be addressed to Employee at Employee's address as then appearing in the records of the Company.

(i) *Shareholder Rights.* Employee and any Beneficiary shall not have any rights with respect to shares of Stock (including voting rights) covered by this Agreement prior to the settlement and distribution of the shares of Stock except as otherwise specified herein. Specifically, Performance Share Units represent a contractual right to receive shares of Stock in the future, subject to the terms and conditions of this Agreement and the Plan, and do not represent ownership of shares of Stock at any time before the settlement of this Award and actual issuance of the shares of Stock.

NEW JERSEY RESOURCES CORPORATION

2017 Stock Award and Incentive Plan

Performance Goal and Earning of Performance Share Units

The number of Performance Share Units earned by Participant shall be determined as of September ___, 2022 (the “Earning Date”), based on the Company’s “Total Shareholder Return Performance” in the 36-month period ending at the Earning Date as compared against an established group of comparable companies (the “Comparison Group”) selected by the Committee and shown below. The number of Performance Share Units earned will be determined based on the following grid:

Relative Total Shareholder Return

Company Relative Total Shareholder Return Performance —
Percentile Achieved

Performance Share Units Earned as
Percentage of
Target Performance Share Units

Less than 25 th	0%
25 th (threshold)	40%
55 th (target)	100%
80 th and above (maximum)	150%

Total Shareholder Return (or “TSR”), expressed as a percentage, shall be computed as follows:

$$TSR = (Price_{end} - Price_{begin} + Dividends) / Price_{begin}$$

$Price_{begin}$ = the average of the closing share price of the Stock over the 20 trading days beginning October 1, 2019.

$Price_{end}$ = the average of the closing share price of the Stock over the 20 trading days ending September 30, 2022.

Dividends = dividends or other distributions paid to shareholders with respect to the Stock with ex-dividend dates falling within the 36-month period between October 1, 2019 and September 30, 2022 (with such dividends and other distributions deemed reinvested in shares of Stock as of the ex-dividend date based on the Price of the Stock on the ex-dividend date where not paid in shares of Stock).

$Price$ = the closing price of the Stock as of the applicable date.

Upon achievement of Total Shareholder Return at a percentile between any two specified percentiles, the Performance Share Units earned will be mathematically interpolated on a straight-line basis.

Determinations of the Committee regarding Total Shareholder Return performance, such performance as a percentile within the Comparison Group, the resulting Performance Share Units earned and vested and related matters will be final and binding on Participant.

Companies shall be removed from the Comparison Group if they undergo a Specified Corporate Change. A company that is removed from the Comparison Group before the Earning Date will not be included at all in the computation of Total Shareholder Return. A company in the Comparison Group will be deemed to have undergone a “Specified Corporate Change” if it:

1. ceases to be a domestically domiciled publicly traded company on a national stock exchange or market system, unless such cessation of such listing is due to a low stock price or low trading volume; or
2. has gone private; or
3. has reincorporated in a foreign (e.g., non-U.S.) jurisdiction, regardless of whether it is a reporting company in that or another jurisdiction; or
4. has been acquired by another company (whether by a peer company or otherwise, but not including internal reorganizations), or has sold all or substantially all of its assets.

The Company shall rely on press releases, public filings, website postings, and other reasonably reliable information available regarding a peer company in making a determination that a Specified Corporate Change has occurred.

The Committee shall determine a reasonable methodology for dealing with companies in the Comparison Group that cease to be engaged in a business comparable to that of the Company. Additionally, TSR will be negative one hundred percent (-100%) if a company: (i) files for bankruptcy, reorganization, or liquidation under any chapter of the U.S. Bankruptcy Code; (ii) is the subject of an involuntary bankruptcy proceeding that is not dismissed within 30 days; (iii) is the subject of a stockholder approved plan of liquidation or dissolution; or (iv) ceases to conduct substantial business operations. Total Shareholder Return shall be calculated in a manner that reflects the economic return to shareholders, such that any equity restructuring of the Company or any company in the Comparison Group shall not have the effect of enlarging or reducing the rights of Employee except to the extent of its effects on the real economic return of a shareholder.

Determinations of the Committee regarding Total Shareholder Return performance, in the case of a Change in Control or Employee’s Termination due to death prior to the Earning Date, shall be made as if the performance period had ended at the date of the Change in Control or Termination of Employment due to death, as applicable.

The Comparison Group

Ameren Corporation
CMS Energy Corp.
SCANA Corp.
CenterPoint Energy, Inc.
UGI Corporation
NiSource Inc.
Atmos Energy Corporation
National Fuel Gas Company
MDU Resources Group Inc.
Vectren Corporation
Southwest Gas Corporation
ONE Gas, Inc.
Black Hills Corporation
Spire Inc.
Northwestern Corporation
Avista Corp.
South Jersey Industries, Inc.
Northwest Natural Gas Company
Chesapeake Utilities Corporation
Unitil Corporation

Exhibit B

NEW JERSEY RESOURCES CORPORATION

2017 Stock Award and Incentive Plan

Definitions Under Further Conditions to Settlement

- a. “Business of the Company” means the following areas of its business which are selected below, which Employee acknowledges are areas of the Company’s business in which Employee has responsibilities:

(check as applicable)

___ Natural Gas Distribution: Consists of New Jersey Natural Gas Company, a natural gas utility company that provides regulated retail natural gas service to residential and commercial customers in central and northern New Jersey and participates in the off-system sales and capacity release markets.

___ Energy Services: Maintains and transacts around a portfolio of physical assets consisting of natural gas storage and transportation contracts and also provides wholesale energy management services to other energy companies and natural gas producers in market areas including states from the Gulf Coast and Mid-continent regions to the Appalachian and Northeast regions, the West Coast and Canada.

___ Clean Energy Ventures: Investor, owner, and operator in the renewable energy sector, including, but not limited to, investments in residential and commercial rooftop and ground mount solar systems.

___ Midstream Assets: Includes investments in natural gas transportation and storage assets and is comprised of the following: Steckman Ridge, which is a partnership that owns and operates a 17.7 Bcf natural gas storage facility, with up to 12 Bcf working capacity, in western Pennsylvania that is 50 percent owned by a Company Subsidiary; Leaf River Energy Center, a natural gas storage facility located in southeastern Mississippi with a combined working natural gas storage capacity of 32.2 million dekatherms; a 20 percent ownership interest in the proposed PennEast Pipeline, a 118-mile pipeline designed to bring natural gas produced in the Marcellus Shale region to homes and businesses in Pennsylvania and New Jersey; and Adelphia Gateway, which upon closing of the proposed acquisition of the membership interests of Interstate Energy Company, LLC, will operate an 84-mile pipeline in southeastern Pennsylvania..

___ Home Services: Consists of NJR Home Services Company, which provides Heating, Ventilating, and Air Conditioning (HVAC) service, sales and installation of appliances, as well as installation of solar equipment.

- b. “Confidential Information” means all valuable and/or proprietary information (in oral, written, electronic or other forms) belonging to or pertaining to the Company, its customers and vendors, that is not generally known or publicly available, and which would be useful to competitors of the Company or otherwise damaging to the Company if disclosed. Confidential Information may include, but is not necessarily limited to: (i) the identity of the Company’s customers or potential customers, their purchasing histories, and the terms or proposed terms upon which the Company offers or may offer its products and services to such customers, (ii) the identity of the Company’s vendors or

potential vendors, and the terms or proposed terms upon which the Company may purchase products and services from such vendors, (iii) technology used by the Company to provide its services, (iv) the terms and conditions upon which the Company employs its employees and independent contractors, (v) marketing and/or business plans and strategies, (vi) financial reports and analyses regarding the revenues, expenses, profitability and operations of the Company, and (vii) information provided to the Company by customers and other third parties under a duty to maintain the confidentiality of such information. Notwithstanding the foregoing, Confidential Information does not include information that: (i) has been voluntarily disclosed to the public by Company or any Employer, except where such public disclosure has been made by Employee without authorization from Company or Employer; (ii) has been independently developed and disclosed by others, or (iii) which has otherwise entered the public domain through lawful means. Confidential Information also does not include information related to any claim of sexual harassment or sexual assault and nothing herein restricts the disclosure of such information. Nothing herein shall prohibit, prevent or restrict the Employee from reporting any allegations of unlawful conduct to federal, state or local officials or to an attorney retained by the Employee.

- c. “Material Contact” means contact in person, by telephone, or by paper or electronic correspondence, or the supervision of those who have such conduct, and which is done in furtherance of the business interests of the company and within the last 36 months.
- d. “Restricted Territory” consists of the following areas, to the extent such areas have been identified as applicable to the definition of the “Business of the company” above:

Natural Gas Distribution: The State of New Jersey and for those employees engaged in or supervising off system sales, the States of New Jersey, New York and Pennsylvania.

Energy Services: The Continental United States and within a 100 mile radius of the Dawn Storage Hub in Canada.

Clean Energy Ventures: The State of New Jersey.

Midstream Assets: The States of New Jersey, New York, Connecticut, Pennsylvania, Virginia, West Virginia, Mississippi, Alabama, Louisiana and Texas.

Home Services: The State of New Jersey.

- e. “Trade Secrets” means a trade secret of the Company as defined by applicable law



NEW JERSEY RESOURCES CORPORATION

2017 Stock Award and Incentive Plan Performance Share Units Agreement (NFE)

This Performance Share Units Agreement (the “Agreement”), which includes the attached “Terms and Conditions of Performance Share Units” (the “Terms and Conditions”) and the attached Exhibit A captioned “Performance Goal and Earning of Performance Share Units”, confirms the grant on November , 2019, (the “Grant Date”) by NEW JERSEY RESOURCES CORPORATION, a New Jersey corporation (the “Company”), to _____ (“Employee”), under Sections 6(e), 6(i) and 7 of the 2017 Stock Award and Incentive Plan (the “Plan”), of Performance Share Units (the “Performance Share Units”), including rights to Dividend Equivalents as specified herein, as follows:

Target Number Granted: ____ Performance Share Units (“Target Number”)

How Performance Share Units are Earned and Vest: The Performance Share Units, if not previously forfeited, (i) will be earned, if and to the extent that the Performance Goal defined on Exhibit A to this Agreement is achieved, with the corresponding number of Performance Share Units earned (ranging from 0% to 150% of the Target Number) as specified on Exhibit A, on the date set forth on Exhibit A (the “Earning Date”) and (ii) will vest as to the number of Performance Share Units earned if Employee remains employed by the Company or a Subsidiary from the Grant Date through the Earning Date (the “Stated Vesting Date”). To the extent vested, all earned Performance Share Units shall be settled within 60 days after the Stated Vesting Date. In addition, if not previously forfeited or payable, upon a Change in Control prior to the Stated Vesting Date, the Performance Share Units (i) will be earned in an amount equal to the Target Number of the Performance Share Units and (ii) will (A) immediately vest on the Change in Control with respect to such earned Performance Share Units and will be settled within 60 days thereafter, if Employee remains employed by the Company or a Subsidiary from the Grant Date through the Change in Control and no provision is made for the continuance, assumption or substitution of the Performance Share Units by the Company or its successor in connection with the Change in Control, or (B) vest on the Stated Vesting Date with respect to such earned Performance Share Units and will be settled within 60 days thereafter, if Employee remains employed by the Company or a Subsidiary from the Grant Date through the Stated Vesting Date and provision is made for the continuance, assumption or substitution of the Performance Share Units by the Company or its successor in connection with the Change in Control. In addition, if not previously forfeited or payable, the Performance Share Units will become vested upon the occurrence of certain events relating to Employee's Termination of Employment to the extent provided in Section 4 of the attached Terms and Conditions, and such vested Performance Share Units will continue to be subject to the Performance Goal and will be eligible to be earned if and to the

extent that the Performance Goal is achieved or there is a Change in Control prior to the Stated Vesting Date and settled in accordance with Section 6(a) hereof. The terms “vest” and “vesting” mean that the Performance Share Units have become non-forfeitable in relation to Employee’s employment but may continue to be subject to a substantial risk of forfeiture based on the Performance Goal to the extent provided in Section 4 of the attached Terms and Conditions. If the Performance Goal is not met (or not fully met), and no Change in Control occurs prior to the Earning Date, the Performance Share Units (or the unearned portion of the Performance Share Units) will be immediately forfeited (whether vested or not). If Employee has a Termination of Employment prior to the Stated Vesting Date and the Performance Share Units are not otherwise vested by that date, the Performance Share Units will be immediately forfeited except as otherwise provided in Section 4 of the attached Terms and Conditions. Forfeited Performance Share Units cease to be outstanding and in no event will thereafter result in any delivery of shares of Stock to Employee.

Performance Goal and Earning Date: The Performance Goal and Earning Date, and the number of Performance Share Units earned for specified levels of performance at the Earning Date, shall be as specified in Exhibit A hereto.

Settlement: Performance Share Units that are to be settled hereunder, including Performance Share Units credited as a result of Dividend Equivalents, will be settled by delivery of one share of Stock, for each Performance Share Unit being settled. Settlement shall occur at the time specified above and in Section 6(a) of the attached Terms and Conditions.

Further Conditions to Settlement: Notwithstanding any other provision of this Agreement, except as otherwise set forth below, the Company’s obligation to settle the Performance Share Units and Employee’s right to distribution of the Performance Share Units will be forfeited immediately upon the occurrence of any one or more of the following events (defined terms are attached hereto as Exhibit B):

(a) *Competitive Employment.* In the event that Employee, prior to full settlement of the Performance Share Units and within the Restricted Territory, directly or indirectly, whether on Employee’s own behalf or on behalf of any other person or entity, performs services of the type which are the same as or similar to those conducted, authorized, offered or provided by Employee to the Company within the last 24 months, and which support business activities which compete with the Business of the Company.

(b) *Recruitment of Company Employees and Contractors.* In the event that Employee, prior to full settlement of the Performance Share Units, directly or indirectly, whether on Employee’s own behalf or on behalf of any other person or entity, solicits or induces any employee or independent contractor of the Company with whom Employee had Material Contact to terminate or lessen such employment or contract with the Company.

(c) *Solicitation of Company Customers.* In the event that Employee, prior to full settlement of the Performance Share Units, directly or indirectly, whether on Employee’s own behalf or on behalf of any other person or entity,

solicits any actual or prospective customers of the Company with whom Employee had Material Contact for the purpose of selling any products or services which compete with the Business of the Company.

(d) *Solicitation of Company Vendors.* In the event that Employee, prior to full settlement of the Performance Share Units, directly or indirectly, whether on Employee's own behalf or on behalf of any other person or entity, solicits any actual or prospective vendor of the Company with whom Employee had Material Contact for the purpose of purchasing products or services to support business activities which compete with the Business of the Company.

(e) *Breach of Confidentiality.* In the event that Employee, at any time prior to full settlement of the Performance Share Units, directly or indirectly, divulges or makes use of any Confidential Information or Trade Secrets of the Company other than in the performance of Employee's duties for the Company. This provision does not limit the remedies available to the Company under common or statutory law as to trade secrets or other forms of confidential information, which may impose longer duties of non-disclosure and provide for injunctive relief and damages. Notwithstanding anything herein to the contrary, nothing herein is intended to or will be used in any way to prevent Employee from providing truthful testimony under oath in a judicial or administrative proceeding or to limit Employee's right to communicate with a government agency, as provided for, protected under or warranted by applicable law. The Employee further understands nothing herein limits the Employee's ability to file a charge or complaint with the Equal Employment Opportunity Commission, the National Labor Relations Board, the Occupational Safety and Health Administration, the Securities and Exchange Commission, or any other federal, state or local government agency or commission ("Government Agencies"). Nothing herein limits the Employee's ability to communicate with any Government Agencies or otherwise participate in any investigation or proceeding that may be conducted by the Government Agency, including providing documents or information without notice to the Company. This Agreement does not limit the Employee's right to receive an award for information provided to any Government Agency. Notwithstanding anything herein to the contrary, the Employee shall not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a Trade Secret that (i) is made in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney and solely for the purpose of reporting or investigating a suspected violation of law or (ii) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. In addition, if the Employee files a lawsuit for retaliation for reporting a suspected violation of law, the Employee may disclose the Trade Secret to his or her attorney and use the Trade Secret information in the court proceeding, as long as the Employee files any document containing the Trade Secret under seal and does not disclose the Trade Secret, except pursuant to court order.

(f) *Return of Property and Information.* In the event that prior to full settlement of the Performance Share Units Employee fails to return all of the Company's property and information (whether confidential or not) within Employee's possession or control within seven (7) calendar days following the termination or resignation of Employee from employment with the Company. Such property and information includes, but is not limited to, the original and

any copy (regardless of the manner in which it is recorded) of all information provided by the Company to Employee or which Employee has developed or collected in the scope of Employee's employment with the Company, as well as all Company-issued equipment, supplies, accessories, vehicles, keys, instruments, tools, devices, computers, cell phones, pagers, materials, documents, plans, records, notebooks, drawings, or papers. Upon request by the Company, Employee shall certify in writing that Employee has complied with this provision, and has permanently deleted all Company information from any computers or other electronic storage devices or media owned by Employee. Employee may only retain information relating to the Employee's benefit plans and compensation to the extent needed to prepare Employee's tax returns.

(g) *Disparagement.* In the event that prior to full settlement of the Performance Share Units Employee makes any statements, either verbally or in writing, that are disparaging with regard to the Company or any of its subsidiaries or their respective executives and Board members.

(h) *Failure to Provide Information.* In the event that prior to full settlement of the Performance Share Units Employee fails to promptly and fully respond to requests for information from the Company regarding Employee's compliance with any of the foregoing conditions.

If it is determined by the Leadership Development and Compensation Committee of the Company's Board of Directors, in its sole discretion, that any of the foregoing events have occurred prior to full settlement of the Performance Share Units, any unpaid portion of the Performance Share Units will be forfeited without any compensation therefor, provided, however, that none of the foregoing conditions shall restrict any Employee who is a lawyer from practicing law. To the extent any such condition would restrict any Employee who is a lawyer from practicing law or would penalize the Employee for practicing law, such condition shall not be effective and the Leadership Development and Compensation Committee may not forfeit any of the Performance Share Units on account therefor.

The Performance Share Units are subject to the terms and conditions of the Plan and this Agreement, including the Terms and Conditions of Performance Share Units attached hereto and deemed a part hereof. The number of Performance Share Units and the kind of shares deliverable in settlement and other terms and conditions of the Performance Share Units are subject to adjustment in accordance with Section 5 of the attached Terms and Conditions and Section 11(c) of the Plan.

Employee acknowledges and agrees that (i) the Performance Share Units are nontransferable, except as provided in Section 3 of the attached Terms and Conditions and Section 11(b) of the Plan, (ii) the Performance Share Units are subject to forfeiture in the event of Employee's Termination of Employment in certain circumstances prior to vesting, as specified in Section 4 of the attached Terms and Conditions, (iii) the foregoing conditions shall apply to the Performance Share Units prior to settlement and (iv) sales of shares of Stock delivered upon settlement of the Performance Share Units will be subject to any Company policy regulating trading by employees.

Capitalized terms used in this Agreement but not defined herein shall have the same meanings as in the Plan.

IN WITNESS WHEREOF, NEW JERSEY RESOURCES CORPORATION has caused this Agreement to be executed by its officer thereunto duly authorized.

NEW JERSEY RESOURCES CORPORATION

By: _____
[NAME]
[Title]

Officer's Name

[NAME]
[Title]

TERMS AND CONDITIONS OF PERFORMANCE SHARE UNITS

The following Terms and Conditions apply to the Performance Share Units granted to Employee by NEW JERSEY RESOURCES CORPORATION (the “Company”) and Performance Share Units resulting from Dividend Equivalents (as defined below), if any, as specified in the Performance Share Units Agreement (of which these Terms and Conditions form a part). Certain terms of the Performance Share Units, including the number of Performance Share Units granted, vesting date(s) and settlement date, are set forth on the cover page hereto and Exhibit A, which are an integral part of this Agreement.

1. **General.** The Performance Share Units are granted to Employee under the Company’s 2017 Stock Award and Incentive Plan (the “Plan”), which has been previously delivered to Employee and/or is available upon request to the Human Resources Department. All of the applicable terms, conditions and other provisions of the Plan are incorporated by reference herein. Capitalized terms used in this Agreement but not defined herein shall have the same meanings as in the Plan. If there is any conflict between the provisions of this document and mandatory provisions of the Plan, the provisions of the Plan govern. By accepting the grant of the Performance Share Units, Employee agrees to be bound by all of the terms and provisions of the Plan (as presently in effect or later amended), the rules and regulations under the Plan adopted from time to time, and the decisions and determinations relating to the Plan and grants thereunder of the Leadership Development and Compensation Committee of the Company’s Board of Directors (the “Committee”) made from time to time.

2. **Account for Employee.** The Company shall maintain a bookkeeping account for Employee (the “Account”) reflecting the number of Performance Share Units then credited to Employee hereunder as a result of such grant of Performance Share Units and any crediting of additional Performance Share Units to Employee pursuant to dividends paid on shares of Stock under Section 5 hereof (“Dividend Equivalents”).

3. **Nontransferability.** Until Performance Share Units are settled by delivery of shares of Stock in accordance with the terms of this Agreement, Employee may not transfer Performance Share Units or any rights hereunder to any third party other than by will or the laws of descent and distribution, except for transfers to a Beneficiary or as otherwise permitted and subject to the conditions under Section 11(b) of the Plan. This restriction on transfer precludes any sale, assignment, pledge or other encumbrance or disposition of the Performance Share Units (except for forfeitures to the Company).

4. **Termination of Employment.** The following provisions will govern the earning, vesting and forfeiture of the Performance Share Units that are outstanding at the time of Employee’s Termination of Employment (as defined below) (i) by the Company without Cause (as defined below) or by the Employee for Good Reason (as defined below), in either case during the CIC Protection Period (as defined below), or (ii) due to death, Disability (as defined below) or Retirement (as defined below), unless otherwise determined by the Committee (subject to Section 8(e) hereof):

(a) **Termination by the Company or by the Employee in Certain Events.** In the event of Employee’s Termination of Employment, prior to the Stated Vesting Date, by the Company without Cause within the CIC Protection Period and other than for Disability or Retirement, or by Employee for Good Reason within the CIC Protection Period, the outstanding Performance Share Units will be vested with respect to no less than a Pro Rata Portion (as defined below) of the Performance Share Units, to the extent earned previously (upon a Change in Control where provision is made for the continuance, assumption or substitution of the Performance Share Units

by the Company or its successor in connection with the Change in Control or otherwise), to the extent not vested previously, and such earned and vested Performance Share Units will be settled in accordance with Section 6(a) hereof. In the event of Employee's Termination of Employment, prior to the Stated Vesting Date, (i) by the Company for Cause and other than for Disability or Retirement, (ii) by the Company for any reason other than Disability or Retirement prior to or after the CIC Protection Period, (iii) by Employee (other than for Good Reason within the CIC Protection Period or upon Retirement), or (iv) by Employee (other than upon Retirement) before or after the CIC Protection Period, the portion of the then-outstanding Performance Share Units not earned and vested at the date of Employee's Termination of Employment will be forfeited.

(b) *Death, Disability or Retirement.* In the event of Employee's Termination of Employment, prior to the Stated Vesting Date and before a Change in Control, due to Employee's death, Disability or Retirement, the outstanding Performance Share Units will be vested with respect to no less than a Pro Rata Portion (as defined below) of the Performance Share Units, to the extent not earned previously, that may become earned on the Earning Date, to the extent not previously vested, and such vested Performance Share Units will continue to be subject to the Performance Goal and will be eligible to be earned if and to the extent that the Performance Goal is achieved or there is a Change in Control prior to the Stated Vesting Date and settled in accordance with Section 6(a) hereof. In the event of Employee's Termination of Employment, prior to the Stated Vesting Date but on or after a Change in Control, due to Employee's death, Disability or Retirement, the outstanding Performance Share Units will be vested with respect to no less than a Pro Rata Portion of the Performance Share Units, to the extent earned previously (upon a Change in Control where provision is made for the continuance, assumption or substitution of the Performance Share Units by the Company or its successor in connection with the Change in Control or otherwise), to the extent not vested previously, and such earned and vested Performance Share Units will be settled in accordance with Section 6(a) hereof. Any portion of the then-outstanding Performance Share Units not vested at or before the date of Employee's Termination of Employment will be forfeited.

(c) *Certain Definitions.* The following definitions apply for purposes of this Agreement:

(i) "Cause" has the same definition as under any employment or similar agreement between the Company and Employee or, if no such agreement exists or if such agreement does not contain any such definition, Cause means (i) Employee's conviction of a felony or the entering by Employee of a plea of nolo contendere to a felony charge, (ii) Employee's gross neglect, willful malfeasance or willful gross misconduct in connection with his or her employment which has had a significant adverse effect on the business of the Company and its subsidiaries, unless Employee reasonably believed in good faith that such act or non-act was in or not opposed to the best interest of the Company, or (iii) repeated material violations by Employee of the duties and obligations of Employee's position with the Company which have continued after written notice thereof from the Company, which violations are demonstrably willful and deliberate on Employee's part and which result in material damage to the Company's business or reputation.

(ii) "CIC Protection Period" means the two-year period beginning on the date of a Change in Control and ending on the day before the second annual anniversary of the date of the Change in Control.

(iii) "Disability" means Employee has been incapable of substantially fulfilling the positions, duties, responsibilities and obligations of his employment because of physical, mental or emotional incapacity resulting from injury, sickness or disease for a period of at least six

consecutive months. The Company and Employee shall agree on the identity of a physician to resolve any question as to Employee's disability. If the Company and Employee cannot agree on the physician to make such determination, then the Company and Employee shall each select a physician and those physicians shall jointly select a third physician, who shall make the determination. The determination of any such physician shall be final and conclusive for all purposes of this Agreement. Only the Company can initiate a Termination of Employment due to Disability.

(iv) "Good Reason" has the same definition as under any employment or similar agreement between the Company and Employee; but, if no such agreement exists or if any such agreement does not contain or reference any such definition, Good Reason shall not apply to the Employee for purposes of this Agreement.

(v) "Pro Rata Portion" means a fraction, the numerator of which is the number of days from the first day of the 36-month earning period specified on Exhibit A to the date of Employee's Termination of Employment due to Employee's death, Disability or Retirement, or by the Company without Cause within the CIC Protection Period and other than for Disability or Retirement or by Employee for Good Reason within the CIC Protection Period, and the denominator of which is the number of days from the first day of such 36-month earning period to the Earning Date.

(vi) "Retirement" means the Employee has attained age 65, or age 55 with 20 or more years of service.

(vii) "Subsidiary" means any subsidiary corporation of the Company within the meaning of Section 424(f) of the Code ("Section 424(f) Corporation") and any partnership, limited liability company or joint venture in which either the Company or Section 424(f) Corporation is at least a fifty percent (50%) equity participant.

(vii) "Termination of Employment" and "Termination" means the earliest time at which Employee is not employed by the Company or a Subsidiary of the Company.

(d) *Termination by the Company for Cause.* In the event of Employee's Termination of Employment by the Company for Cause, the portion of the then-outstanding Performance Share Units not earned and vested prior to such time will be forfeited immediately upon notice to Employee that the Company is terminating the Employee's employment for Cause.

5. Dividend Equivalents and Adjustments.

(a) *Dividend Equivalents.* Dividend Equivalents will be credited on Performance Share Units (other than Performance Share Units that, at the relevant record date, previously have been settled or forfeited) and deemed converted into additional Performance Share Units. Dividend Equivalents will be credited as follows, except that the Company may vary the manner of crediting (for example, by crediting cash dividend equivalents rather than additional Performance Share Units) for administrative convenience:

(i) *Cash Dividends.* If the Company declares and pays a dividend or distribution on shares of Stock in the form of cash, then additional Performance Share Units shall be credited to Employee's Account as of the payment date of such cash dividend or distribution (or settled as of the payment date of such cash dividend or distribution if the Performance Share Units are to be settled before the payment date) equal to the number of Performance Share Units credited to the Account as of the relevant record date multiplied by the amount of cash paid per share of Stock in

such dividend or distribution divided by the Fair Market Value of a share of Stock at the payment date for such dividend or distribution.

(ii) *Non-Share Dividends.* If the Company declares and pays a dividend or distribution on shares of Stock in the form of property other than shares of Stock, then a number of additional Performance Share Units shall be credited to Employee's Account as of the payment date of such cash dividend or distribution (or settled as of the payment date of such cash dividend or distribution if the Performance Share Units are to be settled before the payment date) equal to the number of Performance Share Units credited to the Account as of the record date for such dividend or distribution multiplied by the fair market value of such property actually paid as a dividend or distribution on each outstanding share of Stock at such payment date, divided by the Fair Market Value of a share of Stock at such payment date for such dividend or distribution.

(iii) *Share Dividends and Splits.* If the Company declares and pays a dividend or distribution on shares of Stock in the form of additional shares of Stock, or there occurs a forward split of shares of Stock, then a number of additional Performance Share Units shall be credited to Employee's Account as of the payment date for such dividend or distribution or forward split (or settled as of the payment date for such dividend or distribution or forward split if the Performance Share Units are to be settled before the payment date) equal to the number of Performance Share Units credited to the Account as of the record date for such dividend or distribution or split multiplied by the number of additional shares of Stock actually paid as a dividend or distribution or issued in such split in respect of each outstanding share of Stock.

(b) *Adjustments.* The number of Performance Share Units credited to Employee's Account shall be appropriately adjusted in order to prevent dilution or enlargement of Employee's rights with respect to Performance Share Units or to reflect any changes in the number of outstanding shares of Stock resulting from any event referred to in Section 11(c) of the Plan, taking into account any Performance Share Units credited to Employee in connection with such event under Section 5(a) hereof. In furtherance of the foregoing, in the event of an equity restructuring, as defined in ASC Topic 718, which affects the shares of Stock, Employee shall have a legal right to an adjustment to Employee's Performance Share Units which shall preserve without enlarging the value of the Performance Share Units, with the manner of such adjustment to be determined by the Committee in its discretion. All adjustments will be made in a manner as to maintain the Performance Share Unit's exemption from Code Section 409A or, to the extent Code Section 409A applies, to comply with Code Section 409A. Any adjustments shall be subject to the requirements and restrictions set forth in Section 11(c) of the Plan.

(c) *Risk of Forfeiture and Settlement of Performance Share Units Resulting from Dividend Equivalents and Adjustments.* Performance Share Units which directly or indirectly result from Dividend Equivalents on or adjustments to Performance Share Units granted hereunder shall be subject to the same risk of forfeiture and other conditions as apply to the granted Performance Share Units with respect to which the Dividend Equivalents or adjustments related and will be settled at the same time as such related Performance Share Units (unless the Performance Share Units are to be settled prior to the payment date of the Dividend Equivalents or the date of such adjustments, in which case the Dividend Equivalents or adjustments will be settled at the payment date of the dividends or the date of such adjustments (and in no event later than 60 days after the Performance Share Units otherwise are to be settled)).

6. Settlement and Deferral.

(a) *Settlement Date.* Except as otherwise set forth above under "Further Conditions to Settlement," Performance Share Units granted hereunder that have become earned and vested,

together with Performance Share Units credited as a result of Dividend Equivalents with respect thereto, to the extent earned and vested, shall be settled by delivery of one share of Stock for each Performance Share Unit being settled at the time specified herein. Settlement of earned and vested Performance Share Units granted hereunder shall occur at the Earning Date (with shares to be delivered within 60 days after the Earning Date); provided, however, that settlement of earned and vested Performance Share Units shall occur within 60 days after a Change in Control if no provision is made for the continuance, assumption or substitution of the Performance Share Units by the Company or its successor in connection with the Change in Control; and provided further, that settlement shall be deferred if so elected by Employee in accordance with Section 6(b) hereof subject to Section 6(c) hereof. Settlement of Performance Share Units which directly or indirectly result from Dividend Equivalents on Performance Share Units granted hereunder generally shall occur at the time of settlement of the related Performance Share Units except as otherwise described above.

(b) *Elective Deferral.* The Committee may determine to permit Employee to elect to defer settlement (or redefer) if such election would be permissible under Section 11(k) of the Plan and Code Section 409A. In addition to any applicable requirements under Code Section 409A, any such deferral election shall be made only while Employee remains employed and at a time permitted under Code Section 409A. The form under which an election is made shall set forth the time and form of payment of such amount deferred. Any amount deferred shall be subject to a six-month delay upon payment if required under Section 11(k)(i)(F) of the Plan. Any elective deferral will be subject to such additional terms and conditions as the Senior Vice President, Chief Human Resources Officer, or the officer designated by the Company as responsible for administration of the Agreement, may reasonably impose.

(c) *Compliance with Code Section 409A.* Other provisions of this Agreement notwithstanding, because the Performance Share Units will constitute a "deferral of compensation" under Section 409A of the Code ("Code Section 409A") as presently in effect or hereafter amended (i.e., the Performance Share Units are not excluded or exempted under Code Section 409A or a regulation or other official governmental guidance thereunder; Note: an elective deferral under Section 6(b) would cause the Performance Share Units, if not already, to be a deferral of compensation subject to Code Section 409A after the deferral), such Performance Share Units will be considered a 409A Award under the Plan and shall be subject to the additional requirements set forth in Section 11(k) of the Plan including without limitation that (i) Termination of Employment shall be construed consistent with the meaning of a Separation from Service and (ii) a Change in Control under the Agreement shall be construed consistent with the meaning of a 409A Ownership/Control Change.

7. *Employee Representations and Warranties Upon Settlement.* As a condition to the settlement of the Performance Share Units, the Company may require Employee (i) to make any representation or warranty to the Company as may be required under any applicable law or regulation and (ii) to execute a release from claims against the Company arising at or before the date of the release, in such form as may be specified by the Company, and not revoke such release prior the expiration of any applicable revocation period, all within 60 days after Termination of Employment.

8. *Miscellaneous.*

(a) *Binding Agreement; Written Amendments.* This Agreement shall be binding upon the heirs, executors, administrators and successors of the parties. This Agreement constitutes the entire agreement between the parties with respect to the Performance Share Units, and supersedes any prior agreements or documents with respect to the Performance Share Units. No amendment

or alteration of this Agreement which may impose any additional obligation upon the Company shall be valid unless expressed in a written instrument duly executed in the name of the Company, and no amendment, alteration, suspension or termination of this Agreement which may materially impair the rights of Employee with respect to the Performance Share Units shall be valid unless expressed in a written instrument executed by Employee.

(b) *No Promise of Employment.* The Performance Share Units and the granting thereof shall not constitute or be evidence of any agreement or understanding, express or implied, that Employee has a right to continue as an officer or employee of the Company for any period of time, or at any particular rate of compensation.

(c) *Governing Law.* The validity, construction, and effect of this Agreement shall be determined in accordance with the laws (including those governing contracts) of the state of New Jersey, without giving effect to principles of conflicts of laws, and applicable federal law.

(d) *Fractional Performance Share Units and Shares.* The number of Performance Share Units credited to Employee's Account shall include fractional Performance Share Units calculated to at least three decimal places, unless otherwise determined by the Committee. Unless settlement is effected through a third-party broker or agent that can accommodate fractional shares (without requiring issuance of a fractional Share by the Company), upon settlement of the Performance Share Units, the Committee, in its sole discretion, may either (i) round the fractional share to be delivered up to a whole Share or (ii) provide that Employee shall be paid, in cash, an amount equal to the value of any fractional Share that would have otherwise been deliverable in settlement of such Performance Share Units.

(e) *Mandatory Tax Withholding.* Unless otherwise determined by the Committee, or Employee has elected at least 90 days prior to payout to satisfy the tax obligations in cash by other means, at the time of vesting and/or settlement the Company will withhold first from any cash payable and then from any shares of Stock deliverable in settlement of the Performance Share Units, in accordance with Section 11(d)(i) of the Plan, the number of whole shares of Stock having a value nearest to, but not exceeding, the minimum amount of income and employment taxes required to be withheld under applicable laws and regulations (only with respect to the minimum amount of Shares necessary to satisfy statutory withholding requirements, unless withholding of any additional amount of Shares will not result in additional accounting expense to the Company and is permitted by the Committee), and pay the amount of such withholding taxes in cash to the appropriate taxing authorities. Employee will be responsible for any withholding taxes not satisfied by means of such mandatory withholding and for all taxes in excess of such minimum withholding taxes that may be due upon vesting or settlement of Performance Share Units.

(f) *Statements.* An individual statement of each Employee's Account will be issued to Employee at such times as may be determined by the Company. Such a statement shall reflect the number of Performance Share Units credited to Employee's Account, transactions therein during the period covered by the statement, and other information deemed relevant by the Company. Such a statement may be combined with or include information regarding other plans and compensatory arrangements. Employee's statements shall be deemed a part of this Agreement, and shall evidence the Company's obligations in respect of Performance Share Units, including the number of Performance Share Units credited as a result of Dividend Equivalents (if any). Any statement containing an error shall not, however, represent a binding obligation to the extent of such error, notwithstanding the inclusion of such statement as part of this Agreement.

(g) *Unfunded Obligations.* The grant of the Performance Share Units and any provision for distribution in settlement of Employee's Account hereunder shall be by means of bookkeeping entries on the books of the Company and shall not create in Employee any right to, or claim against any, specific assets of the Company, nor result in the creation of any trust or escrow account for Employee. With respect to Employee's entitlement to any distribution hereunder, Employee shall be a general creditor of the Company.

(h) *Notices.* Any notice to be given the Company under this Agreement shall be addressed to the Company at its principal executive offices, in care of the Senior Vice President, Chief Human Resources Officer, or the officer designated by the Company as responsible for administration of the Agreement, and any notice to Employee shall be addressed to Employee at Employee's address as then appearing in the records of the Company.

(i) *Shareholder Rights.* Employee and any Beneficiary shall not have any rights with respect to shares of Stock (including voting rights) covered by this Agreement prior to the settlement and distribution of the shares of Stock except as otherwise specified herein. Specifically, Performance Share Units represent a contractual right to receive shares of Stock in the future, subject to the terms and conditions of this Agreement and the Plan, and do not represent ownership of shares of Stock at any time before the settlement of this Award and actual issuance of the shares of Stock.

NEW JERSEY RESOURCES CORPORATION

2017 Stock Award and Incentive Plan

Performance Goal and Earning of Performance Share Units

The number of Performance Share Units earned by Participant shall be determined as of September 30, 2022 (the “Earning Date”), based on the Company’s “Cumulative NFEPS” (defined below) over the 36-month period ending at the Earning Date. The number of Performance Share Units earned will be determined based on the following table:

<u>Cumulative NFEPS</u>	Performance Share Units Earned as a Percentage of Target <u>Performance Share Units</u>
Less than \$5.29	0%
\$5.29	50%
\$6.61	100%
\$7.93 or Greater	150%

“Net Financial Earnings” or “NFE” is a financial measure not calculated in accordance with generally accepted accounting principles that the Company reports on a quarterly and annual basis to the public and in its quarterly reports on Form 10-Q and annual reports on Form 10-K that are filed with the Securities and Exchange Commission (“SEC”).

“NFEPS” shall be the NFE per basic share of Common Stock that the Company reports on a quarterly and annual basis to the public and in its quarterly reports on Form 10-Q and annual report on Form 10-K that are filed with the SEC.

“Cumulative NFEPS” shall be the sum of the annual NFEPS for the three fiscal years (“FY”) ended September 30, 2020, 2021 and 2022 calculated as follows:

$$\text{Cumulative NFEPS} = \text{NFEPS}_{\text{FY2020}} + \text{NFEPS}_{\text{FY2021}} + \text{NFEPS}_{\text{FY2022}}$$

Upon achievement of Cumulative NFEPS at a point between any two specified Cumulative NFEPS levels, the Performance Share Units earned will be mathematically interpolated on a straight-line basis.

Determinations of the Committee regarding the Cumulative NFEPS, the calculations related thereto, the resulting Performance Share Units and related matters will be final and binding on the Participant.

NEW JERSEY RESOURCES CORPORATION

2017 Stock Award and Incentive Plan

Definitions Under Further Conditions to Settlement

- a. "Business of the Company" means the following areas of its business which are selected below, which Employee acknowledges are areas of the Company's business in which Employee has responsibilities:

(check as applicable)

___ Natural Gas Distribution: Consists of New Jersey Natural Gas Company, a natural gas utility company that provides regulated retail natural gas service to residential and commercial customers in central and northern New Jersey and participates in the off-system sales and capacity release markets.

___ Energy Services: Maintains and transacts around a portfolio of physical assets consisting of natural gas storage and transportation contracts and also provides wholesale energy management services to other energy companies and natural gas producers in market areas including states from the Gulf Coast and Mid-continent regions to the Appalachian and Northeast regions, the West Coast and Canada.

___ Clean Energy Ventures: Investor, owner, and operator in the renewable energy sector, including, but not limited to, investments in residential and commercial rooftop and ground mount solar systems.

___ Midstream Assets: Includes investments in natural gas transportation and storage assets and is comprised of the following: Steckman Ridge, which is a partnership that owns and operates a 17.7 Bcf natural gas storage facility, with up to 12 Bcf working capacity, in western Pennsylvania that is 50 percent owned by a Company Subsidiary; Leaf River Energy Center, a natural gas storage facility located in southeastern Mississippi with a combined working natural gas storage capacity of 32.2 million dekatherms; a 20 percent ownership interest in the proposed PennEast Pipeline, a 118-mile pipeline designed to bring natural gas produced in the Marcellus Shale region to homes and businesses in Pennsylvania and New Jersey; and Adelphia Gateway, which upon closing of the proposed acquisition of the membership interests of Interstate Energy Company, LLC, will operate an 84-mile pipeline in southeastern Pennsylvania.

___ Home Services: Consists of NJR Home Services Company, which provides Heating, Ventilating, and Air Conditioning (HVAC) service, sales and installation of appliances, as well as installation of solar equipment.

- b. "Confidential Information" means all valuable and/or proprietary information (in oral, written, electronic or other forms) belonging to or pertaining to the Company, its customers and vendors, that is not generally known or publicly available, and which would be useful to competitors of the Company or otherwise damaging to the Company if disclosed. Confidential Information may include, but is not necessarily limited to: (i) the identity of the Company's customers or potential customers, their purchasing histories, and the terms or proposed terms upon which the Company offers or may offer its products and services to such customers, (ii) the identity of the Company's vendors or potential vendors, and the terms or proposed terms upon which the Company may

purchase products and services from such vendors, (iii) technology used by the Company to provide its services, (iv) the terms and conditions upon which the Company employs its employees and independent contractors, (v) marketing and/or business plans and strategies, (vi) financial reports and analyses regarding the revenues, expenses, profitability and operations of the Company, and (vii) information provided to the Company by customers and other third parties under a duty to maintain the confidentiality of such information. Notwithstanding the foregoing, Confidential Information does not include information that: (i) has been voluntarily disclosed to the public by Company or any Employer, except where such public disclosure has been made by Employee without authorization from Company or Employer; (ii) has been independently developed and disclosed by others, or (iii) which has otherwise entered the public domain through lawful means. Confidential Information also does not include information related to any claim of sexual harassment or sexual assault and nothing herein restricts the disclosure of such information. Nothing herein shall prohibit, prevent or restrict the Employee from reporting any allegations of unlawful conduct to federal, state or local officials or to an attorney retained by the Employee.

- c. “Material Contact” means contact in person, by telephone, or by paper or electronic correspondence, or the supervision of those who have such conduct, and which is done in furtherance of the business interests of the company and within the last 36 months.
- d. “Restricted Territory” consists of the following areas, to the extent such areas have been identified as applicable to the definition of the “Business of the company” above:

Natural Gas Distribution: The State of New Jersey and for those employees engaged in or supervising off system sales, the States of New Jersey, New York and Pennsylvania.

Energy Services: The Continental United States and within a 100 mile radius of the Dawn Storage Hub in Canada.

Clean Energy Ventures: The State of New Jersey.

Midstream Assets: The States of New Jersey, New York, Connecticut, Pennsylvania, Virginia, West Virginia, Mississippi, Alabama, Louisiana and Texas.

Home Services: The State of New Jersey.

- e. “Trade Secrets” means a trade secret of the Company as defined by applicable law.



NEW JERSEY RESOURCES CORPORATION
2017 Stock Award and Incentive Plan
Performance-Based Restricted Stock Units Agreement

This Performance-Based Restricted Stock Units Agreement (the “Agreement”), which includes the attached “Terms and Conditions of Performance-Based Restricted Stock Units” (the “Terms and Conditions”) and the attached Exhibit A captioned “Performance Goals and Vesting of Performance-Based Restricted Stock Units”, confirms the grant on November , 2019 (the “Grant Date”) by NEW JERSEY RESOURCES CORPORATION, a New Jersey corporation (the “Company”), to _____ (“Employee”), under Sections 6(e), 6(i) and 7 of the 2017 Stock Award and Incentive Plan (the “Plan”), of Performance-Based Restricted Stock Units (the “Performance-Based Restricted Stock Units”), including rights to dividends paid on the Performance-Based Restricted Stock Units as specified herein, as follows:

Number of Performance-Based Restricted Stock Units Granted: _____

Performance-Based Restricted Stock Units are Forfeitable: The Performance-Based Restricted Stock Units are forfeitable until they vest and become non-forfeitable as specified herein.

How Performance-Based Restricted Stock Units Vest: The Performance-Based Restricted Stock Units, if not previously forfeited, (i) will be earned if and to the extent that the Performance Goal defined on Exhibit A to this Agreement for the Company’s fiscal year ended September 30, 2020 is achieved, and (ii) will vest and become non-forfeitable as to one-third (1/3) of the Performance-Based Restricted Stock Units earned (rounded down to the nearest whole share) on the last day of each of the Company’s fiscal years ended September 30, 2020 and September 30, 2021 and as to the remaining Performance-Based Restricted Stock Units earned on the last day of the Company’s fiscal year ended September 30, 2022 (each a “Stated Vesting Date”), provided in each case the Employee continues to be employed by the Company or a Subsidiary from the Grant Date through the Stated Vesting Date that applies to the applicable tranche of Performance-Based Restricted Stock Units, and the Committee certifies achievement of the Performance Goal for the 2020 fiscal year within sixty (60) days after the end of the 2020 fiscal year. In that event, all earned and vested Performance-Based Restricted Stock Units will be settled within 60 days after the Stated Vesting Date that applies to the applicable tranche of Performance-Based Restricted Stock Units. In addition, if not previously forfeited, upon a Change in Control prior to the Stated Vesting Date that applies to the applicable tranche of Performance-Based Restricted Stock Units, the earned Performance-Based Restricted Stock Units (or the number of Performance-Based Restricted Stock Units set forth above if the Change in Control occurs in the Company’s fiscal year ended September 30, 2020) will vest and become non-forfeitable in full and will be settled within 60 days thereafter, provided the Employee continues to be employed by the Company or a Subsidiary from the Grant Date until the Change in Control, if no provision is made for the continuance, assumption or substitution of the Performance-Based Restricted Stock Units by the Company or its successor in connection with the Change in Control. If provision is made for the continuance, assumption or

substitution of the Performance-Based Restricted Stock Units by the Company or its successor in connection with such a Change in Control, the earned Performance-Based Restricted Stock Units (or the number of the Performance-Based Restricted Stock Units set forth above if the Change in Control occurs in the Company's fiscal year ended September 30, 2020) will remain outstanding after the Change in Control occurs and will become vested as of the Stated Vesting Date that applies to the applicable tranche of Performance-Based Restricted Stock Units and be settled within 60 days thereafter, provided in each case the Employee continues to be employed by the Company or a Subsidiary from the Grant Date through such Stated Vesting Date. If the Performance Goal for the Company's 2020 fiscal year is not met (and there is no Change in Control during such 2020 fiscal year), the unearned Performance-Based Restricted Stock Units will be immediately forfeited. In addition, if not previously forfeited, the earned Performance-Based Restricted Stock Units (or the number of Performance-Based Restricted Stock Units if the Change in Control occurs in the Company's fiscal year ended September 30, 2020) will vest and become non-forfeitable in connection with Employee's Termination of Employment prior to the Stated Vesting Date that applies to the applicable tranche of Performance-Based Restricted Stock Units to the extent provided in Section 4 of the attached Terms and Conditions and settled in accordance with Section 6(a) hereof. If Employee has a Termination of Employment prior to the Stated Vesting Date that applies to the applicable tranche of Performance-Based Restricted Stock Units and the earned Performance-Based Restricted Stock Units (or the number of Performance-Based Restricted Stock Units set forth above if the Change in Control occurs in the fiscal year ended September 30, 2020) do not vest to the extent provided in Section 4 of the attached Terms and Conditions, the unvested Performance-Based Restricted Stock Units will be immediately forfeited. If Employee has a Termination of Employment prior to the Stated Vesting Date that applies to the applicable tranche of Performance-Based Restricted Stock Units and the Performance-Based Restricted Stock Units are not yet earned at that time, the Performance-Based Restricted Stock Units that have not yet been earned will vest and become non-forfeitable in connection with Employee's Termination of Employment to the extent provided in Section 4 of the attached Terms and Conditions and will be earned if and to the extent that the Performance Goal defined in Exhibit A to this Agreement for the Company's fiscal year ended September 30, 2020 is achieved or there is a Change in Control in the Company's fiscal year ended September 30, 2020, and settled in accordance with Section 6(a) hereof, and any such Performance-Based Restricted Stock Units not vested as of the date of Employee's Termination of Employment will be immediately forfeited. Forfeited Performance-Based Restricted Stock Units cease to be outstanding and shall be forfeited and reacquired by the Company.

Performance Goals: The Performance Goals upon which the Performance-Based Restricted Stock Units may become earned and eligible to become vested and non-forfeitable, subject to Employee's continued employment with the Company or a Subsidiary or as otherwise set forth herein, shall be as specified in Exhibit A hereto.

Further Conditions to Settlement: Notwithstanding any other provision of this Agreement, except as otherwise set forth below, the Company's obligation to settle the Performance-Based Restricted Stock Units and Employee's right to distribution of the Performance-Based Restricted Stock Units will be forfeited

immediately upon the occurrence of any one or more of the following events (defined terms are attached hereto as Exhibit B):

(a) *Competitive Employment.* In the event that Employee, prior to full settlement of the Performance-Based Restricted Stock Units and within the Restricted Territory, directly or indirectly, whether on Employee's own behalf or on behalf of any other person or entity, performs services of the type which are the same as or similar to those conducted, authorized, offered or provided by Employee to the Company within the last 24 months, and which support business activities which compete with the Business of the Company.

(b) *Recruitment of Company Employees and Contractors.* In the event that Employee, prior to full settlement of the Performance-Based Restricted Stock Units, directly or indirectly, whether on Employee's own behalf or on behalf of any other person or entity, solicits or induces any employee or independent contractor of the Company with whom Employee had Material Contact to terminate or lessen such employment or contract with the Company.

(c) *Solicitation of Company Customers.* In the event that Employee, prior to full settlement of the Performance-Based Restricted Stock Units, directly or indirectly, whether on Employee's own behalf or on behalf of any other person or entity, solicits any actual or prospective customers of the Company with whom Employee had Material Contact for the purpose of selling any products or services which compete with the Business of the Company.

(d) *Solicitation of Company Vendors.* In the event that Employee, prior to full settlement of the Performance-Based Restricted Stock Units, directly or indirectly, whether on Employee's own behalf or on behalf of any other person or entity, solicits any actual or prospective vendor of the Company with whom Employee had Material Contact for the purpose of purchasing products or services to support business activities which compete with the Business of the Company.

(e) *Breach of Confidentiality.* In the event that Employee, at any time prior to full settlement of the Performance-Based Restricted Stock Units, directly or indirectly, divulges or makes use of any Confidential Information or Trade Secrets of the Company other than in the performance of Employee's duties for the Company. This provision does not limit the remedies available to the Company under common or statutory law as to trade secrets or other forms of confidential information, which may impose longer duties of non-disclosure and provide for injunctive relief and damages. Notwithstanding anything herein to the contrary, nothing herein is intended to or will be used in any way to prevent Employee from providing truthful testimony under oath in a judicial or administrative proceeding or to limit Employee's right to communicate with a government agency, as provided for, protected under or warranted by applicable law. The Employee further understands nothing herein limits the Employee's ability to file a charge or complaint with the Equal Employment Opportunity Commission, the National Labor Relations Board, the Occupational Safety and Health Administration, the Securities and Exchange Commission, or any other federal, state or local government agency or commission ('Government Agencies'). Nothing herein limits the Employee's ability to communicate with any Government Agencies or otherwise participate in any investigation or

proceeding that may be conducted by the Government Agency, including providing documents or information without notice to the Company. This Agreement does not limit the Employee's right to receive an award for information provided to any Government Agency. Notwithstanding anything herein to the contrary, the Employee shall not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a Trade Secret that (i) is made in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney and solely for the purpose of reporting or investigating a suspected violation of law or (ii) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. In addition, if the Employee files a lawsuit for retaliation for reporting a suspected violation of law, the Employee may disclose the Trade Secret to his or her attorney and use the Trade Secret information in the court proceeding, as long as the Employee files any document containing the Trade Secret under seal and does not disclose the Trade Secret, except pursuant to court order.

(f) *Return of Property and Information.* In the event that prior to full settlement of the Performance-Based Restricted Stock Units Employee fails to return all of the Company's property and information (whether confidential or not) within Employee's possession or control within seven (7) calendar days following the termination or resignation of Employee from employment with the Company. Such property and information includes, but is not limited to, the original and any copy (regardless of the manner in which it is recorded) of all information provided by the Company to Employee or which Employee has developed or collected in the scope of Employee's employment with the Company, as well as all Company-issued equipment, supplies, accessories, vehicles, keys, instruments, tools, devices, computers, cell phones, pagers, materials, documents, plans, records, notebooks, drawings, or papers. Upon request by the Company, Employee shall certify in writing that Employee has complied with this provision, and has permanently deleted all Company information from any computers or other electronic storage devices or media owned by Employee. Employee may only retain information relating to the Employee's benefit plans and compensation to the extent needed to prepare Employee's tax returns.

(g) *Disparagement.* In the event that prior to full settlement of the Performance-Based Restricted Stock Units Employee makes any statements, either verbally or in writing, that are disparaging with regard to the Company or any of its subsidiaries or their respective executives and Board members.

(h) *Failure to Provide Information.* In the event that prior to full settlement of the Performance-Based Restricted Stock Units Employee fails to promptly and fully respond to requests for information from the Company regarding Employee's compliance with any of the foregoing conditions.

If it is determined by the Leadership Development and Compensation Committee of the Company's Board of Directors, in its sole discretion, that any of the foregoing events have occurred prior to full settlement of the Performance-Based Restricted Stock Units, any unpaid portion of the Performance-Based Restricted Stock Units will be forfeited without any compensation therefor, provided, however, that none of the foregoing conditions shall restrict any Employee who is a lawyer from practicing law. To

the extent any such condition would restrict any Employee who is a lawyer from practicing law or would penalize the Employee for practicing law, such condition shall not be effective and the Leadership Development and Compensation Committee may not forfeit any of the Performance-Based Restricted Stock Units on account thereof.

Dividend Rights: Dividends paid on shares of stock covered under the Performance-Based Restricted Stock Units shall be automatically reinvested in additional Performance-Based Restricted Stock Units which shall be subject to the same terms as the Performance-Based Restricted Stock Units to which the dividends relate, as specified in Section 5 of the Terms and Conditions of Performance-Based Restricted Stock Units.

The Performance-Based Restricted Stock Units are subject to the terms and conditions of the Plan and this Agreement, including the Terms and Conditions of Performance-Based Restricted Stock Units attached hereto and deemed a part hereof. The number of Performance-Based Restricted Stock Units and the kind of shares of Stock and the other terms and conditions of the Performance-Based Restricted Stock Units are subject to adjustment in accordance with Section 5 of the attached Terms and Conditions and Section 11(c) of the Plan.

Employee acknowledges and agrees that (i) the Performance-Based Restricted Stock Units are nontransferable, except as provided in Section 3 of the attached Terms and Conditions and Section 11(b) of the Plan, (ii) the Performance-Based Restricted Stock Units are subject to forfeiture in the event (A) of the Company's failure to achieve the applicable Performance Goal or undergo a Change in Control or (B) of Employee's Termination of Employment in certain circumstances prior to a Stated Vesting Date, as specified in Section 4 of the attached Terms and Conditions, (iii) the foregoing conditions shall apply to the Performance-Based Restricted Stock Units prior to settlement and (iv) sales and other transfers of shares of Stock will be subject to any Company policy regulating trading by employees and the transfer restrictions set forth in Section 3 of the attached Terms and Conditions.

Capitalized terms used in this Agreement but not defined herein shall have the same meanings as in the Plan.

IN WITNESS WHEREOF, NEW JERSEY RESOURCES CORPORATION has caused this Agreement to be executed by its officer thereunto duly authorized.

NEW JERSEY RESOURCES CORPORATION

By: _____
[NAME]
[Title]

[NAME]
[Title]

TERMS AND CONDITIONS OF PERFORMANCE-BASED RESTRICTED STOCK UNITS

The following Terms and Conditions apply to the Performance-Based Restricted Stock Units granted to Employee by NEW JERSEY RESOURCES CORPORATION (the “Company”) and to any additional Performance-Based Restricted Stock Units resulting from dividends paid on shares of Stock underlying the Performance-Based Restricted Stock Units (as defined below), if any, as specified in the Performance-Based Restricted Stock Units Agreement (of which these Terms and Conditions form a part). Certain terms of the Performance-Based Restricted Stock Units, including the number of Performance-Based Restricted Stock Units granted and vesting terms and date(s), are set forth on the cover page hereto and Exhibit A, which are an integral part of this Agreement.

1. **General.** The Performance-Based Restricted Stock Units are granted to Employee under the Company’s 2017 Stock Award and Incentive Plan (the “Plan”), a copy of which has been previously delivered to Employee and/or is available upon request to the Human Resources Department. All of the applicable terms, conditions and other provisions of the Plan are incorporated by reference herein. Capitalized terms used in this Agreement but not defined herein shall have the same meanings as in the Plan. If there is any conflict between the provisions of this document and mandatory provisions of the Plan, the provisions of the Plan govern. By accepting the grant of Performance-Based Restricted Stock Units, Employee agrees to be bound by all of the terms and provisions of the Plan (as presently in effect or later amended), the rules and regulations under the Plan adopted from time to time, and the decisions and determinations of the Leadership Development and Compensation Committee of the Company’s Board of Directors (the “Committee”) made from time to time with respect to the Plan or this Agreement.

2. **Account for Employee.** The Company shall maintain a bookkeeping account for Employee (the “Account”) reflecting the number of Performance-Based Restricted Stock Units then credited to Employee hereunder as a result of such grant of Performance-Based Restricted Stock Units and any crediting of additional Performance-Based Restricted Stock Units to Employee pursuant to dividends paid on shares of Stock under Section 5 hereof (“Dividend Equivalents”).

3. **Nontransferability.**

(a) Until the Performance-Based Restricted Stock Units become vested in accordance with the terms of this Agreement, Employee may not transfer Performance-Based Restricted Stock Units or any rights hereunder to any third party other than by will or the laws of descent and distribution, except for transfers to a Beneficiary or as otherwise permitted and subject to the conditions under Section 11(b) of the Plan. This restriction on transfer precludes any sale, assignment, pledge or other encumbrance or disposition of the Performance Share Units (except for forfeitures to the Company).

(b) Any transfer in violation of this Section 3 will be void and of no effect.

4. **Termination of Employment.** The following provisions will govern the earning, vesting and forfeiture of the Performance-Based Restricted Stock Units that are outstanding at the time of Employee’s Termination of Employment (as defined below) (i) by the Company without Cause (as defined below) or by the Employee for Good Reason (as defined below), in either case during the CIC Protection Period (as defined below), or (ii) due to death, Disability (as defined below) or Retirement (as defined below), unless otherwise determined by the Committee (subject to Section 8(e) hereof):

(a) *Termination by the Company or by Employee in Certain Events.* In the event of Employee’s Termination of Employment, prior to the Stated Vesting Date that applies to the

applicable tranche of Performance-Based Restricted Stock Units, by the Company without Cause within the CIC Protection Period and other than for Disability or Retirement, or by Employee for Good Reason within the CIC Protection Period, the outstanding Performance-Based Restricted Stock Units will be vested with respect to no less than a Pro Rata Portion (as defined below) of the Performance-Based Restricted Stock Units, to the extent earned previously (upon a Change in Control where provision is made for the continuance, assumption or substitution of the Performance-Based Restricted Stock Units by the Company or its successor upon the Change in Control or otherwise), to the extent not vested previously, and such earned and vested Performance-Based Restricted Stock Units will be settled in accordance with Section 6(a) hereof. In the event of Employee's Termination of Employment, prior to the Stated Vesting Date that applies to the applicable tranche of Performance-Based Restricted Stock Units, (i) by the Company for any reason other than Disability or Retirement prior to or after the CIC Protection Period, (iii) by Employee (other than for Good Reason within the CIC Protection Period or upon Retirement) or (iv) by Employee (other than on Retirement) prior to or after the CIC Protection Period, the then-outstanding Performance-Based Restricted Stock Units not earned and vested at the date of Employee's Termination of Employment will be immediately forfeited.

(b) *Death, Disability or Retirement.* In the event of Employee's Termination of Employment, prior to September 30, 2020 and prior to a Change in Control, due to Employee's death, Disability or Retirement, the outstanding Performance-Based Restricted Stock Units will be vested with respect to no less than a Pro Rata Portion of the Performance-Based Restricted Stock Units that has not become earned previously, to the extent not previously vested, and such vested Performance-Based Restricted Stock Units will continue to be subject to the Performance Goal and will be eligible to be earned if and to the extent that the Performance Goal is achieved or there is a Change in Control prior to September 30, 2020 and settled in accordance with Section 6(a) hereof. In the event of Employee's Termination of Employment, after September 30, 2020 or after a Change in Control that occurs in the Company's fiscal year ended September 30, 2020, due to Employee's death, Disability or Retirement, the outstanding Performance Share Units will be vested with respect to no less than a Pro Rata Portion of the Performance-Based Restricted Stock Units, to the extent earned previously, to the extent not vested previously, and such earned and vested Performance-Based Restricted Stock Units will be settled in accordance with Section 6(a) hereof. Any portion of the then-outstanding Performance-Based Restricted Stock Units not vested at or before the date of Employee's Termination of Employment will be forfeited.

(d) *Certain Definitions.* The following definitions apply for purposes of this Agreement:

(i) "Cause" has the same definition as under any employment or similar agreement between the Company and Employee or, if no such agreement exists or if such agreement does not contain any such definition, Cause means (i) Employee's conviction of a felony or the entering by Employee of a plea of nolo contendere to a felony charge, (ii) Employee's gross neglect, willful malfeasance or willful gross misconduct in connection with his or her employment which has had a significant adverse effect on the business of the Company and its subsidiaries, unless Employee reasonably believed in good faith that such act or non-act was in or not opposed to the best interest of the Company, or (iii) repeated material violations by Employee of the duties and obligations of Employee's position with the Company which have continued after written notice thereof from the Company, which violations are demonstrably willful and deliberate on Employee's part and which result in material damage to the Company's business or reputation.

(ii) "CIC Protection Period" means the two-year period beginning on the date of a Change in Control and ending on the day before the second annual anniversary of the date of the Change in Control.

(iii) "Disability" means Employee has been incapable of substantially fulfilling the positions, duties, responsibilities and obligations of his employment because of physical, mental or emotional incapacity resulting from injury, sickness or disease for a period of at least six consecutive months. The Company and Employee shall agree on the identity of a physician to resolve any question as to Employee's disability. If the Company and Employee cannot agree on the physician to make such determination, then the Company and Employee shall each select a physician and those physicians shall jointly select a third physician, who shall make the determination. The determination of any such physician shall be final and conclusive for all purposes of this Agreement. Only the Company can initiate a Termination of Employment due to Disability.

(iv) "Good Reason" has the same definition as under any employment or similar agreement between the Company and Employee; but, if no such agreement exists or if any such agreement does not contain or reference any such term, Good Reason shall not apply to the Employee for purposes of this Agreement.

(v) "Pro Rata Portion" means, for each tranche of Performance-Based Restricted Stock Units, a fraction, the numerator of which is the number of days that have elapsed from the first day of the Company's fiscal year which includes the Grant Date to the date of Employee's Termination of Employment and the denominator of which is the number of days from the first day of the Company's fiscal year which includes the Grant Date to the Stated Vesting Date for that tranche. A "tranche" is that portion of the Performance-Based Restricted Stock Units that have a unique Stated Vesting Date.

(vii) "Retirement" means the Employee attains age 65, or age 55 with 20 or more years of service.

(viii) "Subsidiary" means any subsidiary corporation of the Company within the meaning of Section 424(f) of the Code ("Section 424(f) Corporation") and any partnership, limited liability company or joint venture in which either the Company or a Section 424(f) Corporation is at least a fifty percent (50%) equity participant.

(ix) "Termination of Employment" and "Termination" means the earliest time at which Employee is not employed by the Company or a Subsidiary and is not serving as a non-employee director of the Company or a Subsidiary.

(e) *Termination by the Company for Cause.* In the event of Employee's Termination of Employment by the Company for Cause, the portion of the then-outstanding Performance-Based Restricted Stock Units not earned and vested prior to such time will be forfeited immediately upon notice to Employee that the Company will terminate the Employee's employment for Cause.

5. Dividend Equivalents and Adjustments.

(a) *Dividend Equivalents.* Dividend Equivalents will be credited on Performance-Based Restricted Stock Units (other than Performance-Based Restricted Stock Units that, at the relevant record date, previously has vested or been forfeited) and deemed reinvested in additional shares of Performance-Based Restricted Stock Units. Dividend Equivalents will be credited as follows, except that the Company may vary the manner of crediting (for example, by crediting cash dividend equivalents rather than additional Performance-Based Restricted Stock Units) for administrative convenience:

(i) *Cash Dividends*. If the Company declares and pays a dividend or distribution on shares of Stock in the form of cash, then additional Performance-Based Restricted Stock Units shall be credited to Employee as of the payment date of such cash dividend or distribution (or settled as of the payment date of such cash dividend or distribution if the Performance-Based Restricted Stock Units are to be settled before the payment date) equal to the number of outstanding Performance-Based Restricted Stock Units as of the relevant record date multiplied by the amount of cash paid per share of Stock in such dividend or distribution divided by the Fair Market Value of a share of Stock at the payment date for such dividend or distribution (rounded down to the nearest whole share).

(ii) *Non-Share Dividends*. If the Company declares and pays a dividend or distribution on shares of Stock in the form of property other than shares of Stock, then a number of additional shares of Performance-Based Restricted Stock Units shall be credited to Employee as of the payment date of such cash dividend or distribution (or settled as of the payment date of such cash dividend or distribution if the Performance-Based Restricted Stock Units are to be settled before the payment date) equal to the number of shares of Performance-Based Restricted Stock Units credited to the Employee as of the record date for such dividend or distribution multiplied by the fair market value of such property actually paid as a dividend or distribution on each outstanding share of Stock at such payment date, divided by the Fair Market Value of a share of Stock at such payment date for such dividend or distribution (rounded down to the nearest whole share).

(iii) *Share Dividends and Splits*. If the Company declares and pays a dividend or distribution on shares of Stock in the form of additional shares of Stock, or there occurs a forward split of shares of Stock, then a number of additional shares of Performance-Based Restricted Stock Units shall be credited to Employee as of the payment date for such dividend or distribution or forward split (or settled as of the payment date of such cash dividend or distribution if the Performance-Based Restricted Stock Units are to be settled before the payment date) equal to the number of shares of Performance-Based Restricted Stock Units credited to the Employee as of the record date for such dividend or distribution or split multiplied by the number of additional shares of Stock actually paid as a dividend or distribution or issued in such split in respect of each outstanding share of Stock (rounded down to the nearest whole share)

(b) *Adjustments*. The number of shares of Performance-Based Restricted Stock Units credited to Employee shall be appropriately adjusted in order to prevent dilution or enlargement of Employee's rights with respect to Performance-Based Restricted Stock Units or to reflect any changes in the number of outstanding shares of Stock resulting from any event referred to in Section 11(c) of the Plan, taking into account any Performance-Based Restricted Stock Units credited to Employee in connection with such event under Section 5 hereof. In furtherance of the foregoing, in the event of an equity restructuring, as defined in FAS 123R, which affects the shares of Stock, Employee shall have a legal right to an adjustment to Employee's Performance-Based Restricted Stock Units which shall preserve without enlarging the value of the Performance-Based Restricted Stock Units, with the manner of such adjustment to be determined by the Committee in its discretion.

(c) *Risk of Forfeiture and Delivery of Performance-Based Restricted Stock Units Resulting from Dividend Equivalents and Adjustments*. Performance-Based Restricted Stock Units which directly or indirectly results from Dividend Equivalents on or adjustments to Performance-Based Restricted Stock Units granted hereunder shall be subject to the same risk of forfeiture and other conditions as apply to the granted Performance-Based Restricted Stock Units to which the Dividend Equivalents or adjustments relate and will be subject to the same terms as such granted Performance-Based Restricted Stock Units (unless the Performance-Based Restricted Stock Units are to be settled prior to the payment date of the Dividend Equivalents or adjustments, in which case the Dividend Equivalents or the date of such adjustments will be

settled at the payment date of the dividends or the date of such adjustments (and in no event later than 60 days after the Performance-Based Restricted Stock Units otherwise are to be settled)).

6. Settlement and Deferral.

(a) *Settlement Date.* Except as otherwise set forth above under “Further Conditions to Settlement,” Performance-Based Restricted Stock Units granted hereunder that have become earned and vested, together with Performance-Based Restricted Stock Units credited as a result of Dividend Equivalents with respect thereto, to the extent earned and vested, shall be settled by delivery of one share of Stock for each Performance-Based Restricted Stock Unit being settled at the time specified herein. Settlement of earned and vested Performance-Based Restricted Stock Units granted hereunder shall occur at the Stated Vesting Date (with shares to be delivered within 60 days after the Stated Vesting Date); provided, however, that settlement of earned and vested Performance-Based Restricted Stock Units shall occur within 60 days after a Change in Control if no provision is made for the continuance, assumption or substitution of the Performance-Based Restricted Stock Units by the Company or its successor in connection with the Change in Control; and provided further, that settlement shall be deferred if so elected by Employee in accordance with Section 6(b) hereof subject to Section 6(c) hereof. Settlement of Performance-Based Restricted Stock Units which directly or indirectly result from Dividend Equivalents on Performance-Based Restricted Stock Units granted hereunder generally shall occur at the time of settlement of the related Performance-Based Restricted Stock Units except as otherwise described above.

(b) *Elective Deferral.* The Committee may determine to permit Employee to elect to defer settlement (or redefer) if such election would be permissible under Section 11(k) of the Plan and Code Section 409A. In addition to any applicable requirements under Code Section 409A, any such deferral election shall be made only while Employee remains employed and at a time permitted under Code Section 409A. The form under which an election is made shall set forth the time and form of payment of such amount deferred. Any amount deferred shall be subject to a six-month delay upon payment if required under Section 11(k)(i)(F) of the Plan. Any elective deferral will be subject to such additional terms and conditions as the Senior Vice President, Chief Human Resources Officer, or the officer designated by the Company as responsible for administration of the Agreement, may reasonably impose.

(c) *Compliance with Code Section 409A.* Other provisions of this Agreement notwithstanding, because the Performance-Based Restricted Stock Units will constitute a “deferral of compensation” under Section 409A of the Code (“Code Section 409A”) as presently in effect or hereafter amended (i.e., the Performance-Based Restricted Stock Units are not excluded or exempted under Code Section 409A or a regulation or other official governmental guidance thereunder; Note: an elective deferral under Section 6(b) would cause the Performance-Based Restricted Stock Units, if not already, to be a deferral of compensation subject to Code Section 409A after the deferral), such Performance-Based Restricted Stock Units will be considered a 409A Award under the Plan and shall be subject to the additional requirements set forth in Section 11(k) of the Plan including without limitation that (i) Termination of Employment shall be construed consistent with the meaning of a Separation from Service and (ii) a Change in Control under the Agreement shall be construed consistent with the meaning of a 409A Ownership/Control Change.

7. Employee Representations and Warranties Upon Settlement. As a condition to the grant, vesting or settlement of Performance-Based Restricted Stock Units, the Company may require Employee (i) to make any representation or warranty to the Company as may be required under any applicable law or regulation and (ii) to execute a release from claims against the Company arising at or before the date of the release, in such form as may be specified by the

Company, and not revoke such release prior the expiration of any applicable revocation period, all within 60 days after Termination of Employment.

8. *Miscellaneous.*

(a) *Binding Agreement; Written Amendments.* This Agreement shall be binding upon the heirs, executors, administrators and successors of the parties. This Agreement constitutes the entire agreement between the parties with respect to the Performance-Based Restricted Stock Units, and supersedes any prior agreements or documents with respect to the Performance-Based Restricted Stock Units. No amendment or alteration of this Agreement which may impose any additional obligation upon the Company shall be valid unless expressed in a written instrument duly executed in the name of the Company, and no amendment, alteration, suspension or termination of this Agreement which may materially impair the rights of Employee with respect to the Performance-Based Restricted Stock Units shall be valid unless expressed in a written instrument executed by Employee.

(b) *No Promise of Employment.* The Performance-Based Restricted Stock Units and the granting thereof shall not constitute or be evidence of any agreement or understanding, express or implied, that Employee has a right to continue as an officer or employee of the Company or any Subsidiary for any period of time or at any particular rate of compensation.

(c) *Governing Law.* The validity, construction, and effect of this Agreement shall be determined in accordance with the laws (including those governing contracts) of the State of New Jersey, without giving effect to principles of conflicts of laws, and applicable federal law.

(d) *Fractional Performance-Based Restricted Stock Units and Shares.* The number of Performance-Based Restricted Stock Units credited to Employee shall not include any fractional shares. The Committee, in its sole discretion, may either (i) round the fractional shares to be credited up to the nearest whole Share or (ii) provide that fractional shares shall be paid in cash to Employee at the time the shares of Stock otherwise would have been delivered.

(e) *Tax Withholding.* Unless otherwise determined by the Committee, or Employee has elected at least 90 days prior to payout to satisfy the tax obligations in cash by other means, at the time of vesting and/or settlement, the Company may withhold from any payment relating to the Performance-Based Restricted Stock Units, including from a vesting or distribution of Stock thereunder, or any payroll or other payment to the Employee, amounts of withholding and other taxes due or potentially payable in connection with any transaction involving the Performance-Based Restricted Stock Units, and to take such other action as the Committee may deem advisable to enable the Company and Employee to satisfy obligations for the payment of withholding taxes and other tax obligations relating to the Performance-Based Restricted Stock Units. The Company shall first withhold any cash payable upon settlement and then may withhold or receive whole shares of Stock or other property and to make cash payments in respect thereof in satisfaction of the Employee's withholding obligations, either on a mandatory or elective basis in the discretion of the Committee, or in satisfaction of other tax obligations. Other provisions of the Plan notwithstanding, only the minimum amount of Stock deliverable in connection with the Performance-Based Restricted Stock Units necessary to satisfy statutory withholding requirements will be withheld unless withholding of any additional amount of Shares will not result in additional accounting expense to the Company and is permitted by the Committee.

(f) *Section 409A.* It is intended that the Performance-Based Restricted Stock Units granted hereunder be exempt from the requirements applicable to nonqualified deferred compensation subject to Section 409A of the Code. For purposes of this Agreement, any action taken hereunder shall be undertaken in a manner that will not negatively affect the status of the

Performance-Based Restricted Stock Units as exempt from treatment as nonqualified deferred compensation subject to Section 409A of the Code unless this action otherwise complies with Section 409A of the Code to the extent necessary to avoid non-compliance therewith.

(g) *Unfunded Obligations.* The grant of Performance-Based Restricted Stock Units and any provision hereof shall not create in Employee any right to, or claim against any, specific assets of the Company, nor result in the creation of any trust or escrow account for Employee.

(h) *Notices.* Any notice to be given the Company under this Agreement shall be addressed to the Company at its principal executive offices, in care of the Senior Vice President, Chief Human Resources Officer, or the officer designated by the Company as responsible for administration of the Agreement, and any notice to Employee shall be addressed to Employee at Employee's address as then appearing in the records of the Company.

(i) *Shareholder Rights.* Employee and any Beneficiary shall have no rights of a shareholder with respect to outstanding shares of Stock relating to Performance-Based Restricted Stock Units (including the right to vote the Stock, except for the right to receive dividends thereon, subject to mandatory reinvestment of the dividends in additional Performance-Based Restricted Stock Units as specified herein) covered by this Agreement prior to vesting or forfeiture of the shares of Performance-Based Restricted Stock Units except as otherwise specified herein.

NEW JERSEY RESOURCES CORPORATION**2017 Stock Award and Incentive Plan****Performance Goals and Vesting of Performance-Based Restricted Stock Units**

The number of shares of Performance-Based Restricted Stock Units set forth in the Agreement may become earned and eligible to become vested and non-forfeitable as of the applicable Stated Vesting Date, subject to the other terms of the Agreement, if the Company's "Net Financial Earnings per Share" ("NFEPS") for the fiscal year ending on September 30, 2020 equals or exceeds **\$1.56**.

Determinations of the Committee regarding net financial earnings per share will be final and binding on Employee. "Net Financial Earnings" or "NFE" is a financial measure not calculated in accordance with generally accepted accounting principles that the Company reports on a quarterly and annual basis to the public and in its quarterly reports on Form 10-Q and annual reports on Form 10-K that are filed with the Securities and Exchange Commission ("SEC").

"NFEPS" shall be the NFE per basic share of Common Stock that the Company reports on a quarterly and annual basis to the public and in its quarterly reports on Form 10-Q and annual report on Form 10-K that are filed with the SEC.

NEW JERSEY RESOURCES CORPORATION

2017 Stock Award and Incentive Plan

Definitions Under Further Conditions to Settlement

- a. "Business of the Company" means the following areas of its business which are selected below, which Employee acknowledges are areas of the Company's business in which Employee has responsibilities:

(check as applicable)

____ Natural Gas Distribution: Consists of New Jersey Natural Gas Company, a natural gas utility company that provides regulated retail natural gas service to residential and commercial customers in central and northern New Jersey and participates in the off-system sales and capacity release markets.

____ Energy Services: Maintains and transacts around a portfolio of physical assets consisting of natural gas storage and transportation contracts and also provides wholesale energy management services to other energy companies and natural gas producers in market areas including states from the Gulf Coast and Mid-continent regions to the Appalachian and Northeast regions, the West Coast and Canada.

____ Clean Energy Ventures: Investor, owner, and operator in the renewable energy sector, including, but not limited to, investments in residential and commercial rooftop and ground mount solar systems.

____ Midstream Assets: Includes investments in natural gas transportation and storage assets and is comprised of the following: Steckman Ridge, which is a partnership that owns and operates a 17.7 Bcf natural gas storage facility, with up to 12 Bcf working capacity, in western Pennsylvania that is 50 percent owned by a Company Subsidiary; Leaf River Energy Center, a natural gas storage facility located in southeastern Mississippi with a combined working natural gas storage capacity of 32.2 million dekatherms; a 20 percent ownership interest in the proposed PennEast Pipeline, a 118-mile pipeline designed to bring natural gas produced in the Marcellus Shale region to homes and businesses in Pennsylvania and New Jersey; and Adelpia Gateway, which upon closing of the proposed acquisition of the membership interests of Interstate Energy Company, LLC, will operate an 84-mile pipeline in southeastern Pennsylvania.

____ Home Services: Consists of NJR Home Services Company, which provides Heating, Ventilating, and Air Conditioning (HVAC) service, sales and installation of appliances, as well as installation of solar equipment.

- b. "Confidential Information" means all valuable and/or proprietary information (in oral, written, electronic or other forms) belonging to or pertaining to the Company, its customers and vendors, that is not generally known or publicly available, and which would be useful to competitors of the Company or otherwise damaging to the Company if disclosed. Confidential Information may include, but is not necessarily limited to: (i) the identity of the Company's customers or potential customers, their purchasing histories, and the terms or proposed terms upon which the Company offers or may offer its products and services to such customers, (ii) the identity of the Company's vendors or potential vendors, and the terms or proposed terms upon which the Company may purchase products and services from such vendors, (iii) technology used by the Company

to provide its services, (iv) the terms and conditions upon which the Company employs its employees and independent contractors, (v) marketing and/or business plans and strategies, (vi) financial reports and analyses regarding the revenues, expenses, profitability and operations of the Company, and (vii) information provided to the Company by customers and other third parties under a duty to maintain the confidentiality of such information. Notwithstanding the foregoing, Confidential Information does not include information that: (i) has been voluntarily disclosed to the public by Company or any Employer, except where such public disclosure has been made by Employee without authorization from Company or Employer; (ii) has been independently developed and disclosed by others, or (iii) which has otherwise entered the public domain through lawful means. Confidential Information also does not include information related to any claim of sexual harassment or sexual assault and nothing herein restricts the disclosure of such information. Nothing herein shall prohibit, prevent or restrict the Employee from reporting any allegations of unlawful conduct to federal, state or local officials or to an attorney retained by the Employee.

- c. “Material Contact” means contact in person, by telephone, or by paper or electronic correspondence, or the supervision of those who have such conduct, and which is done in furtherance of the business interests of the company and within the last 36 months.
- d. “Restricted Territory” consists of the following areas, to the extent such areas have been identified as applicable to the definition of the “Business of the company” above:

Natural Gas Distribution: The State of New Jersey and for those employees engaged in or supervising off system sales, the States of New Jersey, New York and Pennsylvania.

Energy Services: The Continental United States and within a 100 mile radius of the Dawn Storage Hub in Canada.

Clean Energy Ventures: The State of New Jersey.

Midstream Assets: The States of New Jersey, New York, Connecticut, Pennsylvania, Virginia, West Virginia, Mississippi, Louisiana, Alabama and Texas.

Home Services: The State of New Jersey.

- e. “Trade Secrets” means a trade secret of the Company as defined by applicable law.

NEW JERSEY RESOURCES CORPORATION

Deferred Stock Retention Award Agreement

This Deferred Stock Retention Award Agreement (the "Agreement"), which includes the attached "Terms and Conditions of Deferred Stock," confirms the grant on November , 2019 (the "Grant Date"), by New Jersey Resources Corporation, a New Jersey corporation ("NJR"), to _____ ("Employee"), under Section 6(e) of the 2017 Stock Award and Incentive Plan (the "Plan"), of Deferred Stock, including the rights to Dividend Equivalents thereon as specified herein, as follows:

Based upon his or her contribution to the success of NJR in fiscal year 2019, Employee is hereby awarded a deferred stock award (the "Retention Award") of _____ deferred stock units of NJR common stock issued under the Plan ("Deferred Stock"), including the rights to Dividend Equivalents thereon as specified herein.

The Retention Award will be paid to Employee on October 15, 2022 ("Award Date"), subject to the terms and conditions set forth herein.

Upon the Award Date, the payout of the Deferred Stock, including Deferred Stock credited as the result of Dividend Equivalents, will be in the form of fully transferable shares of NJR common stock, subject to the terms and conditions set forth herein. Prior to the Award Date, if not previously forfeited, the Retention Award (i) will be paid in full upon a consummation of a Change in Control if no provision is made for the continuance, assumption or substitution of the Retention Award by NJR or its successor in connection with the Change in Control (provided the Change in Control also constitutes a 409A Ownership/Control Change) and (ii) will be paid as set forth below upon the Employee's Disability and death to the extent provided in Section 3 of the Terms and Conditions attached hereto as Exhibit "A," and subject to the terms and conditions set forth herein.

Conditions to Retention Award: Employee is not required to continue his/her employment with NJR in order to receive distribution of the Retention Award. However, NJR's obligation to pay the Retention Award and Employee's right to distribution of the Retention Award will be forfeited immediately upon the occurrence of any one or more of the following events (defined terms are attached hereto as Exhibit "B"):

- (a) **Competitive Employment.** In the event that Employee, during the Restricted Period and within the Restricted Territory, directly or indirectly, whether on Employee's own behalf or on behalf of any other person or entity, performs services of the type which are the same as or similar to those conducted, authorized, offered or provided by Employee to NJR within the 24 months prior to Employee's termination or resignation, and which support business activities which compete with the Business of NJR.
- (b) **Recruitment of NJR Employees and Contractors.** In the event that Employee, during the Restricted Period, directly or indirectly, whether on Employee's own behalf or on behalf of any other person or entity, solicits or induces any employee or independent contractor of NJR with whom Employee had Material Contact to terminate or lessen such employment or contract with NJR.

- (c) Solicitation of NJR Customers. In the event that Employee, during the Restricted Period, directly or indirectly, whether on Employee's own behalf or on behalf of any other person or entity, solicits any actual or prospective customers of NJR with whom Employee had Material Contact for the purpose of selling any products or services which compete with the Business of NJR.
- (d) Solicitation of NJR Vendors. In the event that Employee, during the Restricted Period, directly or indirectly, whether on Employee's own behalf or on behalf of any other person or entity, solicits any actual or prospective vendor of NJR with whom Employee had Material Contact for the purpose of purchasing products or services to support business activities which compete with the Business of NJR.
- (e) Breach of Confidentiality. In the event that Employee, at any time, directly or indirectly, divulges or makes use of any Confidential Information or Trade Secrets of NJR other than in the performance of Employee's duties for NJR. This provision does not limit the remedies available to NJR under common or statutory law as to trade secrets or other forms of confidential information, which may impose longer duties of non-disclosure and provide for injunctive relief and damages. Notwithstanding anything herein to the contrary, nothing herein is intended to or will be used in any way to prevent Employee from providing truthful testimony under oath in a judicial or administrative proceeding or to limit Employee's right to communicate with a government agency, as provided for, protected under or warranted by applicable law. The Employee further understands nothing herein limits the Employee's ability to file a charge or complaint with the Equal Employment Opportunity Commission, the National Labor Relations Board, the Occupational Safety and Health Administration, the Securities and Exchange Commission, or any other federal, state or local government agency or commission ("Government Agencies"). Nothing herein limits the Employee's ability to communicate with any Government Agencies or otherwise participate in any investigation or proceeding that may be conducted by the Government Agency, including providing documents or information without notice to the Company. This Agreement does not limit the Employee's right to receive an award for information provided to any Government Agency. Notwithstanding anything herein to the contrary, the Employee shall not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a Trade Secret that (i) is made in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney and solely for the purpose of reporting or investigating a suspected violation of law or (ii) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. In addition, if the Employee files a lawsuit for retaliation for reporting a suspected violation of law, the Employee may disclose the Trade Secret to his or her attorney and use the Trade Secret information in the court proceeding, as long as the Employee files any document containing the Trade Secret under seal and does not disclose the Trade Secret, except pursuant to court order.
- (f) Return of Property and Information. In the event that Employee fails to return all of NJR's property and information (whether confidential or not) within Employee's possession or control within seven (7) calendar days following the termination or resignation of Employee from employment with NJR. Such property and information includes, but is not limited to, the original and any copy (regardless of the manner in which it is recorded) of all information provided by NJR to Employee or which Employee has developed or collected in the scope of Employee's employment with NJR, as well as all NJR-issued equipment, supplies, accessories, vehicles, keys, instruments, tools, devices, computers, cell phones, pagers, materials, documents, plans, records, notebooks, drawings, or papers. Upon request by NJR, Employee shall certify in writing that

Employee has complied with this provision, and has permanently deleted all NJR information from any computers or other electronic storage devices or media owned by Employee. Employee may only retain information relating to the Employee's benefit plans and compensation to the extent needed to prepare Employee's tax returns.

- (g) Disparagement. In the event that Employee makes any statements, either verbally or in writing, that are disparaging with regard to NJR or any of its subsidiaries or their respective executives and Board members.
- (h) Termination for Cause. In the event that Employee's employment with NJR and its subsidiaries is terminated for Cause.
- (i) Failure to Provide Information. In the event that Employee fails to promptly and fully respond to requests for information from NJR regarding Employee's compliance with any of the foregoing conditions.

If it is determined by the Leadership Development and Compensation Committee of the NJR Board of Directors, in its sole discretion, that any of the foregoing events have occurred prior to full distribution of the Retention Award, any unpaid portion of the Retention Award will be forfeited without any compensation therefor.

The value of the Retention Award will not be taxable to Employee for income tax purposes until it is distributed and will, at that time, be equal to the aggregate value of the then current fair market value of the shares of NJR common stock and cash distributed to Employee. Required income tax withholdings will be deducted first from any cash paid and then in the form of shares from the share payout as described in Section 8(c) of the attached Terms and Conditions, unless Employee has elected at least 90 days prior to payout to satisfy the tax obligations in cash by other means as described herein. The value of the Retention Award will be taxable to Employee for employment tax purposes at the date of grant. Additionally, related Dividend Equivalents may be taxable for employment tax purposes when credited to Employee. Employee will be responsible for satisfying any employment tax withholdings attributable to the Deferred Stock and any related Dividend Equivalents, which Employee may satisfy by (i) delivering to the Company cash equal to the required withholdings or (ii) directing the Company to withhold such amounts from any other cash compensation the Company will pay Employee contemporaneously with the time the withholdings are required hereunder.

The Retention Award will not be considered as compensation for purposes of any pension or retirement plan, or other plan that provides for benefits based on Employee's level of compensation.

The Retention Award and the granting thereof shall not constitute or be evidence of any agreement or understanding, express or implied, that Employee has a right to continue as an officer or employee of NJR or any of its subsidiaries for any period of time, or at any particular rate of compensation.

The validity, construction, and effect of this Agreement and the Retention Award shall be determined in accordance with the laws (including those governing contracts) of the state of New Jersey, without giving effect to principles of conflicts of laws, and applicable federal law.

If any provision in this Agreement is held to be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions will in no way be affected or impaired thereby. In the event that any provision of this Agreement is not enforceable in accordance with its terms, such provision shall be reformed to make it enforceable in a manner which provides NJR and its subsidiaries the maximum rights permitted by law.

The terms of this Retention Award are governed by the Plan and this Agreement, including the attached Terms and Conditions. Capitalized terms used in this Agreement but not defined herein shall have the same meanings as in the Plan.

Employee acknowledges and agrees that (i) Employee has received a copy of the Plan and agrees to be bound by all the terms and provisions thereof, (ii) the Deferred Stock is nontransferable, except as provided in Section 2 of the attached Terms and Conditions and Section 11(b) of the Plan, (iii) the Deferred Stock is subject to forfeiture as described above in certain limited circumstances prior to payout, and (iv) sales of the shares following payout of the Deferred Stock will be subject to the Company's policy governing the purchase and sale of NJR securities.

IN WITNESS WHEREOF, NEW JERSEY RESOURCES CORPORATION has caused this Agreement to be executed by its officer thereunto duly authorized, and Employee has duly executed this Agreement, by which each has agreed to the terms of this Agreement.

[NAME]

[Title]

Acknowledged and Agreed:

[NAME] Date

[Title]

EXHIBIT A - TERMS AND CONDITIONS OF DEFERRED STOCK RETENTION AWARD

The following Terms and Conditions apply to the Deferred Stock Retention Award granted to Employee by NEW JERSEY RESOURCES CORPORATION (either the "Company" or "NJRC"), as specified in the Deferred Stock Retention Award Agreement (of which these Terms and Conditions form a part). Certain terms and conditions of the Retention Award, including the number of shares granted and payment date(s), are set forth on the preceding pages, which are an integral part of this Agreement.

1. **General.** The Retention Award is granted to Employee under the Company's 2017 Stock Award and Incentive Plan (the "Plan"), a copy of which has been previously delivered to Employee and/or is available upon request to the Human Resources Department. All of the applicable terms, conditions and other provisions of the Plan are incorporated by reference herein. Capitalized terms used in this Agreement but not defined herein shall have the same meanings as in the Plan. If there is any conflict between the provisions of this document and mandatory provisions of the Plan, the provisions of the Plan govern. Employee agrees to be bound by all of the terms and provisions of the Plan (as presently in effect or later amended), the rules and regulations under the Plan adopted from time to time, and the decisions and determinations of the Leadership Development and Compensation Committee of the Company's Board of Directors (the "Committee") made from time to time.

2. **Nontransferability.** Until such time as the Retention Award has been distributed in accordance with the terms of this Agreement, Employee may not transfer either the Deferred Stock or any rights hereunder (including those with respect to the accumulated dividend equivalents) to any third party other than by will or the laws of descent and distribution except for transfers to a Beneficiary or as otherwise permitted and subject to the conditions under Section 11(b) of the Plan. This restriction on transfer precludes any sale, assignment, pledge, or other encumbrance or disposition of the shares of Deferred Stock (or any rights thereunder, including those with respect to the accumulated dividend equivalents, except for forfeitures to the Company).

3. **Early Payment Provisions.** The following provisions will govern the payment of any Retention Award that is outstanding, and has not been forfeited previously, at the time of Employee's death or Disability:

(a) **Death.** In the event of Employee's death, the unpaid Retention Award will be paid to the Employee's Beneficiary as soon as administratively practicable (and no later than ninety (90) days) following Employee's death.

(b) **Disability.** In the event of Employee's Disability (as defined below), the unpaid Retention Award will be paid to the Employee on the 31st day after Employee's Disability.

"Disability" means Employee is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months. The foregoing definition of "Disability" shall be construed consistent with Code Section 409A. The Company and Employee shall agree on the identity of a physician to resolve any question as to Employee's disability. If the Company and Employee cannot agree on the physician to make such determination, then the Company and Employee shall each select a physician and those physicians shall jointly select a third physician, who shall make the determination. The determination of any such physician shall be final and conclusive for all purposes of this Agreement.

4. Dividend Equivalents and Adjustments.

(a) *Dividend Equivalents.* Dividend Equivalents will be credited on the shares of Deferred Stock (other than shares of Deferred Stock that, at the relevant record date, previously have been settled or forfeited) and deemed converted into additional shares of Deferred Stock. Dividend Equivalents will be credited as follows, except that the Company may vary the manner of crediting (for example, by crediting cash dividend equivalents rather than additional shares of Deferred Stock) for administrative convenience:

(i) *Cash Dividends.* If the Company declares and pays a dividend or distribution on shares of Stock in the form of cash, then additional shares of Deferred Stock shall be credited to Employee's Account as of the payment date of such cash dividend or distribution (or settled as of the payment date of such cash dividend or distribution if the Deferred Stock is to be settled before the payment date) equal to the number of shares of Deferred Stock credited to the Account as of the relevant record date multiplied by the amount of cash paid per share of Stock in such dividend or distribution divided by the Fair Market Value of a share of Stock at the payment date for such dividend or distribution.

(ii) *Non-Share Dividends.* If the Company declares and pays a dividend or distribution on shares of Stock in the form of property other than shares of Stock, then a number of additional shares of Deferred Stock shall be credited to Employee's Account as of the payment date (or settled as of the payment date of such cash dividend or distribution if the Deferred Stock is to be settled before the payment date) equal to the number of shares of Deferred Stock credited to the Account as of the record date for such dividend or distribution multiplied by the fair market value of such property actually paid as a dividend or distribution on each outstanding share of Stock at such payment date, divided by the Fair Market Value of a share of Stock at such payment date for such dividend or distribution.

(iii) *Share Dividends and Splits.* If the Company declares and pays a dividend or distribution on shares of Stock in the form of additional shares of Stock, or there occurs a forward split of shares of Stock, then a number of additional shares of Deferred Stock shall be credited to Employee's Account as of the payment date for such dividend or distribution or forward split (or settled as of the payment date for such dividend or distribution or forward split if the Deferred Stock is to be settled before the payment date) equal to the number of shares of Deferred Stock credited to the Account as of the record date for such dividend or distribution or split multiplied by the number of additional shares of Stock actually paid as a dividend or distribution or issued in such split in respect of each outstanding share of Stock.

(b) *Adjustments.* The number of shares of Deferred Stock credited to Employee's Account shall be appropriately adjusted in order to prevent dilution or enlargement of Employee's rights with respect to the Deferred Stock or to reflect any changes in the number of outstanding shares of Stock resulting from any event referred to in Section 11(c) of the Plan, taking into account any Deferred Stock credited to Employee in connection with such event under Section 5(a) hereof. In furtherance of the foregoing, in the event of an equity restructuring, as defined in ASC Topic 718, which affects the shares of Stock, Employee shall have a legal right to an adjustment to Employee's Deferred Stock which shall preserve without enlarging the value of the Deferred Stock, with the manner of such adjustment to be determined by the Committee in its discretion. All adjustments will be made in a manner as to maintain the Deferred Stock's exemption from Code Section 409A or, to the extent Code Section 409A applies, to comply with Code Section 409A. Any adjustments shall be subject to the requirements and restrictions set forth in Section 11(c) of the Plan.

(c) *Risk of Forfeiture and Settlement of Deferred Stock Resulting from Dividend Equivalents and Adjustments.* Deferred Stock which directly or indirectly result from Dividend Equivalents on or adjustments to Deferred Stock granted hereunder shall be subject to the same risk of forfeiture and other conditions as apply to the granted Deferred Stock with respect to which the Dividend Equivalents or adjustments related and will be settled at the same time as such related Deferred Stock (unless the Deferred Stock is to be settled prior to the payment date of the Dividend Equivalents or adjustments, in which case the Dividend Equivalents or adjustments will be settled at the payment date of the dividends or the date of such adjustments (and in no event later than 60 days after the Deferred Stock otherwise is to be settled)).

5. **409A Award.** The Retention Award payable under the Agreement is a 409A Award and is subject to all applicable terms and conditions set forth in Section 11(k) of the Plan. All provisions of the Agreement shall be interpreted in a manner as to comply with Section 11(k) of the Plan and Code Section 409A.

6. **Other Terms of Deferred Stock.**

(a) *Voting and Other Shareholder Rights.* Employee shall not be entitled to vote Deferred Stock on any matter submitted to a vote of holders of Common Stock, and shall not have all other rights of a shareholder of the Company, except as otherwise specified herein, unless and until the Stock with respect to the Deferred Stock is distributed to Employee as described in the Agreement.

(b) *Consideration for Grant of Deferred Stock.* Employee shall not be required to pay cash consideration for the grant of the Deferred Stock and Dividend Equivalents, but Employee's performance of services to the Company prior to the payout of the Deferred Stock shall be deemed to be consideration for this grant of Deferred Stock and Dividend Equivalents.

(c) *Insider Trading Policy Applicable.* Employee acknowledges that sales of shares of stock resulting from Deferred Stock that have been distributed will be subject to the Company's policies governing the purchase and sale of Company securities.

(d) *Certificates Evidencing Deferred Stock.* On the date any Deferred Stock subject to the Retention Award becomes payable (the "Payment Date"), such Deferred Stock shall be paid by the Company delivering to the Employee, a number of shares of NJR common stock equal to the number of shares of Deferred Stock, including Deferred Stock as the result of Dividend Equivalents, that become payable upon that Payment Date, subject to any applicable withholding requirements described below. The Company shall issue the shares either (i) in certificate form or (ii) in book entry form, registered in the name of the Employee. Delivery of any certificates will be made to the Employee's last address reflected on the books of the Company unless the Company is otherwise instructed in writing. The Company shall pay in cash the value of any fractional share of Stock deliverable upon payment of the Deferred Stock, subject to any applicable withholding requirements described below. Neither the Employee nor any of the Employee's successors, heirs, assigns or personal representatives shall have any further rights or interests in any Deferred Stock and Dividend Equivalents that are so paid.

7. **Employee Representations and Warranties and Release.** As a condition to distribution of the Retention Award to Employee upon Disability, the Company may require Employee (i) to make any representation or warranty to the Company as may be required under any applicable law or regulation, and (ii) to execute a release from claims against the Company arising at or before the date of such release, in such form as may be specified by the Company, and not revoke such

release prior to the expiration of any applicable revocation period, all within thirty (30) days after Employee's Disability.

8. *Miscellaneous.*

(a) *Binding Agreement; Written Amendments.* This Agreement shall be binding upon the heirs, executors, administrators and successors of the parties. This Agreement constitutes the entire agreement between the parties with respect to the Retention Award, and supersedes any prior agreements (either verbal or written) or documents with respect to the Retention Award. No amendment or alteration of this Agreement which may impose any additional obligation upon the Company shall be valid unless expressed in a written instrument duly executed in the name of the Company, and no amendment, alteration, suspension or termination of this Agreement which may materially impair the rights of Employee with respect to the Retention Award shall be valid unless expressed in a written instrument executed by Employee. All amendments must comply with the requirements of Code Section 409A.

(b) *Governing Law.* The validity, construction, and effect of this Agreement shall be determined in accordance with the laws (including those governing contracts) of the state of New Jersey, without giving effect to principles of conflicts of laws, and applicable federal law.

(c) *Fractional Deferred Stock and Stock.* The number of shares of Deferred Stock credited to Employee shall not include any fractional shares. The Committee, in its sole discretion, may either (i) round the fractional shares to be credited up to the nearest whole share of Stock or (ii) provide that fractional shares shall be paid in cash to Employee at the time the shares of Stock otherwise would have been delivered.

(d) *Mandatory Tax Withholding.* Unless otherwise determined by the Committee, or unless Employee has elected at least 90 days prior to payout to satisfy the tax obligations in cash by other means, at the time of payment of the Retention Award to Employee, the Company will withhold first from any cash payable and then from any Stock deliverable, in accordance with Section 11(d)(i) of the Plan, the number of whole shares of Stock having a value nearest to, but not exceeding, the minimum amount of income and employment taxes required to be withheld under applicable local laws and regulations (after withholding of any cash payable hereunder) (unless withholding of any additional amount will not result in additional accounting expense to the Company and is permitted by the Committee), and pay the amount of such withholding taxes in cash to the appropriate taxing authorities. Employee will be responsible for any withholding taxes not satisfied by means of such mandatory withholding and for all taxes in excess of such withholding taxes that may be due upon payment of the Retention Award.

(e) *Notices.* Any notice to be given the Company under this Agreement shall be addressed to the Company at its principal executive offices, in care of the Senior Vice President, Chief Human Resources Officer, or the officer designated by the Company as responsible for administration of the Agreement, and any notice to Employee shall be addressed to Employee at Employee's address as then appearing in the records of the Company.

(f) *Shareholder Rights.* Employee and any Beneficiary shall not have any rights with respect to Deferred Shares (including voting rights and any Deferred Shares credited as the result of Dividend Equivalents covered by this Agreement) prior to the settlement and distribution of the Deferred Shares except as otherwise specified herein.

EXHIBIT B – DEFINITIONS

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- a. "Business of NJR" means the following areas of its business which are selected below, which Employee acknowledges are areas of NJR's business in which Employee has responsibilities:

(check as applicable)

- ___ Natural Gas Distribution: Consists of New Jersey Natural Gas Company, a natural gas utility company that provides regulated retail natural gas service to residential and commercial customers in central and northern New Jersey and participates in the off-system sales and capacity release markets.
- ___ Energy Services: Maintains and transacts around a portfolio of physical assets consisting of natural gas storage and transportation contracts and also provides wholesale energy management services to other energy companies and natural gas producers in market areas including states from the Gulf Coast and Mid-continent regions to the Appalachian and Northeast regions, the West Coast and Canada.
- ___ Clean Energy Ventures: Investor, owner, and operator in the renewable energy sector, including, but not limited to, investments in residential and commercial rooftop and ground mount solar systems.
- ___ Midstream Assets: Includes investments in natural gas transportation and storage assets and is comprised of the following: Steckman Ridge, which is a partnership that owns and operates a 17.7 Bcf natural gas storage facility, with up to 12 Bcf working capacity, in western Pennsylvania that is 50 percent owned by a Company Subsidiary; Leaf River Energy Center, a natural gas storage facility located in southeastern Mississippi with a combined working natural gas storage capacity of 32.2 million dekatherms; a 20 percent ownership interest in the proposed PennEast Pipeline, a 118-mile pipeline designed to bring natural gas produced in the Marcellus Shale region to homes and businesses in Pennsylvania and New Jersey; and Adelphia Gateway, which upon closing of the proposed acquisition of the membership interests of Interstate Energy Company, LLC, will operate an 84-mile pipeline in southeastern Pennsylvania.
- ___ Home Services: Consists of NJR Home Services Company, which provides Heating, Ventilating, and Air Conditioning (HVAC) service, sales and installation of appliances, as well as installation of solar equipment.

- b. "Cause" has the same meaning as in any employment or similar agreement between NJR and the Employee or, if no such agreement or definition exists, then "Cause" means: (A) conviction of a felony or the entering by Employee of a plea of nolo contendere to a felony charge, (B) Employee's gross neglect, willful malfeasance or willful gross misconduct in connection with Employee's employment hereunder which has had a significant adverse effect on the business of NJR or any of its subsidiaries, unless Employee reasonably believed in good faith that such act or non-act was in or not opposed to the best interests of NJR or any of its subsidiaries, or (C) repeated material violations by Employee of his or her obligations under any applicable employment agreement or policy of NJR or any of its subsidiaries, which have continued after written notice thereof from NJR or any of its subsidiaries, which violations are demonstrably willful and deliberate on Employee's part and which result in material damage to NJR or any of its subsidiaries' business or reputation.

- c. “Confidential Information” means all valuable and/or proprietary information (in oral, written, electronic or other forms) belonging to or pertaining to NJR, its customers and vendors, that is not generally known or publicly available, and which would be useful to competitors of NJR or otherwise damaging to NJR if disclosed. Confidential Information may include, but is not necessarily limited to: (i) the identity of NJR’s customers or potential customers, their purchasing histories, and the terms or proposed terms upon which NJR offers or may offer its products and services to such customers, (ii) the identity of NJR’s vendors or potential vendors, and the terms or proposed terms upon which NJR may purchase products and services from such vendors, (iii) technology used by NJR to provide its services, (iv) the terms and conditions upon which NJR employs its employees and independent contractors, (v) marketing and/or business plans and strategies, (vi) financial reports and analyses regarding the revenues, expenses, profitability and operations of NJR, and (vii) information provided to NJR by customers and other third parties under a duty to maintain the confidentiality of such information. Notwithstanding the foregoing, Confidential Information does not include information that: (i) has been voluntarily disclosed to the public by Company or Employer, except where such public disclosure has been made by Employee without authorization from Company or Employer; (ii) has been independently developed and disclosed by others, or (iii) which has otherwise entered the public domain through lawful means. Confidential Information also does not include information related to any claim of sexual harassment or sexual assault and nothing herein restricts the disclosure of such information. Nothing herein shall prohibit, prevent or restrict the Employee from reporting any allegations of unlawful conduct to federal, state or local officials or to an attorney retained by the Employee.
- d. “Material Contact” means contact in person, by telephone, or by paper or electronic correspondence, or the supervision of those who have such conduct, and which is done in furtherance of the business interests of NJR and within the last 36 months of Employee’s employment with NJR.
- e. “Restricted Period” means the period while Employee is employed by NJR and for 36 months following the termination or resignation of Employee from employment with NJR.
- f. “Restricted Territory” consists of the following areas, to the extent such areas have been identified as applicable to the definition of the “Business of NJR” above:
- Natural Gas Distribution: The State of New Jersey and for those employees engaged in or supervising off system sales, the States of New Jersey, New York and Pennsylvania.
- Energy Services: The Continental United States and within a 100 mile radius of the Dawn Storage Hub in Canada.
- Clean Energy Ventures: The State of New Jersey.
- Midstream Assets: The States of New Jersey, New York, Connecticut, Pennsylvania, Virginia, West Virginia, Mississippi, Louisiana, Alabama and Texas.
- Home Services: The State of New Jersey.
- g. “Trade Secrets” means a trade secret of NJR as defined by applicable law.

NEW JERSEY RESOURCES CORPORATION

EXHIBIT 21.1

SUBSIDIARIES OF THE REGISTRANT

SUBSIDIARY	STATE OF INCORPORATION
New Jersey Natural Gas Company	New Jersey
NJR Service Corporation	New Jersey
NJR Energy Services Company	New Jersey
NJR Clean Energy Ventures Corporation	New Jersey
Subsidiary:	
NJR Clean Energy Ventures II Corporation	New Jersey
Subsidiaries:	
Bernards Solar, LLC (Limited Liability Company)	New Jersey
NJR Clean Energy Ventures III Corporation	New Jersey
Subsidiaries:	
CP East Hampton Solar I, LLC (Limited Liability Company)	Connecticut
CP East Hampton Solar II, LLC (Limited Liability Company)	Connecticut
Greenville Road Solar, LLC (Limited Liability Company)	Rhode Island
Howard Lane Solar, LLC (Limited Liability Company)	Rhode Island
NJ Oak Solar, LLC (Limited Liability Company)	Delaware
NJR Energy Investments Corporation	New Jersey
Subsidiary:	
NJR Midstream Holdings Corporation	New Jersey
Subsidiaries:	
NJNR Pipeline Company	New Jersey
NJR Midstream Company (formerly NJR Pipeline Company)	New Jersey
Subsidiaries:	
Adelphia Gateway, LLC (Limited Liability Company)	Delaware
Leaf River Energy Center LLC (Limited Liability Company)	Delaware
Subsidiary:	
LR Finance LLC (Limited Liability Company)	Delaware
NJR Storage Holdings Company	Delaware
Subsidiary:	
NJR Steckman Ridge Storage Company	Delaware
NJR Retail Holdings Corporation	New Jersey
Subsidiaries:	
Commercial Realty and Resources Corp	New Jersey
Phoenix Fuel Management Company	New Jersey
NJR Home Services Company	New Jersey
Subsidiary:	
NJR Plumbing Services, Inc	New Jersey

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statements No. 333-164572 and No. 333-215728 on Form S-8 and Registration Statements No. 333-227603 and No. 333-235348 on Form S-3, of our reports dated November 30, 2020, relating to the consolidated financial statements of New Jersey Resources Corporation and subsidiaries (the “Company”) and the effectiveness of the Company's internal control over financial reporting, appearing in this Annual Report on Form 10-K of New Jersey Resources Corporation for the year ended September 30, 2020.

/s/ Deloitte & Touche LLP

Parsippany, New Jersey

November 30, 2020

**CERTIFICATION OF THE PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002**

I, Stephen D. Westhoven, certify that:

- 1) I have reviewed this report on Form 10-K of New Jersey Resources Corporation;
- 2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 30, 2020

By: /s/ Stephen D. Westhoven
Stephen D. Westhoven
President and Chief Executive Officer

**CERTIFICATION OF THE PRINCIPAL FINANCIAL OFFICER
PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002**

I, Patrick Migliaccio, certify that:

- 1) I have reviewed this report on Form 10-K of New Jersey Resources Corporation;
- 2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 30, 2020

By: /s/ Patrick Migliaccio
Patrick Migliaccio
Senior Vice President and Chief Financial Officer

EXHIBIT 32.1

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

The undersigned, Stephen D. Westhoven hereby certifies as follows:

- (a) I am the Chief Executive Officer of New Jersey Resources Corporation (the "Company");
- (b) To the best of my knowledge, this annual report on Form 10-K for the fiscal year ended September 30, 2020, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (c) To the best of my knowledge, based upon a review of this report, the information contained in this periodic report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 30, 2020

By: /s/ Stephen D. Westhoven

Stephen D. Westhoven

President and Chief Executive Officer

EXHIBIT 32.2

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

The undersigned, Patrick Migliaccio hereby certifies as follows:

- (a) I am the Chief Financial Officer of New Jersey Resources Corporation (the "Company");
- (b) To the best of my knowledge, this annual report on Form 10-K for the fiscal year ended September 30, 2020, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (c) To the best of my knowledge, based upon a review of this report, the information contained in this periodic report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 30, 2020

By: /s/ Patrick Migliaccio

Patrick Migliaccio

Senior Vice President and Chief Financial Officer