



QUARTERLY FINANCIAL STATEMENTS

FOR THE THREE AND NINE MONTHS ENDED JUNE 30, 2022 AND 2021

(Unaudited)

New Jersey Natural Gas Company

CONDENSED STATEMENTS OF OPERATIONS (Unaudited)

<i>(Thousands)</i>	Three Months Ended June 30,		Nine Months Ended June 30,	
	2022	2021	2022	2021
OPERATING REVENUES	\$ 199,695	\$ 127,626	\$ 938,279	\$ 633,522
OPERATING EXPENSES				
Natural gas purchases	102,624	44,111	442,441	221,872
Operation and maintenance	51,560	51,679	141,015	148,268
Regulatory rider expense	8,360	5,456	55,941	34,570
Depreciation and amortization	23,951	19,894	70,188	58,538
Total operating expenses	186,495	121,140	709,585	463,248
OPERATING INCOME	13,200	6,486	228,694	170,274
Other income, net	2,430	4,651	5,451	12,840
Interest expense, net of capitalized interest	11,474	8,667	33,233	26,647
INCOME BEFORE INCOME TAXES	4,156	2,470	200,912	156,467
Income tax provision	1,508	889	44,401	24,878
NET INCOME	\$ 2,648	\$ 1,581	\$ 156,511	\$ 131,589

See Note to Unaudited Condensed Financial Statements

New Jersey Natural Gas Company

CONDENSED STATEMENTS OF CASH FLOWS (Unaudited)

	Nine Months Ended June 30,	
<i>(Thousands)</i>	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 156,511	\$ 131,589
Adjustments to reconcile net income to cash flows from operating activities:		
Depreciation and amortization	70,188	58,538
Allowance for equity used during construction	(2,836)	(14,570)
Allowance for doubtful accounts	1,364	9,684
Deferred income taxes	22,842	13,650
Manufactured gas plant remediation costs	(16,341)	(23,775)
Cost of removal – asset retirement obligation	(847)	(768)
Contributions to postemployment benefit plans	(2,341)	(2,052)
Taxes related to stock based compensation	(29)	(14)
Changes in:		
Components of working capital	(49,946)	26,357
Other noncurrent assets	5,633	33,355
Other noncurrent liabilities	(9,592)	(12,975)
Cash flows from operating activities	174,606	219,019
CASH FLOWS USED IN INVESTING ACTIVITIES		
Expenditures for:		
Utility plant	(177,559)	(288,705)
Nonutility plant	—	(500)
Cost of removal	(27,881)	(37,922)
Cash flows used in investing activities	(205,440)	(327,127)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES		
Proceeds from long-term debt	200,000	—
Payments of long-term debt	(5,450)	(3,220)
(Payments of) proceeds from short-term debt, net	(158,200)	51,500
Proceeds from sale-leaseback transaction	17,300	—
Contribution from Parent	50,000	—
Payment of common stock dividends to Parent	(50,000)	(50,000)
Tax withholding payments related to net settled stock compensation	(436)	(137)
Cash flows from (used in) financing activities	53,214	(1,857)
Change in cash, cash equivalents and restricted cash	22,380	(109,965)
Cash, cash equivalents and restricted cash at beginning of period	5,245	114,367
Cash, cash equivalents and restricted cash at end of period	\$ 27,625	\$ 4,402
CHANGES IN COMPONENTS OF WORKING CAPITAL		
Receivables	\$ (63,581)	\$ (26,119)
Inventories	(4,844)	43,198
Recovery of natural gas costs	3,772	(19,208)
Natural gas purchases payable	52,118	6,863
Accounts payable and other	(31,100)	3,742
Prepaid expenses	(1,289)	693
Prepaid and accrued taxes	(6,939)	(2,867)
Restricted broker margin accounts	4,081	22,036
Customers' credit balances and deposits	(10,370)	(3,235)
Other	8,206	1,254
Total	\$ (49,946)	\$ 26,357
SUPPLEMENTAL DISCLOSURES OF CASH FLOWS INFORMATION		
Cash paid for:		
Interest (net of amounts capitalized)	\$ 39,880	\$ 33,982
Accrued capital expenditures	\$ 18,780	\$ 15,819

See Note to Unaudited Condensed Financial Statements

New Jersey Natural Gas Company

CONDENSED BALANCE SHEETS

ASSETS

	(Unaudited)	
<i>(Thousands)</i>	June 30, 2022	September 30, 2021
PROPERTY, PLANT AND EQUIPMENT		
Utility plant, at cost	\$ 3,512,296	\$ 3,324,111
Construction work in progress	152,894	182,196
Nonutility plant and equipment, at cost	500	500
Total property, plant and equipment	3,665,690	3,506,807
Accumulated depreciation and amortization	(648,836)	(611,837)
Property, plant and equipment, net	3,016,854	2,894,970
CURRENT ASSETS		
Cash and cash equivalents	27,326	3,951
Customer accounts receivable:		
Billed	113,072	54,514
Unbilled	11,653	8,427
Allowance for doubtful accounts	(14,749)	(17,040)
Regulatory assets	42,320	29,701
Natural gas in storage, at average cost	119,961	115,824
Materials and supplies, at average cost	15,820	15,113
Prepaid expenses	2,944	1,655
Prepaid and accrued taxes	28,801	21,862
Derivatives, at fair value	88	2,082
Restricted broker margin account	11,556	2,791
Other current assets	23,291	31,428
Total current assets	382,083	270,308
NONCURRENT ASSETS		
Regulatory assets	524,473	519,600
Other noncurrent assets	43,444	39,818
Total noncurrent assets	567,917	559,418
Total assets	\$ 3,966,854	\$ 3,724,696

See Note to Unaudited Condensed Financial Statements

New Jersey Natural Gas Company

CONDENSED BALANCE SHEETS (Continued)

CAPITALIZATION AND LIABILITIES

<i>(Thousands)</i>	(Unaudited)	
	June 30, 2022	September 30, 2021
CAPITALIZATION		
Common stock equity	\$ 1,574,809	\$ 1,418,298
Long-term debt	1,307,789	1,098,494
Total capitalization	2,882,598	2,516,792
CURRENT LIABILITIES		
Current maturities of long-term debt	6,491	5,393
Short-term debt	—	158,200
Natural gas purchases payable	87,833	35,713
Natural gas purchases payable related party	775	777
Accounts payable and other	64,286	109,590
Regulatory liabilities	50,008	28,007
New Jersey Clean Energy Program	17,648	16,308
Derivatives, at fair value	10,223	29
Customers' credit balances and deposits	22,216	32,586
Total current liabilities	259,480	386,603
NONCURRENT LIABILITIES		
Deferred income taxes	393,486	366,069
Deferred investment tax credits	2,780	3,010
Manufactured gas plant remediation	120,587	135,012
Postemployment benefit liability	75,352	77,244
Regulatory liabilities	186,839	191,888
Asset retirement obligation	42,121	41,611
Other noncurrent liabilities	3,611	6,467
Total noncurrent liabilities	824,776	821,301
Total capitalization and liabilities	\$ 3,966,854	\$ 3,724,696

See Note to Unaudited Condensed Financial Statements

New Jersey Natural Gas Company

Note to Unaudited Condensed Financial Statements

1. GENERAL

New Jersey Natural Gas (the Company) is a natural gas distribution company that provides regulated retail natural gas service to approximately 568,600 residential and commercial customers throughout Burlington, Middlesex, Monmouth, Morris, Ocean and Sussex counties in New Jersey, and participates in the off-system sales and capacity release markets. The Company is a regulated public utility and wholly-owned subsidiary of New Jersey Resources Corporation. The Company maintains its accounts in accordance with the Federal Energy Regulatory Commission Uniform System of Accounts as prescribed by the New Jersey Board of Public Utilities (BPU) and in accordance with the *Regulated Operations* Topic of the Financial Accounting Standards Board Accounting Standards Codification. As a result of the impact of the ratemaking process and regulatory actions of the BPU, the Company is required to recognize the economic effects of rate regulation. Accordingly, the Company 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 its Balance Sheets.

Because of the seasonal nature of the Company's utility operations and other factors, the results of operations for the interim periods presented are not necessarily indicative of the results to be expected for the entire fiscal year.