
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended December 31, 2024

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) 938-1480
(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

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 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 ☒
Non-accelerated filer ☐

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 is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes: ☐ No: ☒

The number of shares outstanding of \$2.50 par value Common Stock as of January 31, 2025 was 100,289,422.

New Jersey Resources Corporation

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New Jersey Resources Corporation

GLOSSARY OF KEY TERMS

Adelphia	Adelphia Gateway, LLC
ADI	Administratively Determined Incentive
AMA	Asset Management Agreement
ASC	Accounting Standards Codification
ASU	Accounting Standards Update
B	Billion
Bcf	Billion Cubic Feet
BGSS	Basic Gas Supply Service
BPU	New Jersey Board of Public Utilities
CIP	Conservation Incentive Program
Clean Energy Ventures or CEV	NJR Clean Energy Ventures Corporation or our Clean Energy Ventures segment
CME	Chicago Mercantile Exchange
CSI	Competitive Solar Incentive
DRP	NJR Direct Stock Purchase and Dividend Reinvestment Plan
Energy Services or ES	NJR Energy Services Company, LLC or our Energy Services segment
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 certain operations and maintenance expense and depreciation and amortization, as well as any accounting impact from the change in the fair value of certain derivative instruments
Fitch	Fitch Ratings Company
FMB	First Mortgage Bond
GAAP	Generally Accepted Accounting Principles in the United States
Home Services and Other or HSO	Home Services and Other Operations
ICE	Intercontinental Exchange
IIP	Infrastructure Investment Program
ISDA	The International Swaps and Derivatives Association
ITC	Federal Investment Tax Credit
Leaf River	Leaf River Energy Center LLC
M	Million
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
MWh	Megawatt Hour
NAESB	The North American Energy Standards Board
NFE	Net Financial Earnings
NJCEP	New Jersey's Clean Energy Program
NJDEP	New Jersey Department of Environmental Protection
NJNG	New Jersey Natural Gas Company or our Natural Gas Distribution segment
NJNG Credit Facility	The \$250M unsecured committed credit facility expiring in August 2029

New Jersey Resources Corporation

GLOSSARY OF KEY TERMS (cont.)

NJR Credit Facility	The \$575M unsecured committed credit facility expiring in August 2029
NJR or The Company	New Jersey Resources Corporation
NJR Retail	NJR Retail Company
NJRHS	NJR Home 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
OCI	Other Comprehensive Income
O&M	Operation and Maintenance expenses
OPEB	Other Postemployment Benefit Plans
PPA	Power Purchase Agreement
RAC	Remediation Adjustment Clause
REC	Renewable Energy Certificate
SAVEGREEN	The SAVEGREEN Project®
SBC	Societal Benefits Charge
SG&A	Selling, General and Administrative expenses
SREC	Solar Renewable Energy Certificate
Steckman Ridge	Collectively, Steckman Ridge GP, LLC and Steckman Ridge, LP
Storage and Transportation or S&T	Storage and Transportation segment
TETCO	Texas Eastern Transmission
TREC	Transition Renewable Energy Certificate
Trustee	U.S. Bank National Association
U.S.	The United States of America
USF	Universal Service Fund
Utility Gross Margin	A non-GAAP financial measure, which represents operating revenues less natural gas purchases, sales tax, and regulatory rider expense, and excludes certain operations and maintenance expense and depreciation and amortization

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 2. “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” Part I, Item 3. “Quantitative and Qualitative Disclosures About Market Risk,” Part II, Item 1. “Legal Proceedings” and in the notes to the financial statements are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, 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,” “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 2025 and thereafter are subject to 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 Item 1A. Risk Factors of our Annual Report on [Form 10-K](#) for the fiscal year ended September 30, 2024, as well as the following, which are neither presented in order of importance nor weighted:

- our ability to obtain governmental and regulatory approvals, permits, certificates, 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 S&T infrastructure projects, in a timely manner;
- our ability to address concerns over climate change and its impacts on business operations;
- 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 RECs and electricity prices, our ability to complete construction of the projects and operational risks related to projects in service;
- risks associated with acquisitions and the related integration of acquired assets with our current operations;
- our ability to comply with current and future regulatory requirements;
- risks associated with our pipeline of projects and timely completion of such projects;
- commercial and wholesale credit risks, including the availability of creditworthy customers and counterparties, and liquidity in the wholesale energy trading market;
- volatility of natural gas and other commodity prices and their impact on NJNG customer usage, NJNG’s BGSS incentive programs, ES operations and our risk management efforts;
- the performance of our subsidiaries;
- access to adequate supplies of natural gas and dependence on third-party S&T facilities for natural gas supply;
- the level and rate at which NJNG’s costs 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;
- impacts of inflation, including the current inflationary environment, and increased natural gas costs;
- the impact of a disallowance of recovery of environmental-related expenditures and other regulatory changes;
- 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;
- changes in rating agency requirements and/or credit ratings and their effect on availability and cost of capital to the Company;
- the impact of events causing volatility in the equity and credit markets on our access to capital, including natural disasters, pandemic illness and other extreme events and risks, political and economic disruption and uncertainty related to international conflicts, and the international community’s responses;
- risks of prolonged constriction of credit availability in the markets and our ability to secure short-term financing;
- 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, including ransomware, terrorism and other malicious acts against, 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, including, but not limited to, inflationary pressures, recessionary pressures, or rising interest rates, and/or reductions in bond yields;
- 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, including those changes in weather and weather patterns that could be attributable to climate change;
- 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 or the 2024 New Jersey Energy Master Plan, as well as future executive orders and the outcomes of regulatory proceedings concerning natural gas;
- uncertainties related to litigation, regulatory, administrative or environmental proceedings;
- changes to tax laws and regulations, including our ability to optimize those changes brought about by the passage of the Inflation Reduction Act of 2022;
- any potential need to record a valuation allowance for our deferred tax assets;
- the delay or prevention of a favorable transaction due to changes in control provisions or laws;
- 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, including, but not limited to, cloud computing and generative artificial intelligence.

Forward-looking statements made in this report apply only as of the date of this report. 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 information or otherwise, except as required by applicable laws.

New Jersey Resources Corporation
Part I

ITEM 1. FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

	Three Months Ended	
	December 31,	
	2024	2023
<i>(Thousands, except per share data)</i>		
OPERATING REVENUES		
Utility	\$ 333,427	\$ 293,093
Nonutility	154,934	174,117
Total operating revenues	488,361	467,210
OPERATING EXPENSES		
Natural gas purchases:		
Utility	127,680	116,120
Nonutility	67,808	59,477
Related parties	1,718	1,879
Operation and maintenance	88,632	94,439
Regulatory rider expenses	22,476	19,189
Depreciation and amortization	45,329	40,287
Gain on sale of assets	(54,859)	—
Total operating expenses	298,784	331,391
OPERATING INCOME	189,577	135,819
Other income, net	11,617	6,341
Interest expense, net of capitalized interest	33,891	31,473
INCOME BEFORE INCOME TAXES AND EQUITY IN EARNINGS OF AFFILIATES	167,303	110,687
Income tax provision	37,384	22,936
Equity in earnings of affiliates	1,400	1,660
NET INCOME	\$ 131,319	\$ 89,411
EARNINGS PER COMMON SHARE		
Basic	\$1.32	\$0.91
Diluted	\$1.31	\$0.91
WEIGHTED AVERAGE SHARES OUTSTANDING		
Basic	99,855	97,869
Diluted	100,478	98,563

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)

	Three Months Ended	
	December 31,	
	2024	2023
<i>(Thousands)</i>		
Net income	\$ 131,319	\$ 89,411
Other comprehensive income		
Reclassifications of losses to net income on derivatives designated as hedging instruments, net of tax of \$(79) and \$(79), respectively	263	264
Adjustment to postemployment benefit obligation, net of tax of \$58 and \$(40), respectively	(195)	131
Other comprehensive income	\$ 68	\$ 395
Comprehensive income	\$ 131,387	\$ 89,806

See Notes to Unaudited Condensed Consolidated Financial Statements

New Jersey Resources Corporation
Part I

ITEM 1. FINANCIAL STATEMENTS (Continued)

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

	Three Months Ended December 31,	
<i>(Thousands)</i>	2024	2023
CASH FLOWS (USED IN) FROM OPERATING ACTIVITIES		
Net income	\$ 131,319	\$ 89,411
Adjustments to reconcile net income to cash flows from operating activities		
Unrealized loss (gain) on derivative instruments	6,368	(5,400)
Gain on sale of assets	(54,859)	—
Depreciation and amortization	45,329	40,287
Amortization of acquired wholesale energy contracts	—	111
Allowance for equity used during construction	(1,086)	(1,482)
Allowance for doubtful accounts	194	(1,575)
Non cash lease expense	1,071	1,152
Deferred income taxes	20,522	18,758
Equivalent value of ITCs recognized on equipment financing	(4,352)	(2,888)
Manufactured gas plant remediation costs	(1,126)	(4,575)
Cost of removal - asset retirement obligations	(432)	(382)
Contributions to postemployment benefit plans	(227)	(1,996)
Taxes related to stock-based compensation	1,805	1,185
Changes in:		
Components of working capital	(187,879)	(97,615)
Other noncurrent assets and liabilities	34,398	11,424
Cash flows (used in) from operating activities	(8,955)	46,415
CASH FLOWS USED IN INVESTING ACTIVITIES		
Expenditures for:		
Utility plant	(99,143)	(71,166)
Solar equipment	(33,476)	(25,766)
Storage and Transportation and other	(8,476)	(8,713)
Cost of removal	(10,775)	(8,977)
Distribution from equity investees in excess of equity in earnings	99	830
Proceeds from sale of assets	132,500	—
Cash flows used in investing activities	(19,271)	(113,792)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term debt	100,000	50,000
Payments of long-term debt	(107,676)	(6,188)
Proceeds from short-term debt, net	45,200	16,550
Proceeds from sale leaseback transactions - solar	12,567	24,394
Proceeds from sale leaseback transactions - natural gas meters	11,714	8,814
Payments of common stock dividends	(44,752)	(40,981)
Proceeds from waiver discount issuance of common stock	19,910	17,919
Proceeds from issuance of common stock - DRP	3,793	3,781
Tax withholding payments related to net settled stock compensation	(11,579)	(5,000)
Cash flows from financing activities	29,177	69,289
Change in cash, cash equivalents and restricted cash	951	1,912
Cash, cash equivalents and restricted cash at beginning of period	1,612	1,517
Cash, cash equivalents and restricted cash at end of period	\$ 2,563	\$ 3,429
CHANGES IN COMPONENTS OF WORKING CAPITAL		
Receivables	\$ (203,094)	\$ (146,377)
Inventories	5,247	1,948
Recovery of natural gas costs	(375)	479
Natural gas purchases payable	30,998	24,901
Natural gas purchases payable - related parties	6	(2)
Deferred revenue, current	650	57,115
Accounts payable and other	(45,967)	(47,797)
Prepaid expenses	(7,421)	(5,794)
Prepaid and accrued taxes	35,204	20,895
Restricted broker margin accounts	(2,849)	(837)
Customers' credit balances and deposits	3,992	551
Other current assets and liabilities	(4,270)	(2,697)
Total	\$ (187,879)	\$ (97,615)
SUPPLEMENTAL DISCLOSURES OF CASH FLOWS INFORMATION		
Cash paid for:		
Interest (net of amounts capitalized)	\$ 34,843	\$ 29,779
Income taxes	\$ 863	\$ 629
Accrued capital expenditures	\$ 19,309	\$ 13,333

See Notes to Unaudited Condensed Consolidated Financial Statements

New Jersey Resources Corporation
Part I

ITEM 1. FINANCIAL STATEMENTS (Continued)

CONDENSED CONSOLIDATED BALANCE SHEETS

ASSETS

<i>(Thousands)</i>	(Unaudited) December 31, 2024	September 30, 2024
PROPERTY, PLANT AND EQUIPMENT		
Utility plant, at cost	\$ 4,280,115	\$ 4,221,395
Construction work in progress	272,360	233,295
Nonutility plant and equipment, at cost	1,724,166	1,834,956
Construction work in progress	219,905	206,869
Total property, plant and equipment	6,496,546	6,496,515
Accumulated depreciation and amortization, utility plant	(811,164)	(786,594)
Accumulated depreciation and amortization, nonutility plant and equipment	(257,139)	(306,698)
Property, plant and equipment, net	5,428,243	5,403,223
CURRENT ASSETS		
Cash and cash equivalents	1,908	1,017
Customer accounts receivable		
Billed	211,036	105,531
Unbilled revenues	117,280	20,094
Allowance for doubtful accounts	(8,297)	(8,506)
Regulatory assets	64,689	73,070
Natural gas in storage, at average cost	192,046	199,125
Materials and supplies, at average cost	40,316	38,484
Prepaid expenses	19,175	11,754
Prepaid taxes	31,862	67,066
Derivatives, at fair value	5,073	6,813
Restricted broker margin accounts	23,003	13,243
Other current assets	32,613	26,904
Total current assets	730,704	554,595
NONCURRENT ASSETS		
Investments in equity method investees	101,609	101,744
Regulatory assets	612,595	609,192
Operating lease assets	183,252	184,485
Derivatives, at fair value	1,872	806
Software costs	10,561	10,522
Deferred income taxes	23,303	20,751
Postemployment employee benefit assets	23,014	24,660
Other noncurrent assets	78,812	71,667
Total noncurrent assets	1,035,018	1,023,827
Total assets	\$ 7,193,965	\$ 6,981,645

See Notes to Unaudited Condensed Consolidated Financial Statements

New Jersey Resources Corporation
Part I

ITEM 1. FINANCIAL STATEMENTS (Continued)

CAPITALIZATION AND LIABILITIES

	(Unaudited)	
	December 31, 2024	September 30, 2024
<i>(Thousands, except share data)</i>		
CAPITALIZATION		
Common stock, \$2.50 par value; authorized 150,000,000 shares; outstanding shares December 31, 2024 — 100,191,159; September 30, 2024 — 99,461,448	\$ 249,984	\$ 248,159
Premium on common stock	663,882	633,811
Accumulated other comprehensive loss, net of tax	(6,453)	(6,521)
Treasury stock at cost and other; shares December 31, 2024 — 16,658; September 30, 2024 — 16,302	20,188	26,220
Retained earnings	1,385,083	1,298,774
Common stock equity	2,312,684	2,200,443
Long-term debt	2,989,473	2,879,464
Total capitalization	5,302,157	5,079,907
CURRENT LIABILITIES		
Current maturities of long-term debt	91,558	189,006
Short-term debt	337,000	291,800
Natural gas purchases payable	88,513	57,515
Natural gas purchases payable to related parties	881	875
Deferred revenue	22,222	21,572
Accounts payable and other	112,529	169,232
Dividends payable	45,009	44,752
Accrued taxes	10,593	10,593
Regulatory liabilities	32,610	32,981
New Jersey Clean Energy Program	16,523	18,491
Derivatives, at fair value	13,463	6,271
Operating lease liabilities	5,177	4,945
Restricted broker margin accounts	—	1,146
Customers' credit balances and deposits	42,587	38,595
Total current liabilities	818,665	887,774
NONCURRENT LIABILITIES		
Deferred income taxes	383,362	358,783
Deferred investment tax credits	2,086	2,156
Deferred revenue	32,451	3,095
Derivatives, at fair value	12,321	11,490
Manufactured gas plant remediation	161,024	161,650
Postemployment employee benefit liability	71,143	64,609
Regulatory liabilities	174,726	175,847
Operating lease liabilities	158,583	159,303
Asset retirement obligations	67,278	66,698
Other noncurrent liabilities	10,169	10,333
Total noncurrent liabilities	1,073,143	1,013,964
Commitments and contingent liabilities (Note 13)		
Total capitalization and liabilities	\$ 7,193,965	\$ 6,981,645

See Notes to Unaudited Condensed Consolidated Financial Statements

New Jersey Resources Corporation
Part I

ITEM 1. FINANCIAL STATEMENTS (Continued)

CONDENSED CONSOLIDATED STATEMENTS OF COMMON STOCK EQUITY (Unaudited)

<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 as of September 30, 2024	99,461	\$248,159	\$ 633,811	\$ (6,521)	\$ 26,220	\$1,298,774	\$2,200,443
Net income	—	—	—	—	—	131,319	131,319
Other comprehensive income	—	—	—	68	—	—	68
Common stock issued:							
Incentive compensation plan	232	581	7,661	—	—	—	8,242
Dividend reinvestment plan	80	199	3,545	—	—	—	3,744
Waiver discount	418	1,045	18,865	—	—	—	19,910
Cash dividend declared (\$.45 per share)	—	—	—	—	—	(45,010)	(45,010)
Treasury stock and other	—	—	—	—	(6,032)	—	(6,032)
Balance as of December 31, 2024	100,191	\$249,984	\$ 663,882	\$ (6,453)	\$ 20,188	\$1,385,083	\$2,312,684

<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 as of September 30, 2023	97,584	\$243,458	\$ 558,654	\$ (9,959)	\$ 20,748	\$1,177,834	\$1,990,735
Net income	—	—	—	—	—	89,411	89,411
Other comprehensive income	—	—	—	395	—	—	395
Common stock issued:							
Incentive compensation plan	116	290	3,451	—	—	—	3,741
Dividend reinvestment plan ⁽¹⁾	94	236	3,552	—	—	—	3,788
Waiver discount	410	1,025	16,894	—	—	—	17,919
Cash dividend declared (\$.42 per share)	—	—	—	—	—	(41,176)	(41,176)
Treasury stock and other	(2)	—	—	—	1,388	—	1,388
Balance as of December 31, 2023	98,202	\$245,009	\$ 582,551	\$ (9,564)	\$ 22,136	\$1,226,069	\$2,066,201

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

See Notes to Unaudited Condensed Consolidated Financial Statements

New Jersey Resources Corporation

Part I

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. NATURE OF THE BUSINESS

The Company provides regulated natural gas distribution services, transmission and storage services and operates certain unregulated businesses primarily through the following:

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

Clean Energy Ventures, the Company's clean energy subsidiary, comprises the CEV segment, which owns and operates clean energy projects, including commercial solar installations located in New Jersey, Rhode Island, New York, Connecticut, Michigan and Indiana.

On November 25, 2024, CEV completed the sale of its 91 MW residential solar portfolio, and related assets and liabilities included in The Sunlight Advantage® program to a third party for a total purchase price of \$132.5M. See *Note 16. Dispositions* for more information regarding the transaction.

Energy Services comprises the ES segment. ES 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.

NJR Midstream Holdings Corporation, which comprises the S&T segment, invests in energy-related ventures through its subsidiaries. The Company operates natural gas storage and transmission assets through the wholly-owned subsidiaries of Leaf River and Adelphia and is subject to rate regulation by FERC. The Company holds a 50% combined ownership interest in Steckman Ridge, a FERC-jurisdictional natural gas storage facility located in Pennsylvania, which is accounted for under the equity method of accounting.

NJR Retail Holdings Corporation has one principal subsidiary, NJRHS, which provides heating, central air conditioning, standby generators, solar and other indoor and outdoor comfort products to residential homes throughout New Jersey. NJRHS is included in HSO.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying Unaudited Condensed Consolidated Financial Statements have been prepared by the Company in accordance with the rules and regulations of the U.S. Securities and Exchange Commission and GAAP. The September 30, 2024 Balance Sheet data is derived from the audited financial statements of the Company. These Unaudited Condensed Consolidated Financial Statements should be read in conjunction with the consolidated financial statements and the notes thereto included in the Company's 2024 Annual Report on [Form 10-K](#).

The Unaudited Condensed Consolidated Financial Statements include the accounts of NJR and its subsidiaries. In the opinion of management, the accompanying Unaudited Condensed Consolidated Financial Statements reflect all adjustments necessary for a fair presentation of the results of the interim periods presented. These adjustments are of a normal and recurring nature. Because of the seasonal nature of the Company's utility and wholesale energy services operations, in addition to other factors, the financial results for the interim periods presented are not indicative of the results that are to be expected for the fiscal year ending September 30, 2025. Intercompany transactions and accounts have been eliminated.

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 equity method investments, lease liabilities, 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 and the fair value of derivative instruments and debt. Asset retirement obligations are evaluated periodically as required. 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.

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NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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, the Company will establish a reserve if a loss is probable and can be reasonably estimated, in which case it is the Company's policy to accrue the full amount of such estimates. 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, it is the Company's policy to accrue 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.

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.

CEV recognizes revenue when SRECs are transferred to counterparties. SRECs are physically delivered through the transfer of certificates as per contractual settlement schedules. The SREC program officially closed to new qualified solar projects in April 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.

In July 2021, the BPU established a new successor solar incentive program, or SREC IIs. The ADI Program provides administratively set incentives for net metered projects of 5 MW or less. RECs generated through the production of electricity under this program are known as SREC IIs.

TRECs and SREC IIs generated are required to be purchased monthly by a REC program administrator as appointed by the BPU. Revenue for TRECs and SREC IIs are recognized upon generation and are transferred monthly based upon metered solar electricity activity.

Revenues for ES 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. ES also recognizes changes in the fair value of SREC derivative contracts for forward sales as a component of operating revenues.

During December 2020, ES entered into a series of AMAs with an investment grade public utility to release pipeline capacity associated with certain natural gas transportation contracts, which commenced in November 2021. The AMAs include a series of temporary and permanent releases and revenue under these agreements is recognized as the performance obligations are satisfied. For temporary releases of pipeline capacity, revenue is recognized on a straight-line basis over the agreed upon term. For permanent releases of pipeline capacity, which represent a transfer of contractual rights for such capacity, revenue is recognized upon the transfer of the underlying contractual rights. ES recognized \$4.9M and \$9.5M of operating revenue related to the AMAs on the Unaudited Condensed Consolidated Statements of Operations during the three months ended December 31, 2024 and 2023, respectively. Amounts received in excess of revenue totaling \$51.6M and \$22.3M are included in deferred revenue on the Unaudited Condensed Consolidated Balance Sheets as of December 31, 2024 and September 30, 2024, respectively.

S&T 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.

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NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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 at NJNG, which are recorded in other noncurrent assets on the Unaudited Condensed Consolidated Balance Sheets.

The following table provides a reconciliation of cash and cash equivalents and restricted cash reported in the Unaudited Condensed Consolidated Balance Sheets to the total amounts in the Unaudited Condensed Consolidated Statements of Cash Flows as follows:

<i>(Thousands)</i>	December 31, 2024	September 30, 2024	December 31, 2023
Balance Sheet			
Cash and cash equivalents	\$ 1,908	\$ 1,017	\$ 2,739
Restricted cash in other noncurrent assets	\$ 655	\$ 595	\$ 690
Statements of Cash Flow			
Cash, cash equivalents and restricted cash	\$ 2,563	\$ 1,612	\$ 3,429

Allowance for Doubtful Accounts

The Company segregates financial assets, primarily trade receivables and unbilled revenues due in one year or less, into portfolio segments based on shared risk characteristics, such as geographical location and regulatory environment, for evaluation of expected credit losses. Historical and current information, such as average write-offs, are applied to each portfolio segment to estimate the allowance for losses on uncollectible receivables. Additionally, the allowance for losses on uncollectible receivables is adjusted for reasonable and supportable forecasts of future economic conditions, which can include changing weather, commodity prices, regulations, and macroeconomic factors, such as unemployment rates among others.

Loans Receivable

NJNG currently provides loans, with terms ranging from three 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 Unaudited Condensed Consolidated Balance Sheets. The Company has \$18.8M and \$18.1M recorded in other current assets and \$56.7M and \$53.6M in other noncurrent assets as of December 31, 2024 and September 30, 2024, respectively, on the Unaudited Condensed Consolidated Balance Sheets, related to the loans. The Company regularly evaluates the credit quality and collection profile of its customers. If NJNG determines a loan is impaired, the basis of the loan would be subject to regulatory review for recovery. As of December 31, 2024 and September 30, 2024, the Company has not recorded any impairments for SAVEGREEN loans.

Natural Gas in Storage

The following table summarizes natural gas in storage, at average cost by segment as of:

<i>(\$ in thousands)</i>	December 31, 2024		September 30, 2024	
	Natural Gas in Storage	Bcf	Natural Gas in Storage	Bcf
NJNG	\$ 161,613	25.3	\$ 177,655	30.8
ES	30,311	12.7	21,378	13.1
S&T	122	0.1	92	—
Total	\$ 192,046	38.1	\$ 199,125	43.9

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.

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NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following tables present the software costs included in the Unaudited Condensed Consolidated Financial Statements:

<i>(Thousands)</i>	December 31, 2024	September 30, 2024
Balance Sheets		
Utility plant, at cost	\$ 133,268	\$ 133,158
Construction work in progress	\$ 34,028	\$ 26,659
Nonutility plant and equipment, at cost	\$ 344	\$ 344
Accumulated depreciation and amortization, utility plant	\$ (16,045)	\$ (13,632)
Accumulated depreciation and amortization, nonutility plant and equipment	\$ (50)	\$ (48)
Software costs	\$ 10,561	\$ 10,522
Statements of Operations		
	Three Months Ended December 31, 2024	2023
Operation and maintenance	\$ 2,736	\$ 3,253
Depreciation and amortization	\$ 2,415	\$ 990

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. As NJNG retains control of the natural gas meters, these arrangements do not qualify as a sale. Proceeds from sale leaseback transactions are accounted for as financing arrangements and are included in long-term debt on the Unaudited Condensed Consolidated Balance Sheets.

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 arrangement does not qualify as a sale as the Company retains control of the underlying assets, 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 Unaudited Condensed Consolidated Balance Sheets.

The Company continues to operate its solar assets and is responsible for related expenses and entitled to retain the revenue generated from RECs and energy sales. ITCs and other tax attributes associated with these solar projects transfer to the buyer; however, the payments are structured so that CEV is compensated for the transfer of the related tax attributes. Accordingly, CEV recognizes the equivalent value of the tax attributes in other income on the Unaudited Condensed Consolidated Statements of Operations over the respective five-year ITC recapture periods, starting with the second year of the lease.

See Note 9. [Debt](#) for more details regarding sale leaseback transactions recorded as financing arrangements.

New Jersey Resources Corporation
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NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Accumulated Other Comprehensive (Loss) Income

The following table presents the changes in the components of accumulated other comprehensive (loss) income, net of related tax effects during the three months ended December 31, 2024 and 2023:

<i>(Thousands)</i>	Cash Flow Hedges	Postemployment Benefit Obligation	Total
Balance as of September 30, 2024	\$ (6,215)	\$ (306)	\$ (6,521)
Other comprehensive income (loss)			
Amounts reclassified from accumulated other comprehensive income (loss), net of tax of \$(79), \$58 and \$(21), respectively	263	(195) ⁽¹⁾	68
Balance as of December 31, 2024	\$ (5,952)	\$ (501)	\$ (6,453)
Balance as of September 30, 2023	\$ (7,269)	\$ (2,690)	\$ (9,959)
Other comprehensive income, net of tax			
Amounts reclassified from accumulated other comprehensive income, net of tax of \$(79), \$(40) and \$(119), respectively	264	131 ⁽¹⁾	395
Balance as of December 31, 2023	\$ (7,005)	\$ (2,559)	\$ (9,564)

⁽¹⁾ Included in the computation of net periodic pension cost, a component of O&M on the Unaudited Condensed Consolidated Statements of Operations.

Recently Adopted Updates to the Accounting Standards Codification

Fair Value Measurement

In June 2022, the FASB issued *ASU No. 2022-03*, an amendment to ASC 820, *Fair Value Measurement*. The amendment clarifies the fair value principles when measuring the fair value of an equity security subject to a contractual sale restriction. The guidance became effective for the Company on October 1, 2024, and was applied on a prospective basis. As the Company does not have equity securities subject to contractual sale restrictions, there was no impact on the Company's financial position, results of operations, cash flows, and disclosures upon adoption.

Leases

In March 2023, the FASB issued *ASU No. 2023-01*, an amendment to ASC 842, *Leases*, which applies to arrangements between related parties under common control. This update requires that all entities with common control arrangements classify and account for these leases on the same basis as an arrangement with an unrelated party. If the lessee in these types of arrangements continues to control the use of the underlying asset through a lease, the leasehold improvements are to be amortized over the improvements' useful life to the common control group, regardless of the lease term. The guidance became effective for the Company on October 1, 2024, and was applied on a prospective basis. As the Company does not have leases that are impacted by this amendment, there was no impact on the Company's financial position, results of operations, cash flows, and disclosures upon adoption.

Segment Reporting

In November 2023, the FASB issued *ASU No. 2023-07*, an amendment to ASC 280, *Segment Reporting*, which improves reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses. The update requires entities to disclose significant segment expenses that are regularly provided to the chief operating decision maker and included within segment profit and loss, and it enhances interim disclosure requirements to conform with annual requirements. The guidance became effective for the Company on October 1, 2024, for the first annual period and will become effective on October 1, 2025, for the interim periods. It will be applied retrospectively to all periods presented. As the amendments in this update only impact disclosures, there was no impact on the Company's financial position, results of operations, and cash flows upon adoption.

New Jersey Resources Corporation

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NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Business Combinations

In August 2023, the FASB issued *ASU No. 2023-05*, an amendment to ASC 805, *Business Combinations*, which addresses how a joint venture should recognize contributions received upon its formation. Joint ventures must account for initial assets and liabilities received at fair value on the date the joint venture is formed. The guidance became effective for the Company for joint ventures formed beginning January 1, 2025, and was applied on a prospective basis. As the Company does not have any applicable transactions, there was no impact to the Company's financial position, results of operations, cash flows, and disclosures upon adoption.

Other Recent Updates to the Accounting Standards Codification

Income Taxes

In December 2023, the FASB issued *ASU No. 2023-09*, an amendment to ASC 740, *Income Taxes*, which requires disaggregated information about a reporting entity's effective tax rate reconciliation and income taxes paid. It will provide investors more detailed income tax disclosures that would be useful in making capital allocation decisions. The guidance becomes effective for the Company on October 1, 2025, and can be applied either prospectively or retrospectively. Early adoption is permitted. The Company is currently evaluating the amendment to understand the impacts on its disclosures upon adoption.

Disaggregation of Income Statement Expenses

In November 2024, the FASB issued *ASU No. 2024-03*, an amendment to ASC 220, *Income Statement Reporting*, which requires more detailed information about specified categories of expenses included in certain captions presented on the face of the income statement. The guidance becomes effective for the Company on October 1, 2027, for the first annual period and on October 1, 2028, for the interim periods. The Company can elect to apply it either prospectively or retrospectively to all periods presented, with early adoption permitted. The Company is currently evaluating the amendment to understand the impacts on its disclosures upon adoption.

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, the Company does 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 Unaudited Condensed Consolidated Statements of Operations.

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/ Operations	Performance Obligation	Description
NJNG	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.

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NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Revenue Recognized Over Time (continued):

Segment/ Operations	Performance Obligation	Description
CEV	Commercial solar electricity	CEV 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. Revenue is recognized as invoiced and the payment is due each month for the previous month's services.
CEV	Residential solar electricity	CEV provided access to residential rooftop and ground-mount solar equipment to customers who then pay the Company a monthly fee. The performance obligation was to provide electricity to the customer based on generation from the underlying residential solar asset and was satisfied upon transfer of electricity generated. Revenue was derived from the contract terms and was recognized as invoiced, with the payment due each month for the previous month's services. In November 2024, CEV's residential solar asset portfolio was sold to a third party.
CEV	Renewable energy certificates	Certain CEV projects generate TRECs and SREC IIs under the established ADI & CSI Programs. A TREC or SREC II is created for every MWh of electricity produced by a solar generator. The performance obligation of CEV is to generate electricity. TRECs and SREC IIs under the ADI & CSI Programs are purchased monthly by a REC Administrator. Revenue is recognized upon generation.
ES	Natural gas services	The performance obligation of ES is to provide the customer transportation, storage and asset management services on an as-needed basis. ES 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. ES invoices customers in line with the terms of the contract and based on the services provided. Payment is due upon receipt of the invoice. For temporary releases of pipeline capacity, revenue is recognized on a straight-line basis over the agreed upon term.
S&T	Natural gas services	The performance obligation of S&T is to provide the customer with storage and transportation services. S&T generates revenues from firm storage contracts and transportation contracts, injection and withdrawal at the storage facility and the delivery of natural gas to customers. Revenue is recognized over time as customers receive the benefits of its 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.
HSO	Service contracts	Home Services enters into service contracts with homeowners to provide maintenance and replacement of applicable heating, cooling or ventilation equipment. NJR Retail enters into warranty contracts with homeowners for various appliances. 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.

Revenue Recognized at a Point in Time:

ES	Natural gas services	For a permanent release of pipeline capacity, the performance obligation of ES is the release of the pipeline capacity associated with certain natural gas transportation contracts and the transfer of the underlying contractual rights to the counterparty. Revenue is recognized upon the transfer of the underlying contractual rights.
S&T	Natural gas services	The performance obligation of S&T is to provide the customer with storage and transportation services. S&T generates revenues from usage fees and hub services for the use of storage space, injection and withdrawal from the storage facility. Hub services include park and loan transactions and wheeling. Usage fees and hub services revenues are recognized as services are performed.
HSO	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.

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NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Disaggregated revenues from contracts with customers by product line and by reporting segment and other business operations during the three months ended December 31, 2024 and 2023, are as follows:

<i>(Thousands)</i>	NJNG	CEV	ES	S&T	HSO	Total
2024						
Natural gas utility sales ⁽¹⁾	\$ 296,402	—	—	—	—	\$ 296,402
Natural gas services	—	—	11,947	26,628	—	38,575
Service contracts	—	—	—	—	9,232	9,232
Installations and maintenance	—	—	—	—	6,562	6,562
Renewable energy certificates	—	2,896	—	—	—	2,896
Electricity sales	—	5,826	—	—	—	5,826
Eliminations ⁽²⁾	(337)	—	—	(42)	(161)	(540)
Revenues from contracts with customers	296,065	8,722	11,947	26,586	15,633	358,953
Alternative revenue programs ⁽³⁾	(5,391)	—	—	—	—	(5,391)
Derivative instruments	42,754	17,684 ⁽⁴⁾	74,361	—	—	134,799
Revenues out of scope	37,363	17,684	74,361	—	—	129,408
Total operating revenues	\$ 333,428	26,406	86,308	26,586	15,633	\$ 488,361
2023						
Natural gas utility sales ⁽¹⁾	\$ 257,875	—	—	—	—	\$ 257,875
Natural gas services	—	—	16,268	23,862	—	40,130
Service contracts	—	—	—	—	8,940	8,940
Installations and maintenance	—	—	—	—	5,894	5,894
Renewable energy certificates	—	2,650	—	—	—	2,650
Electricity sales	—	6,714	—	—	—	6,714
Eliminations ⁽²⁾	(337)	—	—	(675)	—	(1,012)
Revenues from contracts with customers	257,538	9,364	16,268	23,187	14,834	321,191
Alternative revenue programs ⁽³⁾	(2,537)	—	—	—	—	(2,537)
Derivative instruments	38,092	25,931 ⁽⁴⁾	83,400	—	—	147,423
Eliminations ⁽²⁾	—	—	1,133	—	—	1,133
Revenues out of scope	35,555	25,931	84,533	—	—	146,019
Total operating revenues	\$ 293,093	35,295	100,801	23,187	14,834	\$ 467,210

(1) Includes building rent related to the Wall headquarters, which is eliminated in consolidation.

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

(3) Includes CIP revenue.

(4) Includes SREC revenue.

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NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Disaggregated revenues from contracts with customers by customer type and by reporting segment and other business operations during the three months ended December 31, 2024 and 2023, are as follows:

<i>(Thousands)</i>	NJNG	CEV	ES	S&T	HSO	Total
2024						
Residential	\$ 223,819	2,110	—	—	15,544	\$ 241,473
Commercial and industrial	41,805	6,612	11,947	26,586	89	87,039
Firm transportation	27,325	—	—	—	—	27,325
Interruptible, off-tariff and other	3,116	—	—	—	—	3,116
Revenues out of scope	37,363	17,684	74,361	—	—	129,408
Total operating revenues	\$ 333,428	26,406	86,308	26,586	15,633	\$ 488,361
2023						
Residential	\$ 195,623	3,386	—	—	14,803	\$ 213,812
Commercial and industrial	35,759	5,978	16,268	23,187	31	81,223
Firm transportation	24,435	—	—	—	—	24,435
Interruptible, off-tariff and other	1,721	—	—	—	—	1,721
Revenues out of scope	35,555	25,931	84,533	—	—	146,019
Total operating revenues	\$ 293,093	35,295	100,801	23,187	14,834	\$ 467,210

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 Unaudited Condensed Consolidated Balance Sheets during the three months ended December 31, 2024 and 2023, are as follows:

<i>(Thousands)</i>	Customer Accounts Receivable		Customers' Credit	
	Billed	Unbilled	Balances and Deposits	
Balance as of September 30, 2024	\$ 105,531	\$ 20,094	\$ 38,595	
Increase	105,505	97,186	3,992	
Balance as of December 31, 2024	\$ 211,036	\$ 117,280	\$ 42,587	
Balance as of September 30, 2023	\$ 97,540	\$ 19,100	\$ 44,910	
Increase	72,932	72,831	551	
Balance as of December 31, 2023	\$ 170,472	\$ 91,931	\$ 45,461	

The following table provides information about receivables, which are included within accounts receivable, billed and unbilled, and customers' credit balances and deposits, respectively, on the Unaudited Condensed Consolidated Balance Sheets as of December 31, 2024 and September 30, 2024:

<i>(Thousands)</i>	NJNG	CEV	ES	S&T	HSO	Total
December 31, 2024						
Customer accounts receivable						
Billed	\$ 138,967	8,171	52,677	8,455	2,766	\$ 211,036
Unbilled	112,000	5,280	—	—	—	117,280
Customers' credit balances and deposits	(42,565)	—	—	(22)	—	(42,587)
Total	\$ 208,402	13,451	52,677	8,433	2,766	\$ 285,729
September 30, 2024						
Customer accounts receivable						
Billed	\$ 51,613	8,441	34,002	8,598	2,877	\$ 105,531
Unbilled	11,839	8,255	—	—	—	20,094
Customers' credit balances and deposits	(38,572)	—	—	(23)	—	(38,595)
Total	\$ 24,880	16,696	34,002	8,575	2,877	\$ 87,030

New Jersey Resources Corporation
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NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. REGULATION

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 filings to the BPU for review of its BGSS, CIP and other programs and related rates. Annual rate changes are typically requested to be effective at the beginning of the following fiscal year. The current base rates include a weighted average cost of capital of 7.08% and a return on common equity of 9.6%. All rate and program changes are subject to proper notification and BPU review and approval. In addition, NJNG is permitted to implement certain BGSS rate changes on a provisional basis with proper notification to the BPU.

Regulatory assets and liabilities included on the Unaudited Condensed Consolidated Balance Sheets for NJNG are comprised of the following:

<i>(Thousands)</i>	December 31, 2024	September 30, 2024
Regulatory assets-current		
New Jersey Clean Energy Program	\$ 16,523	\$ 18,491
Conservation Incentive Program	46,052	51,442
Derivatives at fair value, net	570	1,363
Other current regulatory assets	1,544	1,774
Total current regulatory assets	\$ 64,689	\$ 73,070
Regulatory assets-noncurrent		
Environmental remediation costs:		
Expended, net of recoveries	\$ 74,146	\$ 77,475
Liability for future expenditures	161,024	161,650
Deferred income taxes	42,776	42,595
SAVEGREEN	114,391	107,796
Postemployment and other benefit costs	24,695	23,772
Cost of removal	135,006	130,885
Other noncurrent regulatory assets	55,488	59,924
Total noncurrent regulatory assets	\$ 607,526	\$ 604,097
Regulatory liability-current		
Overrecovered natural gas costs	\$ 26,692	\$ 32,457
Derivatives at fair value, net	5,337	—
Total current regulatory liabilities	\$ 32,029	\$ 32,457
Regulatory liabilities-noncurrent		
Tax Act impact	\$ 174,074	\$ 175,328
Derivatives at fair value, net	—	404
Other noncurrent regulatory liabilities	652	115
Total noncurrent regulatory liabilities	\$ 174,726	\$ 175,847

Regulatory assets and liabilities included on the Unaudited Condensed Consolidated Balance Sheets for Adelphia are comprised of the following:

<i>(Thousands)</i>	December 31, 2024	September 30, 2024
Total noncurrent regulatory assets	\$ 5,069	\$ 5,095
Total current regulatory liabilities	\$ 581	\$ 524

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NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The assets are comprised primarily of the tax benefit associated with the equity component of Allowance for Funds Used During Construction and the liability consists primarily of scheduling penalties. Recovery of regulatory assets is subject to FERC approval.

Regulatory filings and/or actions that occurred during the current fiscal year include the following:

- On October 30, 2024, the BPU approved a settlement of the new SAVEGREEN program running from January 1, 2025 to June 30, 2027, and consisting of \$205.0M of direct investment, \$160.5M in financing options and \$20.1M in O&M, which totals \$385.6M. Annual recoveries are expected to increase by approximately \$12.3M, effective January 1, 2025.
- On November 21, 2024, the BPU issued an order adopting a stipulation of settlement approving a \$157.0M increase to base rates, effective November 21, 2024. The increase includes an overall rate of return on rate base of 7.08%, return on common equity of 9.60%, a common equity ratio of 54.0% and a depreciation rate of 3.21%.
- On December 17, 2024, NJNG filed a petition with the BPU seeking authority to issue up to \$700M in Medium Term Notes over a three-year period.
- On December 18, 2024, the BPU approved NJNG's annual EE filing for the recovery of SAVEGREEN costs, which will increase annual recoveries by approximately \$3.1M, effective January 1, 2025.

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. In addition, the Company is exposed to interest rate risk and may utilize derivatives to reduce exposure to fluctuations in interest rates. These contracts are accounted for as derivatives, unless the Company elects NPNS, which is done on a contract-by-contract election. Accordingly, financial and certain of the Company's physical derivative instruments are recorded at fair value on the Unaudited Condensed 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

ES 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 operating expenses or operating revenues, as appropriate for ES, on the Unaudited Condensed Consolidated Statements of Operations as unrealized gains or losses. For ES 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 operating expenses or operating revenues.

As a result of ES 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 Unaudited Condensed Consolidated Balance Sheets, with changes in value recognized in current period earnings.

Expected purchases and production of SRECs are 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. ES recognizes changes in the fair value of these derivatives as a component of operating revenues. For SRECs that are acquired by ES, changes in the fair value of these derivatives are reported as a component of operating expenses. Upon settlement of these contracts, the related revenue or expense is recognized when the SREC is transferred to the counterparty or acquired by ES, respectively.

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NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Natural Gas Distribution

Changes in fair value of NJNG's financial commodity derivatives are recorded as a component of regulatory assets or liabilities on the Unaudited Condensed Consolidated Balance Sheets. The Company elects NPNS accounting treatment on all physical commodity contracts that NJNG entered into on or before December 31, 2015, and accounts for these contracts on an accrual basis. Accordingly, physical natural gas purchases are recognized in regulatory assets or liabilities on the Unaudited Condensed Consolidated Balance Sheets when the contract settles and the natural gas is delivered. The average cost of natural gas is charged to expense in the current period earnings based on the BGSS factor times the therm sales. NJNG no longer elects NPNS accounting treatment on a portfolio basis. However, since NPNS is a contract-by-contract election, where it makes sense to do so, NJNG can and may elect to treat certain contracts as normal. Because NJNG recovers these amounts through future BGSS rates as increases or decreases to the cost of natural gas in NJNG's tariff for natural gas service, the changes in fair value of these contracts are deferred as a component of regulatory assets or liabilities on the Unaudited Condensed Consolidated Balance Sheets.

Clean Energy Ventures

The Company elects NPNS accounting treatment on PPA contracts executed by CEV that meet the definition of a derivative and accounts for the contract 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 to treat certain contracts as normal.

Fair Value of Derivatives

The following table presents the fair value of the Company's derivative assets and liabilities recognized on the Unaudited Condensed Consolidated Balance Sheets as of:

		Derivatives at Fair Value			
		December 31, 2024		September 30, 2024	
<i>(Thousands)</i>	Balance Sheet Location	Assets	Liabilities	Assets	Liabilities
Derivatives not designated as hedging instruments:					
<u>NJNG:</u>					
Physical commodity contracts	Derivatives - current	\$ 159	\$ 728	\$ 21	\$ 579
Financial commodity contracts	Derivatives - current	10	2,327	—	2
<u>ES:</u>					
Physical commodity contracts	Derivatives - current	2,079	7,049	1,660	4,346
	Derivatives - noncurrent	1,602	12,052	727	10,758
Financial commodity contracts	Derivatives - current	2,825	3,359	5,132	1,344
	Derivatives - noncurrent	270	269	79	732
Total fair value of derivatives		\$ 6,945	\$ 25,784	\$ 7,619	\$ 17,761

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 Unaudited Condensed Consolidated Balance Sheets.

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NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (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 and the net amounts the Company could present on the Unaudited Condensed Consolidated Balance Sheets but elects not to.

(Thousands)	Asset Derivatives				Liability Derivatives			
	Fair Value ⁽¹⁾	Amounts Offset ⁽²⁾	Collateral Received/ Pledged ⁽³⁾	Net Value ⁽⁴⁾	Fair Value ⁽¹⁾	Amounts Offset ⁽²⁾	Collateral Received/ Pledged ⁽³⁾	Net Value ⁽⁴⁾
As of December 31, 2024								
ES Contracts								
Physical commodity	\$ 3,681	(444)	—	\$ 3,237	\$ 19,101	(444)	(6,043)	\$ 12,614
Financial commodity	3,095	(3,095)	—	—	3,628	(3,095)	(533)	—
Total ES	\$ 6,776	(3,539)	—	\$ 3,237	\$ 22,729	(3,539)	(6,576)	\$ 12,614
NJNG Contracts								
Physical commodity	\$ 159	—	—	\$ 159	\$ 728	—	—	\$ 728
Financial commodity	10	(10)	—	—	2,327	(10)	—	2,317
Total NJNG	\$ 169	(10)	—	\$ 159	\$ 3,055	(10)	—	\$ 3,045
As of September 30, 2024								
ES Contracts								
Physical commodity	\$ 2,387	(535)	—	\$ 1,852	\$ 15,104	(535)	(5,551)	\$ 9,018
Financial commodity	5,211	(2,076)	(1,170)	1,965	2,076	(2,076)	—	—
Total ES	\$ 7,598	(2,611)	(1,170)	\$ 3,817	\$ 17,180	(2,611)	(5,551)	\$ 9,018
NJNG Contracts								
Physical commodity	\$ 21	(13)	—	\$ 8	\$ 579	(13)	—	\$ 566
Financial commodity	—	—	—	—	2	—	(2)	—
Total NJNG	\$ 21	(13)	—	\$ 8	\$ 581	(13)	(2)	\$ 566

- (1) Derivative assets and liabilities are presented on a gross basis on the Unaudited Condensed Consolidated Balance Sheets 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.

ES 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 or (losses) on the financial transactions that are economic hedges of the cost of the purchased natural gas are recognized prior to the gains or (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 or (losses) on the financial derivative instruments and gains or (losses) associated with the actual sale of the natural gas that is being economically hedged along with fair value changes in derivative instruments, create volatility in the results of ES, although the Company's intended economic results relating to the entire transaction are unaffected.

The following table presents the effect of derivative instruments recognized on the Unaudited Condensed Consolidated Statements of Operations for the periods set forth below:

(Thousands)	Location of gain (loss) recognized in income on derivatives	Amount of gain (loss) recognized in income on derivatives	
		Three Months Ended December 31,	
		2024	2023
Derivatives not designated as hedging instruments:			
ES:			
Physical commodity contracts	Operating revenues	\$ (2,632)	\$ 14,030
Physical commodity contracts	Natural gas purchases	(1,752)	(586)
Financial commodity contracts	Natural gas purchases	1,538	18,082
Physical commodity contracts	Operation and maintenance	1,053	—
Total unrealized and realized (loss) gain		\$ (1,793)	\$ 31,526

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NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NJNG's derivative contracts are part of the Company's risk management activities that relate to its natural gas purchases and BGSS incentive programs. 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 for the periods set forth below:

<i>(Thousands)</i>	Three Months Ended December 31,	
	2024	2023
NJNG:		
Physical commodity contracts	\$ (13,386)	\$ (1,070)
Financial commodity contracts	5,939	4,332
Total unrealized and realized (loss) gain	\$ (7,447)	\$ 3,262

NJNG and ES had the following outstanding long (short) derivatives as of:

Volumes (Bcf)	Natural Gas Distribution		Energy Services	
	Futures	Physical Commodity	Futures	Physical Commodity
December 31, 2024	26.6	4.9	(7.7)	(0.3)
September 30, 2024	31.9	10.9	(7.7)	2.8

Not included in the above table are 1.0M and 1.2M SRECs that were open as of December 31, 2024 and September 30, 2024, 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 NJNG and ES.

The balances by reporting segment are as follows:

<i>(Thousands)</i>	Balance Sheet Location	December 31, 2024	September 30, 2024
NJNG	Restricted broker margin accounts-current assets	\$ 10,761	\$ 4,975
ES	Restricted broker margin accounts-current assets	\$ 12,242	\$ 8,268
	Restricted broker margin accounts-current liabilities	\$ —	\$ 1,146

Wholesale Credit Risk

NJNG, ES, CEV and S&T 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 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 fails to perform the obligations under its contract 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.

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NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Internally-rated exposure applies to counterparties that are not rated by Fitch, S&P or Moody's. In these cases, the counterparty's or guarantor's financial statements are reviewed, and similar methodologies and ratios used by credit rating agencies 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.

The following is a summary of gross credit exposures grouped by investment and noninvestment grade counterparties, as of December 31, 2024. 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.

<i>(Thousands)</i>	Gross Credit Exposure
Investment grade	\$ 133,065
Noninvestment grade	23,522
Internally rated investment grade	17,276
Internally rated noninvestment grade	23,005
Total	\$ 196,868

Conversely, certain of NJNG's and ES's 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. Derivative instruments with credit-risk-related contingent features that were in a liability position for which collateral is required were immaterial as of December 31, 2024 and September 30, 2024. These amounts differ from the respective net derivative liabilities reflected on the Unaudited Condensed 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 loans receivable, 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. Noncurrent loans receivable are recorded based on what the Company expects to receive, which approximates fair value, in other noncurrent assets on the Unaudited Condensed Consolidated Balance Sheets. The Company regularly evaluates the credit quality and collection profile of its customers to approximate fair value.

The estimated fair value of long-term debt, including current maturities, excluding natural gas meter sale leasebacks, debt issuance costs and solar asset sale leasebacks, is as follows:

<i>(Thousands)</i>	December 31, 2024	September 30, 2024
Carrying value ^{(1) (2)}	\$ 2,767,845	\$ 2,767,845
Fair market value	\$ 2,391,501	\$ 2,525,804

(1) Excludes NJNG's debt issuance costs of \$10.8M and \$10.9M as of December 31, 2024 and September 30, 2024, respectively.

(2) Excludes NJR's debt issuance costs of \$3.4M and \$3.0M as of December 31, 2024 and September 30, 2024, respectively.

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NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The Company enters into sale leaseback transactions for certain commercial solar assets and natural gas meters. These transactions are recorded within long-term debt on the Unaudited Condensed Consolidated Balance Sheets. The carrying value of solar sale leasebacks was approximately \$288.0M and \$283.0M and the estimated fair value was approximately \$287.9M and \$290.4M as of December 31, 2024 and September 30, 2024, respectively. The carrying value of the natural gas meter sale leasebacks was approximately \$39.4M and \$31.6M and the estimated fair value of certain natural gas meter sale leasebacks amounted to approximately \$36.5M and \$26.7M as of December 31, 2024 and September 30, 2024, 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 debt instrument and the Company's credit rating. As of December 31, 2024 and September 30, 2024, the Company 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, investments in equity 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:

Fair Value Hierarchy	Description of Fair Value Level	Fair Value Technique
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 an 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 contracts 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.

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NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Assets and liabilities measured at fair value on a recurring basis are summarized as follows:

<i>(Thousands)</i>	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
<u>As of December 31, 2024</u>				
Assets:				
Physical commodity contracts	\$ —	\$ 3,840	\$ —	\$ 3,840
Financial commodity contracts	3,105	—	—	3,105
Money market funds	10	—	—	10
Other	2,714	—	—	2,714
Total assets at fair value	\$ 5,829	\$ 3,840	\$ —	\$ 9,669
Liabilities:				
Physical commodity contracts	\$ —	\$ 19,829	\$ —	\$ 19,829
Financial commodity contracts	5,955	—	—	5,955
Total liabilities at fair value	\$ 5,955	\$ 19,829	\$ —	\$ 25,784
<u>As of September 30, 2024</u>				
Assets:				
Physical commodity contracts	\$ —	\$ 2,408	\$ —	\$ 2,408
Financial commodity contracts	5,211	—	—	5,211
Money market funds	62	—	—	62
Other	2,671	—	—	2,671
Total assets at fair value	\$ 7,944	\$ 2,408	\$ —	\$ 10,352
Liabilities:				
Physical commodity contracts	\$ —	\$ 15,683	\$ —	\$ 15,683
Financial commodity contracts	2,078	—	—	2,078
Total liabilities at fair value	\$ 2,078	\$ 15,683	\$ —	\$ 17,761

7. INVESTMENTS IN EQUITY INVESTEEES

The Company holds a 50% equity method investment in Steckman Ridge, a jointly owned and controlled natural gas storage facility located in Bedford County, Pennsylvania. The Company's investment in Steckman Ridge was \$101.6M and \$101.7M as of December 31, 2024 and September 30, 2024, respectively, which include loans with a total outstanding principal balance of approximately \$70.4M for both periods. The loans accrue interest at a variable rate that resets quarterly and are due October 1, 2027.

NJNG and ES have entered into storage and park and loan agreements with Steckman Ridge. See *Note 15. Related Party Transactions* for more information on these intercompany transactions.

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NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

8. EARNINGS PER SHARE

The following table presents the calculation of the Company's basic and diluted earnings per share for:

	Three Months Ended December 31,	
<i>(Thousands, except per share amounts)</i>	2024	2023
Net income, as reported	\$ 131,319	\$ 89,411
Basic earnings per share		
Weighted average shares of common stock outstanding-basic	99,855	97,869
Basic earnings per common share	\$1.32	\$0.91
Diluted earnings per share		
Weighted average shares of common stock outstanding-basic	99,855	97,869
Incremental shares ⁽¹⁾	623	694
Weighted average shares of common stock outstanding-diluted	100,478	98,563
Diluted (loss) earnings per common share	\$1.31	\$0.91

(1) Incremental shares consist primarily of unvested stock awards and performance units, which are calculated using the treasury stock method.

9. DEBT

NJR and NJNG finance working capital requirements and capital expenditures through various short-term debt and long-term financing arrangements, including a commercial paper program and committed unsecured credit facilities.

Credit Facilities and Short-term Debt

A summary of NJR's credit facility and NJNG's commercial paper program and credit facility are as follows:

<i>(Thousands)</i>	As of date	Total borrowing capacity	At end of period			Expiration dates
			Loans outstanding	Weighted average interest rate	Remaining borrowing capacity	
NJR bank revolving credit facility ⁽¹⁾						
December 31, 2024	\$	575,000	\$ 193,100	5.68 %	\$ 363,432 ⁽²⁾	August 2029
September 30, 2024	\$	575,000	\$ 236,700	6.23 %	\$ 325,951 ⁽²⁾	August 2029
NJNG bank revolving credit facility ⁽³⁾						
December 31, 2024	\$	250,000	\$ 143,900	4.67 %	\$ 105,369 ⁽⁴⁾	August 2029
September 30, 2024	\$	250,000	\$ 55,100	4.98 %	\$ 194,169 ⁽⁴⁾	August 2029

(1) Committed credit facility, which requires commitment fees of 0.10% on the unused amount.

(2) Letters of credit outstanding total approximately \$18.5M and \$12.3M as of December 31, 2024 and September 30, 2024, respectively, which reduces the amount available by the same amount.

(3) Committed credit facility, which requires commitment fees of 0.075% on the unused amount.

(4) Letters of credit outstanding total approximately \$0.7M as of both December 31, 2024 and September 30, 2024, which reduces the 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 Facility.

Long-term Debt

NJR

On November 7, 2024, NJR entered into a Note Purchase Agreement under which NJR issued \$100M senior notes at a fixed interest rate of 5.55%, maturing on November 7, 2034.

NJNG

NJNG received approximately \$11.7M and \$8.8M during the three months ended December 31, 2024 and 2023, respectively, in connection with the sale leaseback of its natural gas meters. NJNG records the sale leaseback as a financing obligation for accounting purposes that is paid over the term of the arrangement and has the option to purchase the meters back at fair value upon expiration of the lease.

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NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Clean Energy Ventures

CEV received proceeds of approximately \$12.6M and \$24.4M during the three months ended December 31, 2024 and 2023, respectively, in connection with the sale leaseback of commercial solar assets. CEV records the sale leaseback as a financing obligation for accounting purposes and continues to operate the solar assets, including related expenses, retains the revenue generated from RECs and energy sales, and has the option to repurchase the assets sold or renew the lease at the end of the lease term.

10. EMPLOYEE BENEFIT PLANS

Pension and Other Postemployment Benefit Plans

In January 2024, the Company announced changes to its postretirement medical benefits plan that replaced the existing retiree medical coverage for certain eligible employees and their dependents with an employer funded Health Reimbursement Arrangement. The liability associated with postretirement medical benefits was remeasured as of January 1, 2024. The change in post-retirement medical benefits is being amortized into earnings over approximately eight years, the average remaining service to retirement for all plan participants.

The components of the net periodic cost for pension benefits, including the Company's Pension Equalization Plan, and OPEB costs (principally health care and life insurance) for employees and covered dependents were as follows:

(Thousands)	Pension		OPEB	
	Three Months Ended		Three Months Ended	
	December 31,		December 31,	
	2024	2023	2024	2023
Service cost	\$ 1,381	\$ 1,244	\$ 273	\$ 642
Interest cost	3,858	4,060	2,097	2,902
Expected return on plan assets	(5,925)	(5,087)	(2,346)	(1,858)
Recognized actuarial loss	301	29	1,793	496
Prior service cost (credit) amortization	—	16	(3,270)	—
Net periodic benefit (credit) cost	\$ (385)	\$ 262	\$ (1,453)	\$ 2,182

The Company does not expect to make additional contributions to fund the pension plans during fiscal 2025 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, the Company may elect to make contributions in excess of the minimum required amount to the plans. There were no discretionary contributions made during the three months ended December 31, 2024 and 2023.

11. INCOME TAXES

ASC Topic 740, *Income Taxes* requires the use of an estimated annual effective tax rate for purposes of determining the income tax provision during interim reporting periods. In calculating its estimated annual effective tax rate, the Company considers forecasted annual pre-tax income and estimated permanent book versus tax differences. Adjustments to the effective tax rate and management's estimates will occur as information and assumptions change.

Changes in tax laws or tax rates are recognized in the financial reporting period that includes the enactment date, the date on which the act is signed into law. Similarly, the tax effect of unusual or infrequent events and transactions are recognized in the financial reporting period in which they occur. These items are excluded from the calculation of the estimated annual effective tax rate and are reported discretely in each interim reporting period.

NJR evaluates its tax positions to determine the appropriate accounting and recognition of potential future obligations associated with uncertain tax positions. A tax benefit claimed, or expected to be claimed, on a tax return may be recognized only if it is more likely than not that the tax position will be upheld upon examination by the applicable taxing authority and is measured based on the largest tax benefit that is more than 50% likely to be realized. 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 Unaudited Condensed Consolidated Balance Sheets.

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NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Effective Tax Rate

The estimated annual effective tax rates were 23.2% and 21.5%, for the three months ended December 31, 2024 and 2023, respectively.

To the extent there are discrete tax items that are not included in the estimated annual effective tax rate, the actual reported effective tax rate may differ from the estimated annual effective tax rate. Discrete tax items primarily relate to the income tax effects associated with the sale of the Company's residential solar energy projects and host customer power purchase agreements for the three months ended December 31, 2024 and the vesting of share based awards for the three months ended December 31, 2023. NJR's effective tax rate was 22.2% and 20.4% during the three months ended December 31, 2024 and 2023, respectively.

Other Tax Items

As of December 31, 2024 and September 30, 2024, the Company has tax credit carryforwards of approximately \$190.8M and \$191.6M, respectively, which each have a life of 20 years. The Company expects to utilize this entire carryforward prior to expiration, which would begin in fiscal 2036.

As of December 31, 2024 and September 30, 2024, the Company has state income tax net operating losses of approximately \$599.3M and \$634.7M, 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 and range from seven to 20 years, with the majority expiring after 2037. The Company expects to utilize this entire carryforward prior to expiration, except for state income tax attributes for which the Company had a valuation allowance of approximately \$0.5M and \$0.6M as of December 31, 2024 and September 30, 2024, respectively, for which the Company could not conclude were realizable on a more-likely-than-not basis.

In March 2024, the State of New Jersey commenced an examination of the Company's Corporate Business Tax return for NJR and certain subsidiaries for the fiscal periods ending September 30, 2019 through September 30, 2022. On January 8, 2025, this audit was completed by the State of New Jersey and no other action is necessary.

12. 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. After the criteria are satisfied, the Company accounts for these arrangements as 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 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. Most 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.

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 certain 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. The variable components of these lease payments are excluded from the lease payments that are used to determine the related right-of-use lease asset and 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.

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NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Generally, the Company's solar land lease terms are between 20 and 50 years and may include multiple options to extend the terms for an additional five to 20 years. The Company's office leases vary in duration, ranging from two to 11 years and may or may not include extension or early purchase options. The Company's meter lease terms are between seven and 10 years with purchase options available prior to the end of the term. Equipment leases, including general office equipment, also vary in duration, with an average term of nine 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 Company has elected an accounting policy that exempts leases with an original term of one year or less from the recognition requirements of ASC 842, *Leases*.

The Company has lease agreements with lease and non-lease components and has elected the practical expedient to combine lease and non-lease components for certain classes of leases, such as office buildings, solar land leases and office equipment. Variable payments are not considered material to the Company. The Company's lease agreements do not contain any material residual value guarantees, material restrictions or material covenants. In July 2021, NJNG entered into 16-year lease agreements, as Lessor, with various NJR subsidiaries, as Lessees, for office space at the Company's headquarters in Wall, New Jersey, the effects of which are eliminated in consolidation.

The following table presents the Company's lease costs included in the Unaudited Condensed Consolidated Statements of Operations:

(Thousands)	Income Statement Location	Three Months Ended	
		December 31,	
		2024	2023
Operating lease cost ⁽¹⁾	Operation and maintenance	\$ 2,709	\$ 2,540
Finance lease cost			
Amortization of right-of-use assets	Depreciation and amortization	540	528
Interest on lease liabilities	Interest expense, net of capitalized interest	188	252
Total finance lease cost		728	780
Variable lease cost	Operation and maintenance	230	200
Total lease cost		\$ 3,667	\$ 3,520

(1) Net of capitalized costs.

The following table presents supplemental cash flow information related to leases:

(Thousands)	Three Months Ended	
	December 31,	
	2024	2023
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows for operating leases	\$ 2,364	\$ 2,236
Operating cash flows for finance leases	\$ 188	\$ 252
Financing cash flows for finance leases	\$ 3,596	\$ 1,956

Assets obtained or modified through operating lease liabilities totaled approximately \$1.5M during the three months ended December 31, 2023. There were no assets obtained or modified through operating leases during the three months ended December 31, 2024. There were no assets obtained or modified through finance leases during the three months ended December 31, 2024 and 2023.

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NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following table presents the balance and classifications of the Company's right of use assets and lease liabilities included in the Unaudited Condensed Consolidated Balance Sheets:

<i>(Thousands)</i>	Balance Sheet Location	December 31, 2024	September 30, 2024
Assets			
Noncurrent			
Operating lease assets	Operating lease assets	\$ 183,252	\$ 184,485
Finance lease assets	Utility plant	25,548	26,088
Total lease assets		\$ 208,800	\$ 210,573
Liabilities			
Current			
Operating lease liabilities	Operating lease liabilities	\$ 5,177	\$ 4,945
Finance lease liabilities	Current maturities of long-term debt	7,158	7,534
Noncurrent			
Operating lease liabilities	Operating lease liabilities	158,583	159,303
Finance lease liabilities	Long-term debt	12,806	16,026
Total lease liabilities		\$ 183,724	\$ 187,808

For operating lease assets and liabilities, the weighted average remaining lease term was 28.5 years and 28.6 years and the weighted average discount rate used in the valuation over the remaining lease term was 3.8% as of both December 31, 2024 and September 30, 2024. For finance lease assets and liabilities, the weighted average remaining lease term was 3.0 years as of both December 31, 2024 and September 30, 2024, and the weighted average discount rate used in the valuation over the remaining lease term was 3.3% and 3.4% as of December 31, 2024 and September 30, 2024, respectively.

13. COMMITMENTS AND CONTINGENT LIABILITIES

Cash Commitments

NJNG has entered into long-term contracts, expiring at various dates through July 2039, for the supply, transportation and storage of natural gas. These contracts include annual fixed charges of approximately \$187.8M at current contract rates and volumes for the remainder of the fiscal year, which are recoverable through BGSS.

For the purpose of securing storage and pipeline capacity, ES enters into storage and pipeline capacity contracts, which require the payment of certain demand charges by ES 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.

Commitments as of December 31, 2024, for natural gas purchases and future demand fees for the next five fiscal year periods are as follows:

<i>(Thousands)</i>	2025	2026	2027	2028	2029	Thereafter
ES:						
Natural gas purchases	\$ 40,459	\$ 1,272	\$ —	\$ —	\$ —	\$ —
Storage demand fees	12,443	11,967	5,452	3,500	2,712	4,068
Pipeline demand fees	40,058	42,072	29,651	21,493	11,005	47,686
Sub-total ES	\$ 92,960	\$ 55,311	\$ 35,103	\$ 24,993	\$ 13,717	\$ 51,754
NJNG:						
Natural gas purchases	\$ 20,303	\$ —	\$ —	\$ —	\$ —	\$ —
Storage demand fees	26,747	22,669	11,207	4,900	—	—
Pipeline demand fees	161,035	215,296	149,328	128,439	124,709	955,051
Sub-total NJNG	\$ 208,085	\$ 237,965	\$ 160,535	\$ 133,339	\$ 124,709	\$ 955,051
Total	\$ 301,045	\$ 293,276	\$ 195,638	\$ 158,332	\$ 138,426	\$ 1,006,805

New Jersey Resources Corporation
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NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Certain pipeline demand fees totaling approximately \$4.0M per year, for which ES is the responsible party, are being paid for by the counterparty to a capacity release transaction beginning in November 2021, for a period of 10 years.

Guarantees

As of December 31, 2024, there were NJR guarantees covering approximately \$180.4M of ES's natural gas purchases and demand fee commitments not yet reflected in accounts payable on the Unaudited Condensed 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 is 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, Freehold and Aberdeen, New Jersey, 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 natural resource damages that might be brought by the NJDEP for alleged injury to groundwater or other natural resources concerning these sites, will range from approximately \$130.9M to \$194.6M. 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. Accordingly, as of December 31, 2024, NJNG recorded a MGP remediation liability and a corresponding regulatory asset of approximately \$161.0M on the Unaudited Condensed Consolidated Balance Sheets 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, the ultimate ability of other responsible parties to pay and insurance recoveries, if any.

NJNG recovers its remediation expenditures, including carrying costs, over rolling seven-year periods pursuant to a RAC approved by the BPU. As of December 31, 2024, \$74.1M of previously incurred remediation costs, net of recoveries from customers and insurance proceeds, are included in regulatory assets on the Unaudited Condensed 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, the Company 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. The Company also discloses contingent matters for which there is a reasonable possibility of a loss. Based upon currently available information, the Company believes that the results of litigation that are 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 different than the amounts accrued.

The foregoing statements about the Company'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.

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NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

14. 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 business operations: NJNG consists of regulated energy and off-system, capacity and storage management operations; CEV consists of capital investments in clean energy projects; ES consists of unregulated wholesale and retail energy operations; S&T consists of the Company's investments in natural gas transportation and storage facilities; the HSO business 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 business operations during the three months ended December 31, 2024 and 2023, are as follows:

	Segments				Subtotal	HSO	Elims	Total
(Thousands)	NJNG	CEV	ES	S&T				
2024								
Operating revenues								
External customers	\$ 333,428	26,406	86,308	26,586	\$ 472,728	15,633	—	\$ 488,361
Intercompany	\$ 337	—	—	42	\$ 379	161	(540)	\$ —
Depreciation and amortization	\$ 32,084	6,425	47	6,496	\$ 45,052	277	—	\$ 45,329
Interest income ⁽²⁾	\$ 637	—	34	2,456	\$ 3,127	273	(1,345)	\$ 2,055
Interest expense, net of capitalized interest	\$ 17,454	6,374	3,885	5,969	\$ 33,682	209	—	\$ 33,891
Income tax provision	\$ 18,261	14,141	2,769	1,489	\$ 36,660	469	255	\$ 37,384
Equity in earnings of affiliates	\$ —	—	—	961	\$ 961	—	439	\$ 1,400
Net financial earnings (loss)	\$ 66,908	48,130	7,833	5,664	\$ 128,535	615	(256)	\$ 128,894
Capital expenditures	\$ 109,904	33,476	—	8,201	\$ 151,581	289	—	\$ 151,870
2023								
Operating revenues								
External customers	\$ 293,093	35,295	100,801	23,187	\$ 452,376	14,834	—	\$ 467,210
Intercompany	\$ 337	—	(1,133)	675	\$ (121)	—	121	\$ —
Depreciation and amortization	\$ 26,917	6,922	57 ⁽¹⁾	6,162	\$ 40,058	229	—	\$ 40,287
Interest income ⁽²⁾	\$ 578	—	128	2,370	\$ 3,076	356	(1,406)	\$ 2,026
Interest expense, net of capitalized interest	\$ 14,751	7,447	3,126	5,933	\$ 31,257	216	—	\$ 31,473
Income tax provision (benefit)	\$ 10,656	3,131	7,511	1,032	\$ 22,330	(52)	658	\$ 22,936
Equity in earnings of affiliates	\$ —	—	—	993	\$ 993	—	667	\$ 1,660
Net financial earnings (loss)	\$ 51,444	10,522	7,831	3,640	\$ 73,437	(600)	(393)	\$ 72,444
Capital expenditures	\$ 79,715	25,766	—	7,785	\$ 113,266	1,356	—	\$ 114,622

(1) The amortization of acquired wholesale energy contracts is excluded above and is included in natural gas purchases - nonutility on the Unaudited Condensed Consolidated Statements of Operations.

(2) Included in other income, net on the Unaudited Condensed Consolidated Statements of Operations.

The Company's assets for the various reporting segments and other business operations are detailed below:

(Thousands)	Segments				Subtotal	HSO	Intercompany	Total
	NJNG	CEV	ES	S&T			Assets ⁽¹⁾	
December 31, 2024	\$ 5,031,714	1,104,304	138,545	1,026,150	\$ 7,300,713	142,143	(248,891)	\$ 7,193,965
September 30, 2024	\$ 4,789,835	1,157,573	108,710	1,025,457	\$ 7,081,575	159,444	(259,374)	\$ 6,981,645

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

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NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (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 other business operations, is the chief operating decision maker of the Company. A reconciliation of consolidated NFE to consolidated net income is as follows:

<i>(Thousands)</i>	Three Months Ended	
	December 31,	
	2024	2023
Net financial earnings	\$ 128,894	\$ 72,444
Less:		
Unrealized loss (gain) on derivative instruments and related transactions	6,368	(5,400)
Tax effect	(1,513)	1,282
Effects of economic hedging related to natural gas inventory	(9,527)	(16,228)
Tax effect	2,264	3,857
NFE tax adjustment	(17)	(478)
Net income	\$ 131,319	\$ 89,411

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 and SRECs. 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. 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 components of NFE. The Company also calculates a quarterly tax adjustment based on an estimated annual effective tax rate for NFE purposes.

15. RELATED PARTY TRANSACTIONS

In April 2020, NJNG entered into a five-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 \$9.3M 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.

ES may periodically enter into storage or park and loan agreements with Steckman Ridge. As of December 31, 2024, ES entered into transactions with Steckman Ridge for varying terms, all of which expire by March 31, 2027.

Demand fees, net of eliminations, associated with Steckman Ridge were as follows:

<i>(Thousands)</i>	Three Months Ended	
	December 31,	
	2024	2023
NJNG	\$ 1,524	\$ 1,655
ES	194	224
Total	\$ 1,718	\$ 1,879

New Jersey Resources Corporation
Part I

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following table summarizes demand fees payable to Steckman Ridge as of:

<i>(Thousands)</i>	December 31, 2024	September 30, 2024
NJNG	\$ 775	\$ 775
ES	106	100
Total	\$ 881	\$ 875

NJNG and ES enter into various AMAs, the effects of which are eliminated in consolidation. Under the terms of these AMAs, NJNG releases certain transportation and storage contracts to ES. NJNG and ES had one AMA, which expired on March 31, 2024, and was not renewed.

NJNG entered into two transportation agreements with Adelphia, each for committed capacity of 130,000 Dekatherms per day. The first is for five years in Zone South with an expiration date of August 8, 2027, and the second is for 15 years in Zone North, which began on November 1, 2023, with an expiration date of October 31, 2038.

ES had a five-year agreement for 3 Bcf of firm storage capacity with Leaf River, the effects of which were eliminated in consolidation. The agreement expired on March 31, 2024, and was not renewed.

NJNG and CEV entered into a 15-year sublease and PPA related to an onsite solar array and the related energy output at the Company's headquarters in Wall, New Jersey, with an expiration date of March 1, 2036, the effects of which are immaterial to the consolidated financial statements.

NJNG entered into 16-year lease agreements, as Lessor, with various NJR subsidiaries, as Lessees, for office space at the Company's headquarters in Wall, New Jersey, each with an expiration date of July 1, 2037, the effects of which are eliminated in consolidation.

NJNG and CEV entered into a 20-year sublease and PPA related to an onsite solar array and the related energy output at the Company's liquefied natural gas plant in Howell, New Jersey, with an expiration date of June 1, 2042, the effects of which are immaterial to the consolidated financial statements.

On January 3, 2025, Adelphia and ES entered into a transportation agreement for committed capacity of 10,000 Dekatherms per day with an expiration date of February 28, 2025.

The intercompany profits for certain transactions between NJNG and ES and NJNG and Adelphia are not eliminated in accordance with ASC 980, *Regulated Operations*.

16. DISPOSITIONS

On November 25, 2024, CEV completed the sale of its residential solar asset portfolio to a third party, which primarily includes residential solar energy projects and host customer contracts, included in The Sunlight Advantage® program, for a total purchase price of \$132.5M. The transaction also included a post-closing working capital adjustment and is subject to a transition services agreement. During the three months ended December 31, 2024, the Company recognized a pre-tax gain on sale of assets of approximately \$54.9M on the Unaudited Condensed Consolidated Statements of Operations.

CEV currently has certain residential solar energy projects that are under contract and in various stages of development that will transfer to the buyer once the assets become operational. The value of these unsold projects is considered immaterial to the Company's consolidated financial statements. The transfer of these projects is expected to take place during fiscal 2025.

Also, in connection with the sale, CEV entered into an agreement with the buyer to leaseback certain residential solar energy projects that have not yet passed the fifth anniversary of their placed-in-service dates. The assets are subject to leaseback until the fifth anniversary of the applicable placed-in-service date of the project. The impact of these transactions is considered immaterial to the Company's consolidated financial statements.

New Jersey Resources Corporation

Part I

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Critical Accounting Estimates

A summary of our critical accounting policies is included in *Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations* of our Annual Report on [Form 10-K](#) for the period ended September 30, 2024. Our critical accounting policies have not changed from those reported in the 2024 Annual Report on [Form 10-K](#).

Recently Issued Accounting Standards

Refer to *Note 2. Summary of Significant Accounting Policies* for discussion of recently issued accounting standards.

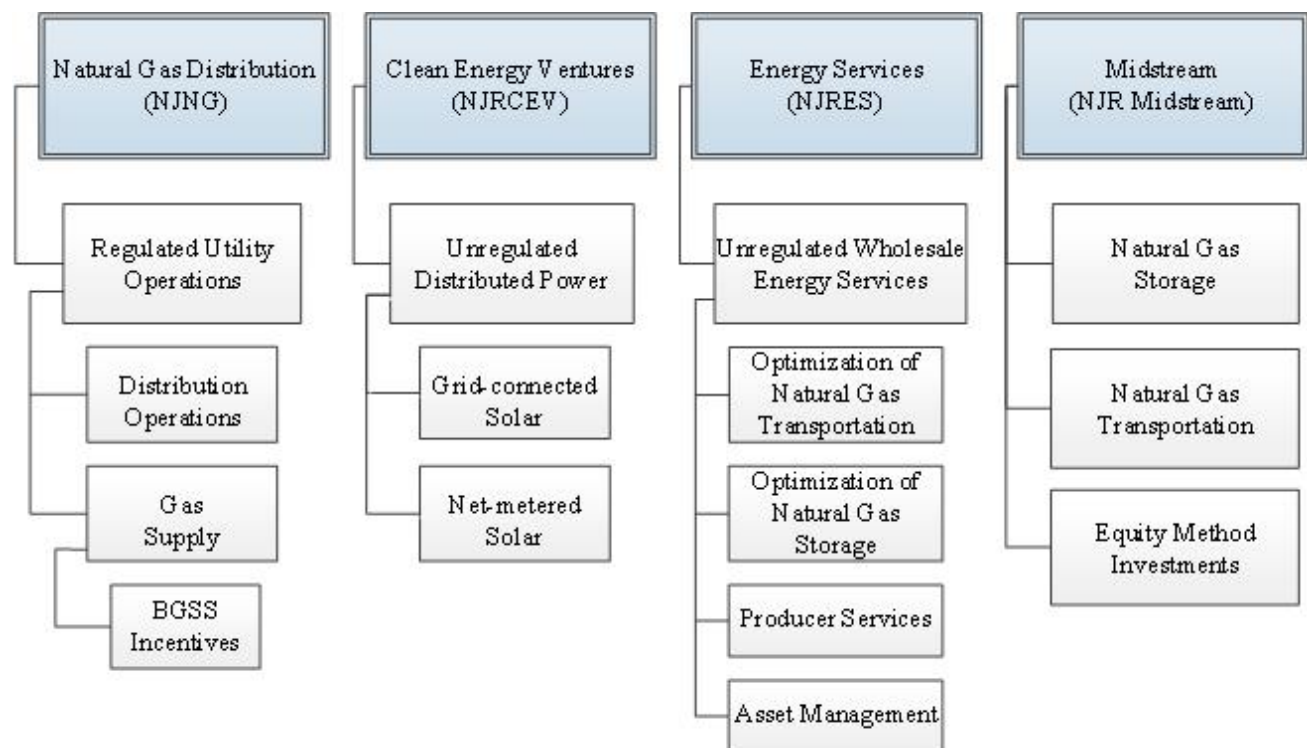
Management's Overview

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. In addition, we invest in clean energy projects, 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* of our 2024 Annual Report on [Form 10-K](#).

Reporting Segments

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



In addition to our four reporting segments above, we have nonutility 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 HSO, include: appliance repair services, sales and installations at NJRHS and commercial real estate holdings at Commercial Realty & Resources Corp.

New Jersey Resources Corporation
Part I

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Operating Results

Net income by reporting segment and other business operations, which are discussed in more detail within the operating results sections of each reporting segment and other business operations, are as follows:

<i>(Thousands)</i>	Three Months Ended December 31,			
	2024		2023	
Net income (loss)				
NJNG	\$ 66,908	51 %	\$ 51,444	57 %
CEV	48,130	37	10,522	12
ES	10,258	8	23,933	27
S&T	5,664	4	3,640	4
HSO	615	—	(600)	(1)
Eliminations ⁽¹⁾	(256)	—	472	1
Total	\$ 131,319	100 %	\$ 89,411	100 %

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

Consolidated net income increased approximately \$41.9M during the three months ended December 31, 2024, compared with the three months ended December 31, 2023, due primarily to the following factors:

- \$37.6M increase at CEV due primarily to the gain on the sale of the residential solar asset portfolio; and
- \$15.5M increase in earnings at NJNG due to increased base rates; partially offset by
- \$13.7M decrease at ES due primarily to lower revenue related to the AMAs along with decreased sales volumes and higher natural gas costs during the current period.

The primary drivers of the changes noted above are described in more detail in the individual reporting segment and other business operations discussions.

Assets by reporting segment and operations are as follows:

<i>(Thousands)</i>	December 31, 2024		September 30, 2024	
Assets				
NJNG	\$ 5,031,714	70 %	\$ 4,789,835	69 %
CEV	1,104,304	15	1,157,573	17
ES	138,545	2	108,710	1
S&T	1,026,150	14	1,025,457	15
HSO	142,143	2	159,444	2
Intercompany assets ⁽¹⁾	(248,891)	(3)	(259,374)	(4)
Total	\$ 7,193,965	100 %	\$ 6,981,645	100 %

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

Consolidated assets increased approximately \$212.3M as of December 31, 2024, compared with September 30, 2024, due primarily to the following factors:

- \$202.7M increase in customer receivables primarily at NJNG; and
- \$73.2M increase in utility plant expenditures, net at NJNG; partially offset by
- \$48.6M decrease in nonutility plant and equipment, net at CEV due primarily to the sale of the residential solar asset portfolio.

New Jersey Resources Corporation
Part I

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Non-GAAP Financial Measures

Our management uses NFE, a non-GAAP financial measure, when evaluating our operating results. ES 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. To the extent we utilize forwards, futures, or other derivatives to hedge forecasted SREC production, unrealized gains and losses are also eliminated from NFE. Included in the tax effects are current and deferred income tax expense corresponding with the components of NFE.

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 differences 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, 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 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. Below is a reconciliation of consolidated net income, the most directly comparable GAAP measure, to NFE:

	Three Months Ended	
	December 31,	
	2024	2023
<i>(Thousands, except per share data)</i>		
Net income	\$ 131,319	\$ 89,411
Add:		
Unrealized loss (gain) on derivative instruments and related transactions	6,368	(5,400)
Tax effect	(1,513)	1,282
Effects of economic hedging related to natural gas inventory ⁽¹⁾	(9,527)	(16,228)
Tax effect	2,264	3,857
NFE tax adjustment	(17)	(478)
Net financial earnings	\$ 128,894	\$ 72,444
Basic earnings per share	\$ 1.32	\$ 0.91
Add:		
Unrealized loss (gain) on derivative instruments and related transactions	0.06	(0.05)
Tax effect	(0.01)	0.01
Effects of economic hedging related to natural gas inventory ⁽¹⁾	(0.10)	(0.17)
Tax effect	0.02	0.04
Basic net financial earnings per share	\$ 1.29	\$ 0.74

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

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

NFE by reporting segment and other business operations, which are discussed in more detail within the operating results sections of each reporting segment and other business operations, is summarized as follows:

<i>(Thousands)</i>	Three Months Ended December 31,			
	2024		2023	
Net financial earnings (loss)				
NJNG	\$ 66,908	52 %	\$ 51,444	71 %
CEV	48,130	37	10,522	15
ES	7,833	7	7,831	11
S&T	5,664	4	3,640	5
HSO	615	—	(600)	(1)
Eliminations ⁽¹⁾	(256)	—	(393)	(1)
Total	\$ 128,894	100 %	\$ 72,444	100 %

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

Consolidated NFE increased approximately \$56.5M during the three months ended December 31, 2024, compared with the three months ended December 31, 2023, due primarily to the following factors:

- \$37.6M increase at CEV and
- \$15.5M increase at NJNG, as previously discussed.

Natural Gas Distribution

Overview

Natural Gas Distribution is comprised of NJNG, a natural gas utility that provides regulated natural gas service to residential and commercial customers throughout Burlington, Middlesex, Monmouth, Morris, Ocean, and Sussex counties in New Jersey and also participates in the off-system sales and capacity release markets. The business is subject to various risks, which 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 such as inflation and rising natural gas costs, 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 generates 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.

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 Unaudited Condensed Consolidated Financial Statements for a more detailed discussion of 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.

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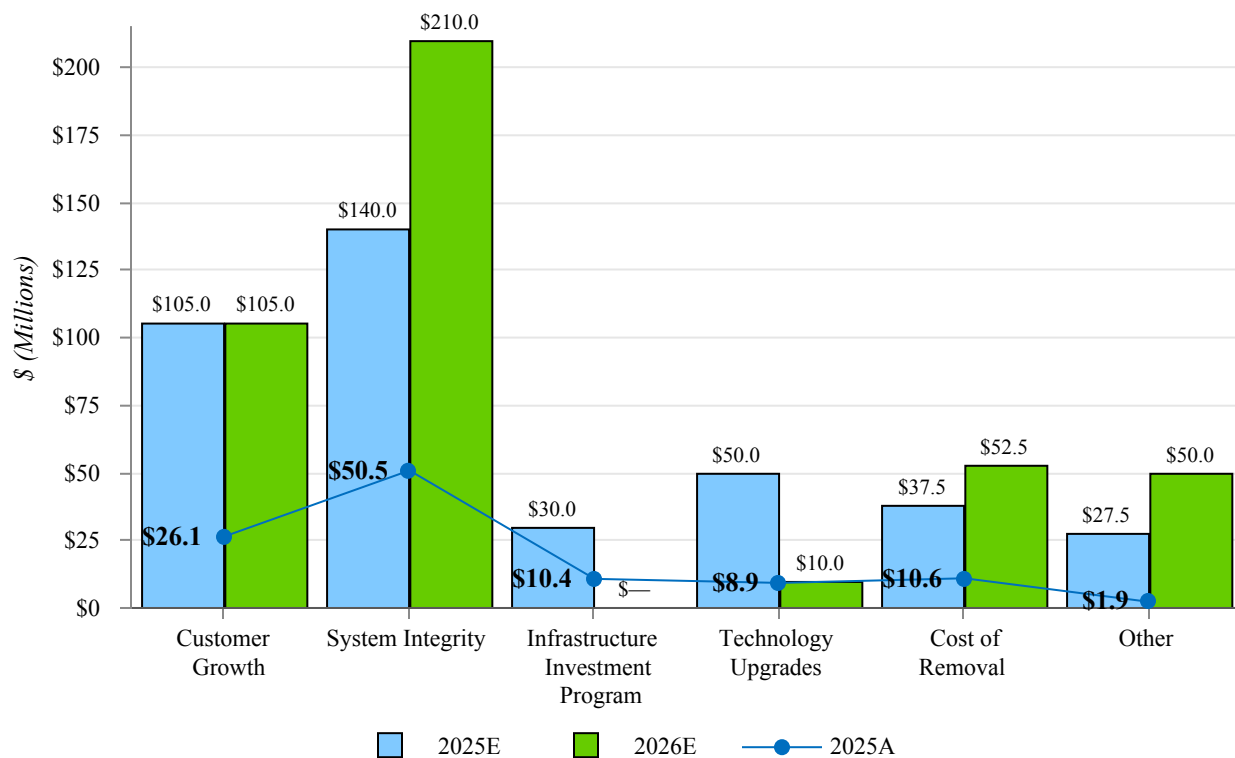
ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Base Rate Case

On January 31, 2024, NJNG filed a base rate case with the BPU requesting a natural gas revenue increase of approximately \$222.6M including a recovery of infrastructure investments, a change in the Company’s overall rate of return on rate base to 7.57% and a change in the return on common equity to 10.42%. On November 21, 2024, the BPU issued an order adopting a stipulation of settlement approving a \$157.0M increase to base rates, effective November 21, 2024. The increase includes an overall rate of return on rate base of 7.08%, return on common equity of 9.6%, a common equity ratio of 54.0% and a composite depreciation rate of 3.21%.

Infrastructure Projects

NJNG has significant annual capital expenditures associated with the management of its natural gas distribution and transmission system, including new utility plant expenditures associated with customer growth and its associated pipeline integrity management and infrastructure programs. Below is a summary of NJNG’s capital expenditures, including accruals, for the three months ended December 31, 2024, and estimates of expected investments for fiscal 2025 and 2026:



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.

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

Infrastructure Investment Program

In October 2020, the BPU approved NJNG’s five-year IIP filing for \$150.0M of transmission and distribution investments, effective November 1, 2020, which will be recovered through annual filings to adjust base rates.

In September 2023, the BPU approved NJNG's annual IIP filing, which requested a rate increase for capital expenditures of \$28.2M through June 30, 2023, which resulted in a \$3.2M revenue increase, effective October 1, 2023.

On March 28, 2024, NJNG submitted its annual IIP filing to the BPU requesting a rate increase for capital expenditures of \$43.5M through June 30, 2024. The filing was updated July 26, 2024, to reflect actual expenses of \$41.2M. The BPU approved this filing on September 25, 2024, which resulted in a \$4.7M revenue increase, effective October 1, 2024.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Natural Gas Customers

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 include the following:

	December 31, 2024	December 31, 2023
Firm customers		
Residential	530,760	523,623
Commercial, industrial & other	33,149	32,872
Residential transport	14,102	14,975
Commercial transport	7,966	8,014
Total firm customers	585,977	579,484
Other	115	116
Total customers	586,092	579,600

During the three months ended December 31, 2024, NJNG added 1,914 new customers. NJNG expects new customer additions, and those customers who added additional natural gas services to their premises to contribute approximately \$2.0M of incremental Utility Gross Margin on an annualized basis.

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 three- to 10-year period through a tariff rider mechanism. In March 2021, the BPU approved a three-year SAVEGREEN program consisting of approximately \$126.1M of direct investment, \$109.4M in financing options, and \$23.4M in O&M.

On December 18, 2024, the BPU approved NJNG's annual EE filing for the recovery of SAVEGREEN costs, which will increase annual recoveries by approximately \$3.1M, effective January 1, 2025.

On October 30, 2024, the BPU approved a settlement of the new SAVEGREEN program running from January 1, 2025 to June 30, 2027, and consisting of \$205.0M of direct investment, \$160.5M in financing options and \$20.1M in O&M, which totals \$385.6M. Annual recoveries are expected to increase by approximately \$12.3M, effective January 1, 2025.

The following table summarizes loans, grants, rebates and related investments as of:

<i>(Thousands)</i>	December 31, 2024	September 30, 2024
Loans	\$ 222,500	\$ 212,800
Grants, rebates and related investments	211,400	202,500
Total	\$ 433,900	\$ 415,300

Program recoveries from customers during the three months ended December 31, 2024 and 2023, were \$4.9M and \$4.4M, respectively. The recovery includes a weighted average cost of capital that ranges from 6.84% to 6.9%, with a return on equity of 9.6% to 9.75%.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

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.

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

<i>(Thousands)</i>	Three Months Ended	
	December 31,	
	2024	2023
Weather ⁽¹⁾	\$ 8,750	\$ 10,616
Usage	(75)	948
Total	\$ 8,675	\$ 11,564

(1) Compared with the 20-year average, weather was 8.1% warmer-than-normal during the three months ended December 31, 2024 and 8.2% warmer-than-normal during the three months ended December 31, 2023.

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 therms 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.

In April 2023, the BPU approved on a final basis, NJNG's February 2023 filing for a reduction to the BGSS rate, which reduced annual recoveries by approximately \$29.9M, effective March 1, 2023. NJNG's February 2023 filing also advised the BPU of a bill credit for residential and small commercial customers. Total bill credits given back to customers from March 2023 through May 2023, totaled approximately \$32.4M.

On April 30, 2024, the BPU approved, on a final basis, NJNG's June 2023 annual filing, which included a decrease of approximately \$38.6M to the annual revenues credited to BGSS, an annual decrease of approximately \$7.4M related to its balancing charge and an increase of approximately \$27.0M to CIP rates for residential and small business customers, effective October 1, 2023.

On September 25, 2024, the BPU approved, on a provisional basis, NJNG's May 2024 annual filing, which included a decrease of approximately \$31.0M to the annual revenues credited to BGSS, an annual increase of approximately \$40.3M related to its balancing charge and a decrease of approximately \$0.8M to CIP rates, effective October 1, 2024. 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.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

BGSS Incentive Programs

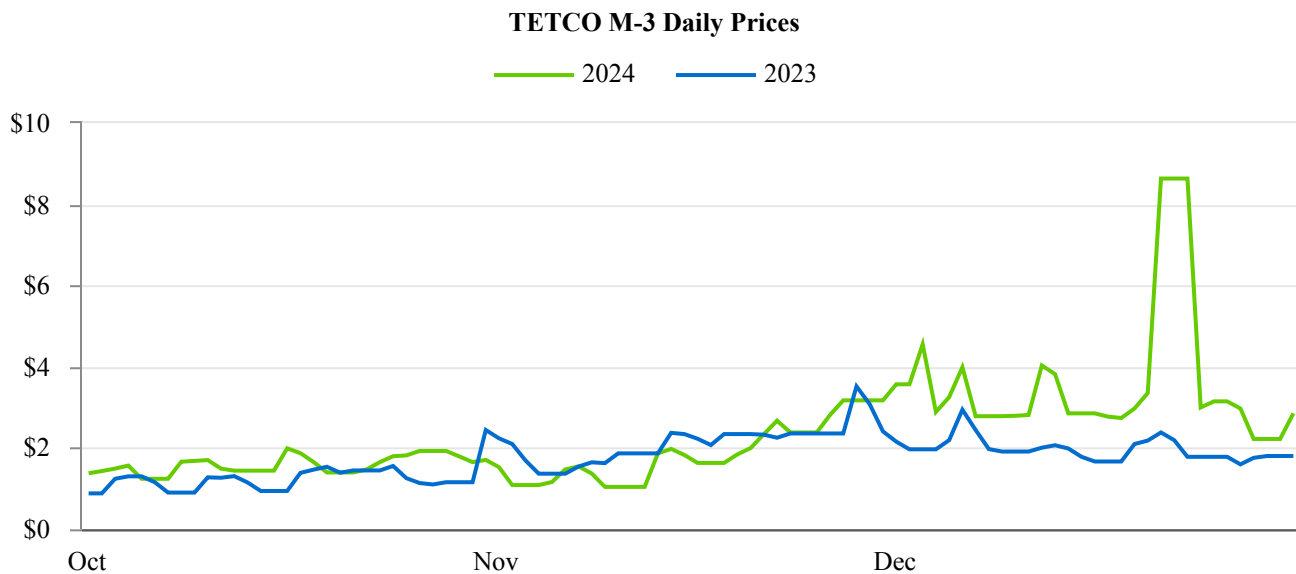
NJNG is eligible to receive financial incentives for reducing BGSS costs through a series of Utility Gross Margin-sharing programs that include off-system sales, capacity release and storage incentive programs. These programs are designed to encourage better utilization and hedging of NJNG's natural gas supply and transportation and storage assets. Depending on the program, NJNG shares 80 or 85% of Utility Gross Margin generated by these programs with firm customers. Utility Gross Margin from incentive programs was approximately \$3.2M and \$5.4M during the three months ended December 31, 2024 and 2023, 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% of the Company's projected winter periodic BGSS natural gas sales volumes hedged by each November 1 and at least 25% of the projected periodic BGSS natural gas sales hedged for the following April through March period. The hedging goal is typically achieved with gas in storage and the use of financial instruments to hedge storage injections. NJNG may also use various financial instruments including futures, swaps, options and weather related products to hedge its future delivery obligations.

Commodity Prices

NJNG is affected by the price of natural gas, which can have a significant impact on our cash flows and 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 are 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 Standard & Poor's Financial Services, LLC Global Platts.

The maximum price per MMBtu was \$8.64 and \$3.52 and the minimum price was \$1.05 and \$0.89 for the three months ended December 31, 2024 and 2023, 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 *Operating Results* and *Cash Flow* sections of *Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations*.

Societal Benefits Charge

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.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

On March 20, 2024, the BPU approved NJNG's annual SBC filing of RAC expenditures through June 30, 2023, which included an increase to the RAC annual recoveries of approximately \$2.4M and an increase to the NJCEP annual recoveries of approximately \$5.5M, effective April 1, 2024.

On June 28, 2024, NJNG submitted its annual USF filing to the BPU requesting an increase to the statewide USF rate. On September 25, 2024, the BPU approved the filing, which resulted in a \$6.8M increase to annual recoveries, effective October 1, 2024.

On September 30, 2024, NJNG submitted its annual SBC filing to the BPU requesting approval of RAC expenditures through June 2024, which included an increase to the RAC annual recoveries of approximately \$2.4M and an increase to the NJCEP annual recoveries of approximately \$1.6M, which would be effective April 1, 2025.

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 periodically, and at least annually, 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 \$161.0M as of December 31, 2024, a decrease of \$0.7M compared with the prior fiscal period. See *Note 13. [Commitments and Contingent Liabilities](#)* for more details.

Other regulatory filings and a more detailed discussion of the filings in this section can be found in *Note 4. [Regulation](#)* in the accompanying Unaudited Condensed Consolidated Financial Statements.

Operating Results

NJNG's operating results are as follows:

<i>(Thousands)</i>	Three Months Ended	
	December 31,	
	2024	2023
Operating revenues ⁽¹⁾	\$ 333,765	\$ 293,430
Operating expenses		
Natural gas purchases ⁽²⁾⁽³⁾	130,005	118,444
Operation and maintenance	52,094	54,705
Regulatory rider expense ⁽⁴⁾	22,476	19,189
Depreciation and amortization	32,084	26,917
Total operating expenses	236,659	219,255
Operating income	97,106	74,175
Other income, net	5,517	2,676
Interest expense, net of capitalized interest	17,454	14,751
Income tax provision	18,261	10,656
Net income	\$ 66,908	\$ 51,444

(1) Includes nonutility revenue of approximately \$0.3M for both the three months ended December 31, 2024 and 2023, for lease agreements with various NJR subsidiaries leasing office space from NJNG at the Company's headquarters, which are eliminated in consolidation.

(2) 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.

(3) Includes related party transactions of approximately \$2.3M for both the three months ended December 31, 2024 and 2023, a portion of which is eliminated in consolidation.

(4) Consists of expenses associated with state-mandated programs, the RAC and energy efficiency programs, which 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 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Operating Revenues and Natural Gas Purchases

Operating revenues increased 13.7% and natural gas purchases increased 9.8% during the three months ended December 31, 2024, compared with the three months ended December 31, 2023.

The factors contributing to the increases and decreases in operating revenues and natural gas purchases are as follows:

(Thousands)	Three Months Ended December 31, 2024 v. 2023	
	Operating revenues	Natural gas purchases
Base rate impact	\$ 23,245	\$ —
BGSS incentives	4,799	6,933
Firm sales	8,433	1,280
Average BGSS rates	2,175	2,175
CIP adjustments	(2,889)	—
Riders and other ⁽¹⁾	4,572	1,173
Total increase	\$ 40,335	\$ 11,561

(1) Riders and other includes changes in rider rates, including those related to Energy Efficiency, NJCEP and other programs, which is offset in regulatory rider expense.

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 operating revenues less natural gas purchases, sales tax, and regulatory rider expenses. This measure differs from gross margin as presented on a GAAP basis as it excludes certain operations and maintenance expense and depreciation and amortization. Utility Gross Margin may also 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 revenues 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 gross margin, the closest GAAP financial measure to NJNG's Utility Gross Margin, is as follows:

(Thousands)	Three Months Ended December 31,	
	2024	2023
Operating revenues	\$ 333,765	\$ 293,430
Less:		
Natural gas purchases	130,005	118,444
Operation and maintenance ⁽¹⁾	26,009	26,401
Regulatory rider expense	22,476	19,189
Depreciation and amortization	32,084	26,917
Gross margin	123,191	102,479
Add:		
Operation and maintenance ⁽¹⁾	26,009	26,401
Depreciation and amortization	32,084	26,917
Utility Gross Margin	\$ 181,284	\$ 155,797

(1) Excludes SG&A of approximately \$26.1M and \$28.3M for the three months ended December 31, 2024 and 2023, respectively.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

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.

The following provides more information on the components of Utility Gross Margin and associated throughput (Bcf) of natural gas delivered to customers:

(\$ in thousands)	Three Months Ended December 31,			
	2024		2023	
	Margin	Bcf	Margin	Bcf
Utility Gross Margin/Throughput				
Residential	\$ 130,018	14.1	\$ 108,037	13.9
Commercial, industrial and other	23,869	2.6	20,831	2.6
Firm transportation	23,176	3.4	20,764	3.6
Total utility firm gross margin/throughput	177,063	20.1	149,632	20.1
BGSS incentive programs	3,247	14.4	5,381	27.2
Interruptible/off-tariff agreements	974	7.1	784	3.3
Total Utility Gross Margin/Throughput	\$ 181,284	41.6	\$ 155,797	50.6

Utility Firm Gross Margin

Utility firm gross margin increased \$27.4M during the three months ended December 31, 2024, compared with the three months ended December 31, 2023, due primarily to an increase in base rates.

BGSS Incentive Programs

The factors contributing to the change in Utility Gross Margin generated by BGSS incentive programs are as follows:

(Thousands)	Three Months Ended December 31, 2024 v. 2023	
Storage		\$ (1,264)
Off-system sales		(629)
Capacity release		(241)
Total decrease		\$ (2,134)

BGSS incentive programs decreased during the three months ended December 31, 2024, compared with the three months ended December 31, 2023, due primarily to decreased margins from storage due to reduced market volatility.

Net Income

Net income increased approximately \$15.5M during the three months ended December 31, 2024, compared with the three months ended December 31, 2023, due primarily to the following factors:

- \$25.5M increase in Utility Gross Margin, as previously discussed; partially offset by
- \$5.2M increase in depreciation expense; and
- \$7.6M increase in income tax expense related to higher operating income.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Clean Energy Ventures

Overview

CEV actively pursues opportunities in the renewable energy markets, which includes the development, construction and operation of net-metered and grid-connected commercial solar projects. In addition, CEV 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 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. CEV is also subject to various risks, which may include our ability to identify and develop commercial solar asset investments, impacts to our supply chain and our ability to source materials for construction.

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

CEV placed two net-metered solar commercial projects in service totaling 10.5 MWs during the three months ended December 31, 2024, with related expenditures of \$20.4M. CEV placed one net-metered solar commercial project in service totaling 2.8 MWs during the three months ended December 31, 2023, with related expenditures of \$7.8M. These projects are subject to sale leaseback arrangements.

CEV has approximately 396 MW of commercial solar capacity in service. Projects that were placed in service through December 31, 2019, qualified for a 30% federal ITC. The credit declined to 26% for property under construction during 2020 through the end of 2022. In August 2022, the federal ITC was restored to 30% through the end of 2032. There are additional opportunities to increase the credit amount for certain facilities that are placed in service after December 31, 2022, based upon the type of project and location.

CEV 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 seven years. The Company will continue to operate the solar assets and is responsible for related expenses and entitled to retain the revenue generated from RECs and energy sales. ITCs and other tax attributes associated with these solar projects transfer to the buyer if applicable; however, the lease payments are structured so that CEV 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 five years of in-service life, CEV recognizes the equivalent value of the ITC in other income on the Unaudited Condensed Consolidated Statements of Operations over the respective five-year ITC recapture periods, starting with the second year of the lease. CEV received proceeds of approximately \$12.6M and \$24.4M during the three months ended December 31, 2024 and 2023, respectively, in connection with the sale leaseback of commercial solar assets.

CEV operated a residential solar program, as part of The Sunlight Advantage®, which provided qualifying homeowners with the opportunity to have a solar system installed at their home with no installation or maintenance expenses. CEV owned, operated and maintained the system over the life of the lease in exchange for monthly lease payments. On November 25, 2024, CEV completed the sale of its 91 MW residential solar portfolio, and related assets and liabilities included in The Sunlight Advantage® program to a third party for a total purchase price of \$132.5M.

For solar installations placed in-service in New Jersey prior to April 30, 2020, 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.

Following the close of the SREC market in New Jersey, the BPU established the TREC as 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.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

In July 2021, the BPU established a new successor solar incentive program. This ADI Program provides administratively set incentives for net metered residential projects and net metered non-residential projects of 5 MW or less. REC's generated through the production of electricity under this program are known as SREC IIs.

In December 2022, the BPU established the CSI Program, which provides incentives to larger solar facilities. It is open to qualifying grid supply solar facilities, non-residential net metered solar installations with a capacity greater than 5 MW, and eligible grid supply solar facilities installed in combination with energy storage. Pricing is determined based on a competitive bid solicitation process.

REC activity during the three months ended, consisted of the following:

	Beginning inventory balance	RECs		Ending inventory balance	Average Sale Price
		Generated	Delivered		
December 31, 2024					
SRECs	126,928	88,707	(85,693)	129,942	\$206
TRECs ⁽¹⁾	11,237	17,444	(22,254)	6,427	\$142
SREC IIs ⁽¹⁾	5,022	4,404	(6,682)	2,744	\$89
December 31, 2023					
SRECs	144,138	93,570	(122,439)	115,269	\$212
TRECs ⁽¹⁾	10,120	16,705	(20,608)	6,217	\$142
SREC IIs ⁽¹⁾	6,013	2,773	(1,527)	7,259	\$89

(1) TREC and SREC II inventory balances are due primarily to the timing of generation and when RECs are delivered to the state administrator.

CEV hedges its expected SREC production through the use of forward sales contracts. The following table reflects the hedged percentage of our projected inventory of SRECs related to CEV's in-service solar assets at December 31, 2024:

Energy Year ⁽¹⁾	Percent of SRECs Hedged
2025	86%
2026	95%
2027	65%
2028	50%
2029	32%

(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 RECs by our solar assets. All related costs are included as a component of O&M on the Unaudited Condensed Consolidated Statements of Operations, including such expenses as facility maintenance and broker fees.

Operating Results

CEV's financial results are summarized as follows:

(Thousands)	Three Months Ended December 31,	
	2024	2023
Operating revenues	\$ 26,406	\$ 35,295
Operating expenses		
Operation and maintenance	10,566	10,050
Depreciation and amortization	6,425	6,922
Gain on sale of assets	(54,859)	—
Total operating expenses	(37,868)	16,972
Operating income	64,274	18,323
Other income, net	4,371	2,777
Interest expense, net	6,374	7,447
Income tax provision	14,141	3,131
Net income	\$ 48,130	\$ 10,522

New Jersey Resources Corporation

Part I

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Net income increased approximately \$37.6M during the three months ended December 31, 2024, compared with the three months ended December 31, 2023, due primarily to the following factors:

- \$54.9M gain on the sale of the residential solar asset portfolio; partially offset by
- \$8.9M decrease in operating revenues due to the timing of SREC sales; and
- \$11.0M increase in income tax expense related to higher operating income.

Energy Services

Overview

ES 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. ES 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 ES to generate market opportunities by capturing price differentials over specific time horizons and between geographic market locations.

ES 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, ES 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, ES 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, ES is able to implement strategies that allow it to capture margin by improving the respective time or geographic spreads on a forward basis.

ES accounts for its physical commodity contracts and its financial derivative instruments at fair value on the Unaudited Condensed 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 revenues or natural gas purchases on the Unaudited Condensed Consolidated Statements of Operations. Volatility in reported net income at ES 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 and SRECs 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 ES realizes the entire margin on the transaction.

During December 2020, ES entered into a series of AMAs with an investment grade public utility to release pipeline capacity associated with certain natural gas transportation contracts. The utility provides certain asset management services and ES may deliver natural gas to the utility in exchange for aggregate net proceeds of approximately \$500M, payable through November 1, 2030. The AMAs include a series of initial and permanent releases, which commenced in November 2021. NJR received a total of approximately \$260M in cash from fiscal 2022 through fiscal 2024 and will receive approximately \$34M per year from fiscal 2025 through fiscal 2031 under the agreements. ES recognized approximately \$4.9M and \$9.5M during the three months ended December 31, 2024 and 2023, respectively, of operating revenue related to the AMAs on the Unaudited Condensed Consolidated Statements of Operations. Amounts received in excess of revenue totaling \$51.6M and \$22.3M as of December 31, 2024 and September 30, 2024, respectively, are included in deferred revenue on the Unaudited Condensed Consolidated Balance Sheets.

New Jersey Resources Corporation
Part I

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Operating Results

ES's financial results are summarized as follows:

<i>(Thousands)</i>	Three Months Ended December 31,	
	2024	2023
Operating revenues ⁽¹⁾	\$ 86,308	\$ 99,668
Operating expenses		
Natural gas purchases (including demand charges ⁽²⁾⁽³⁾)	67,868	60,166
Operation and maintenance	1,865	5,108
Depreciation and amortization	47	57
Total operating expenses	69,780	65,331
Operating income	16,528	34,337
Other income, net	384	233
Interest expense, net	3,885	3,126
Income tax provision	2,769	7,511
Net income	\$ 10,258	\$ 23,933

(1) Includes related party transactions of approximately \$1.1M during the three months ended December 31, 2023, which are eliminated in consolidation. There were no related party transactions during the three months ended December 31, 2024.

(2) Costs associated with pipeline and storage capacity 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 \$0.3M during both the three months ended December 31, 2024 and 2023, a portion of which is eliminated in consolidation.

ES's portfolio of financial derivative instruments is composed of:

<i>(in Bcf)</i>	Three Months Ended December 31,	
	2024	2023
Net short futures and swaps contracts	7.7	10.0

During the three months ended December 31, 2024 and 2023, the net short position resulted in unrealized (loss) gains of approximately \$(0.5)M and \$16.7M, respectively.

Operating revenues decreased approximately \$13.4M during the three months ended December 31, 2024, compared with the three months ended December 31, 2023, due primarily to a decrease in revenue related to the AMAs and a 6% decrease in volumes. Natural gas purchases increased approximately \$7.7M during the three months ended December 31, 2024, compared with the three months ended December 31, 2023, due primarily to a 23% increase in natural gas purchase prices.

Future results at ES 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 warmer temperatures, and reduced volatility can negatively impact ES's earnings. See *Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations - Natural Gas Distribution* for TETCO M-3 Daily Prices, which illustrates the daily natural gas prices in the Northeast market region.

Net income decreased approximately \$13.7M during the three months ended December 31, 2024, compared with the three months ended December 31, 2023, due primarily to the following factors:

- \$13.4M decrease in operating revenues, as previously discussed; and
- \$7.7M increase in natural gas purchases, as previously discussed; partially offset by
- \$3.2M decrease in O&M due to lower employee related expenses; and
- \$4.7M decrease in income tax expense related to lower operating income.

New Jersey Resources Corporation
Part I

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Non-GAAP Financial Measures

Management uses Financial Margin and NFE, non-GAAP financial measures, when evaluating the operating results of ES. Financial Margin and NFE are based on removing timing differences associated with certain derivative instruments. GAAP also 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 differences between our forecasted net income and our forecasted NFE for the fiscal year. This adjustment is applied to ES, as the adjustment primarily relates to timing differences associated with certain derivative instruments that impacts the estimate of the annual effective tax rate for NFE. No adjustment is needed during the fourth quarter, since the actual effective tax rate is calculated at year end.

Management views these measures as representative of the overall expected economic result and uses these measures to compare ES's 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, ES's 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 ES 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. To the extent we utilize forwards, futures or other derivatives to hedge natural gas transactions and forecasted SREC production, the resulting unrealized gains and losses are also eliminated from NFE. Financial Margin differs from gross margin as defined on a GAAP basis as it excludes certain operations and maintenance expense and depreciation and amortization as well as the effects of derivatives as discussed above.

Financial Margin

A reconciliation of gross margin, the closest GAAP financial measure, to ES's Financial Margin is as follows:

<i>(Thousands)</i>	Three Months Ended December 31,	
	2024	2023
Operating revenues ⁽¹⁾	\$ 86,308	\$ 99,668
Less:		
Natural gas purchases	67,868	60,166
Operation and maintenance ⁽²⁾	1,597	4,689
Depreciation and amortization	47	57
Gross margin	16,796	34,756
Add:		
Operation and maintenance ⁽²⁾	1,597	4,689
Depreciation and amortization	47	57
Unrealized loss (gain) on derivative instruments and related transactions	6,368	(4,266)
Effects of economic hedging related to natural gas inventory ⁽³⁾	(9,527)	(16,228)
Financial Margin	\$ 15,281	\$ 19,008

(1) Includes unrealized losses (gains) related to intercompany transactions between NJNG and ES that have been eliminated in consolidation of approximately \$1.1M during the three months ended December 31, 2023. There were no unrealized losses (gains) related to intercompany transactions between NJNG and ES during the three months ended December 31, 2024.

(2) Excludes SG&A of approximately \$0.3M and \$0.4M during the three months ended December 31, 2024 and 2023, respectively.

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

Financial Margin decreased approximately \$3.7M during the three months ended December 31, 2024, compared with the three months ended December 31, 2023, due primarily to the decrease in operating revenue, as previously discussed.

New Jersey Resources Corporation
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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Net Financial Earnings

A reconciliation of ES's net income, the most directly comparable GAAP financial measure, to NFE is as follows:

<i>(Thousands)</i>	Three Months Ended December 31,	
	2024	2023
Net income	\$ 10,258	\$ 23,933
Add:		
Unrealized loss (gain) on derivative instruments and related transactions	6,368	(4,266)
Tax effect ⁽¹⁾	(1,513)	1,013
Effects of economic hedging related to natural gas inventory	(9,527)	(16,228)
Tax effect	2,264	3,857
Net income to NFE tax adjustment	(17)	(478)
Net financial earnings	\$ 7,833	\$ 7,831

(1) Includes taxes related to intercompany transactions between NJNG and ES that have been eliminated in consolidation of approximately \$0.3M during the three months ended December 31, 2023. There were no taxes related to intercompany transactions for the three months ended December 31, 2024.

NFE remained relatively flat during the three months ended December 31, 2024, compared with the three months ended December 31, 2023.

Future results are subject to the ability of ES 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.

Storage and Transportation

Overview

S&T invests in natural gas assets, such as natural gas transportation and storage facilities. We believe that acquiring, owning and developing these storage and transportation assets, which operate under a tariff structure that has either cost- or market-based rates, can provide us organic growth opportunities. S&T is subject to various risks, including the construction, development and operation of our transportation and storage assets, as well as our ability to obtain necessary governmental, environmental and regulatory approvals, property rights and financing at reasonable costs for the construction, operation and maintenance of our assets.

S&T is comprised of Leaf River, a 32.2M Dekatherms salt dome natural gas storage facility that operates under market-based rates, and Adelphia, a FERC-regulated interstate pipeline in southeastern Pennsylvania that operates under cost-of-service rates but can enter into negotiated rates with counterparties.

On September 30, 2024, Adelphia filed a Section 4 rate case with the FERC seeking approval to revise its transportation cost-of-service rates to reflect investments made in its pipeline system, as well as the ongoing costs of operating and maintaining the system. Adelphia anticipates that FERC will allow it to place the rates into effect during the second half of 2025, subject to refund and the outcome of a hearing to be established by FERC.

S&T has a 50% ownership interest in Steckman Ridge, a storage facility located in western Pennsylvania that operates under market-based rates. As of December 31, 2024, our investment in Steckman Ridge was \$101.6M.

New Jersey Resources Corporation
Part I

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Operating Results

The financial results of S&T are summarized as follows:

<i>(Thousands)</i>	Three Months Ended December 31,	
	2024	2023
Operating revenues ⁽¹⁾	\$ 26,628	\$ 23,862
Operating expenses		
Natural gas purchases	280	276
Operation and maintenance	10,083	10,100
Depreciation and amortization	6,496	6,162
Total operating expenses	16,859	16,538
Operating income	9,769	7,324
Other income, net	2,392	2,288
Interest expense, net	5,969	5,933
Income tax provision	1,489	1,032
Equity in earnings of affiliates	961	993
Net income	\$ 5,664	\$ 3,640

(1) Includes related party transactions of approximately \$0.7M during the three months ended December 31, 2023, which are eliminated in consolidation. There were no related party transactions during the three months ended December 31, 2024.

Net income increased approximately \$2.0M during the three months ended December 31, 2024, compared with the three months ended December 31, 2023, due primarily to the \$2.8M increase in operating revenues due to higher hub services revenue at Leaf River.

Home Services and Other

Overview

The financial results of HSO consist primarily of the operating results of NJRHS. NJRHS provides service, sales and installation of appliances to service contract customers and has been focused on growing its installation business and expanding its service contract customer base. HSO also includes organizational expenses incurred at NJR.

Operating Results

The condensed financial results of HSO are summarized as follows:

<i>(Thousands)</i>	Three Months Ended December 31,	
	2024	2023
Operating revenues	\$ 15,794	\$ 14,834
Income (loss) before income taxes	\$ 1,084	\$ (652)
Income tax provision (benefit)	469	(52)
Net income (loss)	\$ 615	\$ (600)

Net income increased approximately \$1.2M during the three months ended December 31, 2024, compared with the three months ended December 31, 2023, due primarily to higher installation and service contract revenue at Home Services.

New Jersey Resources Corporation
Part I

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Liquidity and Capital Resources

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

	December 31, 2024	September 30, 2024
Common stock equity	40 %	39 %
Long-term debt	52	52
Short-term debt	8	9
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 to raise capital. NJR raised approximately \$3.8M of equity through the DRP during both the three months ended December 31, 2024 and 2023.

During the three months ended December 31, 2024 and 2023, we raised approximately \$19.9M and \$17.9M of equity by issuing approximately 418,000 shares and 410,000 shares through the waiver discount feature of the DRP, respectively.

In 1996, the Board of Directors authorized us to implement a share repurchase program, which was expanded seven times since the inception of the program, authorizing a total of 19.5M shares of common stock for repurchase. Since inception, we repurchased a total of approximately 17.8M of those shares and may repurchase an additional 1.7M shares under the approved program. There were no shares repurchased during the three months ended December 31, 2024 and 2023.

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, as borrowers, periodically access the capital markets to fund long-life 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 at least the next 12 months. NJR, NJNG, CEV, S&T and ES 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, and meter or solar asset sale leasebacks.

We believe that as of December 31, 2024, NJR and NJNG were, and currently are, in compliance with all existing debt covenants, both financial and non-financial.

Short-Term Debt

We use our short-term borrowings primarily to finance ES's short-term liquidity needs, share repurchases and, on an initial basis, CEV's investments. ES's 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 December 31, 2024, NJR had a revolving credit facility totaling \$575M, with \$363.4M available under the facility.

New Jersey Resources Corporation
Part I

ITEM 2. 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 \$250M NJNG Credit Facility. As of December 31, 2024, there was \$105.4M available under the NJNG Credit Facility, including amounts allocated to the backstop under the commercial paper program and the issuance of letters of credit.

Short-term borrowings were as follows:

<i>(Thousands)</i>	Three Months Ended December 31, 2024
<u>NJR</u>	
Notes Payable to banks:	
Balance at end of period	\$ 193,100
Weighted average interest rate at end of period	5.68 %
Average balance for the period	\$ 232,151
Weighted average interest rate for average balance	5.93 %
Month end maximum for the period	\$ 255,250
<u>NJNG</u>	
Commercial Paper and Notes Payable to banks:	
Balance at end of period	\$ 143,900
Weighted average interest rate at end of period	4.67 %
Average balance for the period	\$ 114,807
Weighted average interest rate for average balance	4.81 %
Month end maximum for the period	\$ 143,900

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

During fiscal 2024, NJR entered into a second amendment to NJR's Second Amended and Restated Credit Agreement, governing a \$575M NJR Credit Facility maturing on August 7, 2029, with an option to extend the maturity date up to two times for an additional period of one year each. The NJR Credit Facility includes an accordion feature, which allows 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 increments of at least \$50M with the total revolving credit commitments not exceeding \$750M. The NJR Credit Facility also permits the borrowing of revolving loans and swingline loans, as well as a \$75M sublimit for the issuance of letters of credit. 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 ES's short-term liquidity needs and to finance, on an initial basis, unregulated investments.

As of December 31, 2024, NJR had seventeen letters of credit outstanding totaling \$18.5M, 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.

Based on its average borrowings during fiscal 2025, NJR's average interest rate was 5.93%, resulting in interest expense of approximately \$3.5M. Based on average borrowings of \$232.2M during the period, a 100 basis point change in the underlying average interest rate would have caused a change in interest expense of approximately \$0.6M during fiscal 2025.

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

New Jersey Resources Corporation
Part I

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

NJNG

During fiscal 2024, NJNG entered into a second amendment to NJNG's Second Amended and Restated Credit Agreement governing a \$250M NJNG Credit Facility, maturing on August 7, 2029, with an option to extend the maturity date up to two times for an additional period of one year each. The NJNG Credit Facility 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 increments of at least \$50M with total revolving credit commitments not exceeding \$350M. The NJNG Credit Facility also permits the borrowing of revolving loans and swingline loans, as well as a \$30M sublimit for the issuance of letters of credit.

As of December 31, 2024, NJNG had two letters of credit outstanding for \$0.7M, which reduced the amount available under the NJNG Credit Facility by the same amount. NJNG does not anticipate that these letters of credit will be drawn upon by the counterparties.

Based on its average borrowings during fiscal 2025, NJNG's average interest rate was 4.81%, resulting in interest expense of \$1.4M. Based on average borrowings of \$114.8M during the period, a 100 basis point change in the underlying average interest rate would have caused a change in interest expense of approximately \$0.3M during fiscal 2025.

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 .70 to 1.00 for NJR and .65 to 1.00 for NJNG. 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 borrower's 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.

New Jersey Resources Corporation
Part I

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Long-Term Debt

NJR

As of December 31, 2024, NJR had the following outstanding:

- \$100M of 3.54% senior notes due August 18, 2026;
- \$110M of 4.38% senior notes due June 23, 2027;
- \$100M of 3.96% senior notes due June 8, 2028;
- \$150M of 3.29% senior notes due July 17, 2029;
- \$130M of 3.60% senior notes due July 23, 2032;
- \$130M of 3.50% senior notes due July 23, 2030;
- \$120M of 3.13% senior notes due September 1, 2031;
- \$80M of 3.25% senior notes due September 1, 2033;
- \$50M of 3.64% senior notes due September 19, 2034;
- \$50M of 6.14% senior notes due December 15, 2032; and
- \$100M of 5.55% senior notes due November 7, 2034.

On November 7, 2024, NJR entered into a Note Purchase Agreement under which NJR issued \$100M senior notes at a fixed interest rate of 5.55%, maturing in 2034.

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

NJNG

As of December 31, 2024, NJNG's long-term debt consisted of approximately \$1.6B in fixed-rate debt issuances secured by the Mortgage Indenture, with maturities ranging from 2025 to 2061, and approximately \$39.4M in sale leasebacks of natural gas meters with various maturities ranging from 2025 to 2031.

Senior notes are secured by an equal principal amount of NJNG's FMBs issued under NJNG's Mortgage Indenture.

NJR is not obligated directly nor contingently with respect to NJNG's fixed-rate debt issuances.

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 70% for NJR and 65% for NJNG 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% 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.

The aforementioned covenants are subject to a number of exceptions and qualifications set forth in the applicable note purchase agreements.

New Jersey Resources Corporation

Part I

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

In addition, the FMBs 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 \$30M 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 FMBs issued under the Mortgage Indenture is the rate stated in the applicable supplement or, if no such rate is stated, 6% per annum.

Sale Leaseback

NJNG received approximately \$11.7M and \$8.8M during the three months ended December 31, 2024 and 2023, respectively, in connection with the sale leaseback of its natural gas meters. 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 repurchase the assets sold or renew the lease at the end of the term. As NJNG retains control of the natural gas meters, these arrangements do not qualify as a sale. NJNG uses the financing method to account for the transactions. NJNG continues to evaluate this sale leaseback program based on current market conditions. Natural gas meters are excluded from the lien on NJNG property under the Mortgage Indenture.

CEV enters into transactions to sell the commercial solar assets concurrent with agreements to lease the assets back over a period of five to seven years. The Company has concluded that these arrangements do not qualify as a sale for accounting purposes, as the Company retains control of the underlying assets, and are therefore treated as financing obligations, which are typically secured by the renewable energy facility asset and its future cash flows from RECs and energy sales. ITCs and other tax benefits associated with these solar projects are transferred to the buyer, if applicable; however, the lease payments are structured so that CEV is compensated for the transfer of the related tax incentives. CEV continues to operate the solar assets, including related expenses, and retain the revenue generated from RECs and energy sales, and has the option to renew the lease or repurchase the assets sold at the end of the lease term. During the three months ended December 31, 2024 and 2023, CEV received proceeds of approximately \$12.6M and \$24.4M, respectively, in connection with the sale leaseback of commercial solar projects. The proceeds received were recognized as a financing obligation on the Unaudited Condensed Consolidated Balance Sheets.

Contractual Obligations and Capital Expenditures

As of December 31, 2024, there were NJR guarantees covering approximately \$180.4M of natural gas purchases and ES demand fee commitments and nineteen outstanding letters of credit totaling approximately \$19.2M, as previously mentioned, not yet reflected in accounts payable on the Unaudited Condensed Consolidated Balance Sheets.

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.

NJNG's total capital expenditures are projected to be between \$365M and \$415M during fiscal 2025. Total capital expenditures spent or accrued during the three months ended December 31, 2024, were approximately \$108.4M. NJNG expects to fund its obligations with a combination of cash flows 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 December 31, 2024, NJNG's future MGP expenditures are estimated to be approximately \$161.0M. For a more detailed description of MGP expenditures see [*Note 13. Commitments and Contingent Liabilities*](#) in the accompanying Unaudited Condensed Consolidated Financial Statements.

During the three months ended December 31, 2024, S&T had capital expenditures spent or accrued for Adelphia totaling approximately \$2.1M and capital expenditures spent or accrued for Leaf River totaling approximately \$4.8M. During fiscal 2025, we expect expenditures related to Adelphia to be between \$5M and \$15M and expenditures related to Leaf River to be between \$15M and \$20M.

New Jersey Resources Corporation
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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

During the three months ended December 31, 2024, total capital expenditures spent or accrued related to the purchase and installation of solar equipment were approximately \$34.1M. CEV's expenditures include clean energy projects that support our goal to promote renewable energy. Accordingly, CEV enters into agreements to install solar equipment for commercial projects. We estimate solar-related capital expenditures during fiscal 2025 to be between \$160M and \$265M.

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 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.

ES does not currently anticipate any significant capital expenditures during fiscal 2025 and 2026.

During December 2020, ES entered into a series of AMAs with an investment grade public utility to release pipeline capacity associated with certain natural gas transportation contracts. The utility provides certain asset management services and ES may deliver natural gas to the utility in exchange for aggregate net proceeds of approximately \$500M, payable through November 1, 2030. The AMAs include a series of initial and permanent releases, which commenced in November 2021. NJR received a total of approximately \$260M in cash from fiscal 2022 through fiscal 2024 and will receive approximately \$34M per year from fiscal 2025 through fiscal 2031 under the agreements. ES recognized approximately \$4.9M and \$9.5M during the three months ended December 31, 2024 and 2023, respectively, of operating revenue related to the AMAs on the Unaudited Condensed Consolidated Statements of Operations. Amounts received in excess of revenue totaling approximately \$51.6M and \$22.3M as of December 31, 2024 and September 30, 2024, respectively, are included in deferred revenue on the Unaudited Condensed Consolidated Balance Sheets.

Cash Flows

Operating Activities

Cash flows (used in) from operating activities during the three months ended December 31, 2024, totaled approximately \$(9.0)M, compared with approximately \$46.4M during the three months ended December 31, 2023. 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;
- deferral and recovery of natural gas costs;
- changes in contractual assets utilized 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.

Cash flows used in operating activities increased approximately \$55.4M during the three months ended December 31, 2024, compared with the three months ended December 31, 2023, due primarily to the changes in the mix of working capital components.

Investing Activities

Cash flows used in investing activities decreased approximately \$94.5M during the three months ended December 31, 2024, compared with the three months ended December 31, 2023, due primarily to proceeds from the sale of the CEV's residential solar asset portfolio, partially offset by increased utility plant and solar asset expenditures.

New Jersey Resources Corporation
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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

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 ES and clean energy investments at CEV.

Cash flows from financing activities decreased approximately \$40.1M during the three months ended December 31, 2024, compared with the three months ended December 31, 2023, due primarily to a \$100.0M payment of long-term debt and a decrease in solar sale leaseback proceeds of approximately \$11.8M, partially offset by increased proceeds of long-term debt of \$50M and net short-term debt proceeds of approximately \$28.7M.

Credit Ratings

The table below summarizes NJNG's credit ratings as of December 31, 2024, issued by two rating entities, Moody's and Fitch:

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

The Moody's ratings and outlook were reaffirmed on July 3, 2024. Fitch ratings and outlook were reaffirmed on April 15, 2024. NJNG's Moody's and Fitch ratings are investment-grade ratings. NJR is not rated by Moody's or Fitch.

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

New Jersey Resources Corporation
Part I

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK (Continued)

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

<i>(Thousands)</i>	Balance September 30, 2024	Increase (Decrease) in Fair Market Value	Less Amounts Settled	Balance December 31, 2024
NJNG	\$ (2)	(2,315)	—	\$ (2,317)
ES	3,135	310	3,978	(533)
Total	\$ 3,133	(2,005)	3,978	\$ (2,850)

There were no changes in methods of valuations during the three months ended December 31, 2024.

The following is a summary of fair market value of financial derivatives as of December 31, 2024, by method of valuation and by maturity for each fiscal year period:

<i>(Thousands)</i>	2025	2026	2027 - 2029	After 2029	Total Fair Value
Price based on ICE	\$ (2,891)	29	12	—	\$ (2,850)

The following is a summary of financial derivatives by type as of December 31, 2024:

		Volume Bcf	Price per MMBtu	Amounts included in Derivatives (Thousands)
NJNG	Futures	26.6	\$2.73 - \$5.97	\$ (2,317)
ES	Futures	(7.7)	\$1.92 - \$5.96	(533)
Total				\$ (2,850)

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

<i>(Thousands)</i>	Balance September 30, 2024	Increase (Decrease) in Fair Market Value	Less Amounts Settled	Balance December 31, 2024
NJNG - Prices based on other external data	\$ (558)	(7,592)	(7,581)	\$ (569)
ES - Prices based on other external data	(12,717)	(2,643)	60	(15,420)
Total	\$ (13,275)	(10,235)	(7,521)	\$ (15,989)

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% 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 \$2.3M. This analysis does not include potential changes to reported credit adjustments embedded in the \$(0.8)M 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	\$ —	\$ (1,132)	\$ (2,264)	\$ (3,395)	\$ (4,527)
Ending derivative fair value	\$ (756)	\$ (1,888)	\$ (3,020)	\$ (4,151)	\$ (5,283)
Percent decrease in NYMEX natural gas futures prices	0%	(5)%	(10)%	(15)%	(20)%
Estimated change in derivative fair value	\$ —	\$ 1,132	\$ 2,264	\$ 3,395	\$ 4,527
Ending derivative fair value	\$ (756)	\$ 376	\$ 1,508	\$ 2,639	\$ 3,771

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ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK (Continued)

Wholesale Credit Risk

The following is a summary of gross and net credit exposures, grouped by investment and non-investment grade counterparties, as of December 31, 2024. Gross credit exposure for ES 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. Gross credit exposure for S&T is defined as demand and estimated usage fees for contracted services and/or market value of loan balances 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.

ES's, CEV's and S&T's counterparty credit exposure as of December 31, 2024, is as follows:

<i>(Thousands)</i>	Gross Credit Exposure	Net Credit Exposure
Investment grade	\$ 104,674	\$ 95,917
Noninvestment grade	14,249	2,384
Internally rated investment grade	15,832	14,060
Internally rated noninvestment grade	22,959	13,832
Total	\$ 157,714	\$ 126,193

NJNG's counterparty credit exposure as of December 31, 2024, is as follows:

<i>(Thousands)</i>	Gross Credit Exposure	Net Credit Exposure
Investment grade	\$ 28,391	\$ 24,173
Noninvestment grade	9,273	—
Internally rated investment grade	1,444	697
Internally rated noninvestment grade	46	—
Total	\$ 39,154	\$ 24,870

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 Fluctuations

We are also exposed to changes in interest rates on our debt hedges and variable rate debt. We do not believe an immediate 10% increase or decrease in interest rates would have a material effect on our operating results or cash flows.

Information regarding NJR's interest rate risk can be found in *Item 7A. Quantitative and Qualitative Disclosures About Market Risks* and 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

Any change in price levels has an effect on operating results due to the capital-intensive and regulated nature of our utility subsidiary. The Company's operations are sensitive to increases in the rate of inflation because of its operational and capital spending requirements in both its regulated and non-regulated businesses. We attempt to minimize the effects of inflation through cost control, productivity improvements and regulatory actions, when appropriate. See Item 1A. Risk Factors for additional information related to the impact of recent increases in inflation rates.

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ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of the design and operation of our 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, our principal executive officer and principal financial officer concluded that, as of end of the period covered by this report, our disclosure controls and procedures are effective, to ensure that information required to be disclosed by us in the reports that we file or submit 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 our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There has been no change in internal control over financial reporting (as such term is defined in Exchange Act Rule 13a-15(f)) that occurred during the quarter ended December 31, 2024, that has materially affected, or is reasonably likely to materially affect, internal control over financial reporting.

New Jersey Resources Corporation

Part II

ITEM 1. LEGAL PROCEEDINGS

Information regarding reportable legal proceedings is contained in *Part I, Item 3. Legal Proceedings* in our Annual Report on [Form 10-K](#) for the year ended September 30, 2024, and is set forth in *Part I, Item 1, Note 13. Commitments and Contingent Liabilities-Legal Proceedings* on the Unaudited Condensed Consolidated Financial Statements, which is incorporated by reference. No legal proceedings became reportable during the quarter ended December 31, 2024, and there have been no material developments during such quarter regarding any previously reported legal proceedings, which have not been previously disclosed.

ITEM 1A. RISK FACTORS

While we attempt to identify, manage and mitigate risks and uncertainties associated with our business to the extent practical, under the circumstances, some level of risk and uncertainty will always be present. *Part I, Item 1A. Risk Factors* of our 2024 Annual Report on [Form 10-K](#) includes a detailed discussion of our risk factors. Those risks and uncertainties have the potential to materially affect our financial condition and results of operations. There have been no material changes in our risk factors from those previously disclosed in *Part I, Item 1A*, of our 2024 Annual Report on [Form 10-K](#).

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The following table sets forth our repurchase activity for the quarter ended December 31, 2024:

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
10/01/24 - 10/31/24	—	—	—	1,685,053
11/01/24 - 11/30/24	—	—	—	1,685,053
12/01/24 - 12/31/24	—	—	—	1,685,053
Total	—	—	—	1,685,053

The stock repurchase plan, which was authorized by our Board of Directors, became effective in September 1996 and as of December 31, 2024, included 19.5M shares of common stock for repurchase, of which, approximately 1.7M shares remained available for repurchase. The stock repurchase plan will expire when we have repurchased all shares authorized for repurchase thereunder, unless the repurchase plan is earlier terminated by action of our Board of Directors or further shares are authorized for repurchase.

ITEM 5. OTHER INFORMATION

Rule 10b5-1 Trading Plans

During the three months ended December 31, 2024, no director or officer (as defined by Rule 16a-1(f) of the Exchange Act) of the Company adopted or terminated a “Rule 10b5-1 trading arrangement” or “non-Rule 10b5-1 trading arrangement,” as each term is defined in Item 408(a) of Regulation S-K, except as follows:

On December 19, 2024, Roberto Bel, our Senior Vice President and Chief Financial Officer, adopted a Rule 10b5-1 trading arrangement, which is intended to satisfy the affirmative defense of Rule 10b5-1(c). The Rule 10b5-1 trading arrangement provides for sales of up to 3,519 shares of our common stock beginning on March 20, 2025 until August 10, 2025, or once all of the shares have been sold. Actual sale transactions will be disclosed publicly in filings with the SEC in accordance with applicable securities laws, rules and regulations.

New Jersey Resources Corporation
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ITEM 6. EXHIBITS

Exhibit Number	Exhibit Description
31.1+	Certification of the Chief Executive Officer pursuant to section 302 of the Sarbanes-Oxley Act of 2002
31.2+	Certification of the Chief Financial Officer pursuant to section 302 of the Sarbanes-Oxley Act of 2002
32.1+ †	Certification of the Chief Executive Officer pursuant to section 906 of the Sarbanes-Oxley Act of 2002
32.2+ †	Certification of the Chief Financial Officer pursuant to section 906 of the Sarbanes-Oxley Act of 2002
101+	Interactive Data File (Form 10-Q, for the fiscal period ended December 31, 2024, furnished in iXBRL (Inline eXtensible Business Reporting Language))
104+	Cover Page Interactive Data File included in Exhibit 101

+ Filed herewith.

† 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 Exchange Act.

New Jersey Resources Corporation
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SIGNATURES

Pursuant to the requirements 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: February 4, 2025

By: /s/ Stephen M. Skrocki

Stephen M. Skrocki

Corporate Controller (Principal Accounting Officer)