

NEW JERSEY RESOURCES CORP
Form 10-Q
August 04, 2010

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

FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2010

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 001-8359

NEW JERSEY RESOURCES CORPORATION
(Exact name of registrant as specified in its charter)

New Jersey
(State or other jurisdiction of
incorporation or organization)

22-2376465
(I.R.S. Employer
Identification Number)

1415 Wyckoff Road, Wall, New
Jersey 07719
(Address of principal
executive offices)

732-938-1480
(Registrant's telephone number,
including area code)

Securities registered pursuant to Section 12 (b) of the Act:
Common Stock - \$2.50 Par Value
(Title of each class)
New York Stock Exchange
(Name of each exchange on which
registered)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes: No:

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if

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

Yes: No:

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated, or a smaller reporting company. See definition of “large accelerated filer”, “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer: Accelerated filer: Non-accelerated filer: Smaller reporting company:
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act)

Yes: No:

The number of shares outstanding of \$2.50 par value Common Stock as of August y, 2010, was yy,yyy,yyy.

New Jersey Resources Corporation

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Signatures

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New Jersey Resources Corporation
Part I

INFORMATION CONCERNING FORWARD-LOOKING STATEMENTS

Certain statements contained in this report, including, without limitation, statements as to management expectations and beliefs presented in Part I, Item 2. "Management's Discussion and Analysis of Financial Condition and Results of Operations," Part I, Item 3. "Quantitative and Qualitative Disclosures about Market Risk," Part II, Item I. "Legal Proceedings" and in the notes to the financial statements are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements can also be identified by the use of forward-looking terminology such as "may," "intend," "expect," "believe" or "continue" or comparable terminology and made based upon management's current expectations and beliefs as of this date concerning future developments and their potential effect upon New Jersey Resources Corporation (NJR or the Company). There can be no assurance that future developments will be in accordance with management's expectations or that the effect of future developments on the Company will be those anticipated by management.

The Company cautions readers that the assumptions that form the basis for forward-looking statements regarding customer growth, customer usage, financial condition, results of operations, cash flows, capital requirements, market risk and other matters for fiscal 2010 and thereafter include many factors that are beyond the Company's ability to control or estimate precisely, such as estimates of future market conditions, the behavior of other market participants and changes in the debt and equity capital markets. The factors that could cause actual results to differ materially from NJR's expectations include, but are not limited to, those discussed in Risk Factors in Item 1A of NJR's 2009 Annual Report on Form 10-K and Part II, Item 1A of this Form 10-Q, as well as the following:

- weather and economic conditions;
- NJR's dependence on operating subsidiaries;
- demographic changes in the New Jersey Natural Gas (NJNG) service territory;
- the rate of NJNG customer growth;
- volatility of natural gas and other commodity prices and their impact on customer usage, NJR Energy Services' (NJRES) operations and on the Company's risk management efforts;
- changes in rating agency requirements and/or credit ratings and their effect on availability and cost of capital to the Company;
- the impact of volatility in the credit markets that would result in the increased cost and/or limit the availability of credit at NJR to fund and support physical gas inventory purchases and other working capital needs at NJRES, and all other non-regulated subsidiaries, as well as negatively affect cost and access to the commercial paper market and other short-term financing markets by NJNG to allow it to fund its commodity purchases, capital expenditures and meet its short-term obligations as they come due;
- the ability to comply with debt covenants;
- continued failures in the market for auction rate securities;
- the impact to the asset values and resulting higher costs and funding obligations of NJR's pension and postemployment benefit plans as a result of downturns in the financial markets, and impacts associated with the Patient Protection and Affordable Care Act;
- the ability to maintain effective internal controls;
- accounting effects and other risks associated with hedging activities and use of derivatives contracts;
- commercial and wholesale credit risks, including the availability of creditworthy customers and counterparties and liquidity in the wholesale energy trading market;

- the ability to obtain governmental approvals and/or financing for the construction, development and operation of certain non-regulated energy investments;
- risks associated with the management of the Company's joint ventures and partnerships;
- risks associated with our investments in solar energy projects, including the availability of regulatory and tax incentives;
- the level and rate at which costs and expenses are incurred and the extent to which they are allowed to be recovered from customers through the regulatory process in connection with constructing, operating and maintaining NJNG's natural gas transmission and distribution system;
- dependence on third-party storage and transportation facilities for natural gas supply;
- operating risks incidental to handling, storing, transporting and providing customers with natural gas;
- access to adequate supplies of natural gas;
- the regulatory and pricing policies of federal and state regulatory agencies;
- the costs of compliance with present and future environmental laws, including potential climate change-related legislation;
- the ultimate outcome of pending regulatory proceedings;
- the disallowance of recovery of environmental-related expenditures and other regulatory changes; and
- environmental-related and other litigation and other uncertainties.

While the Company periodically reassesses material trends and uncertainties affecting the Company's results of operations and financial condition in connection with its preparation of management's discussion and analysis of results of operations and financial condition contained in its Quarterly and Annual Reports, the Company does not, by including this statement, assume any obligation to review or revise any particular forward-looking statement referenced herein in light of future events.

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Part I

ITEM 1. FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

(Thousands, except per share data)	Three Months Ended		Nine Months Ended	
	June 30,		June 30,	
	2010	2009	2010	2009
OPERATING REVENUES				
			\$	
Utility	\$105,130	\$148,826	794,311	\$ 958,995
Nonutility	374,764	292,226	1,213,475	1,220,877
Total operating revenues	479,894	441,052	2,007,786	2,179,872
OPERATING EXPENSES				
Gas purchases:				
Utility	47,665	87,169	478,719	631,712
Nonutility	393,126	313,318	1,114,842	1,227,783
Operation and maintenance	37,077	38,436	110,386	112,209
Regulatory rider expenses	6,160	6,280	41,017	40,585
Depreciation and amortization	8,136	7,880	23,936	22,749
Energy and other taxes	6,516	11,739	50,275	67,353
Total operating expenses	498,680	464,822	1,819,175	2,102,391
OPERATING (LOSS) INCOME	(18,786)	(23,770)	188,611	77,481
Other income	1,311	1,179	3,458	3,095
Interest expense, net of capitalized interest	5,238	5,187	15,946	15,953
(LOSS) INCOME BEFORE INCOME TAXES AND EQUITY IN EARNINGS OF AFFILIATES	(22,713)	(27,778)	176,123	64,623
Income tax (benefit) provision	(11,368)	(12,146)	64,819	21,296
Equity in earnings of affiliates, net of tax	1,168	1,477	4,638	2,778
NET (LOSS) INCOME	\$ (10,177)	\$ (14,155)	\$ 115,942	\$ 46,105
(LOSSES) EARNINGS PER COMMON SHARE				
BASIC	\$(0.25)	\$(0.34)	\$2.80	\$1.09
DILUTED	\$(0.25)	\$(0.34)	\$2.78	\$1.08
DIVIDENDS PER COMMON SHARE	\$0.34	\$0.31	\$1.02	\$0.93
WEIGHTED AVERAGE SHARES OUTSTANDING				
BASIC	41,239	42,049	41,424	42,175
DILUTED	41,239	42,049	41,703	42,547

See Notes to Condensed Unaudited Consolidated Financial Statements

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ITEM 1. FINANCIAL STATEMENTS (Continued)

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

(Thousands)	Nine Months Ended	
	2010	June 30, 2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$115,942	\$ 46,105
Adjustments to reconcile net income to cash flows from operating activities:		
Unrealized loss on derivative instruments and related transactions	6,186	65,160
Depreciation and amortization	24,628	23,417
Allowance for equity used during construction	(1,474)	(233)
Allowance for bad debt expense	2,277	5,015
Deferred income taxes	69,329	12,732
Manufactured gas plant remediation costs	(2,925)	(12,280)
Equity in earnings of affiliates, net of distributions	(2,261)	3,858
Cost of removal – asset retirement obligations	(676)	(508)
Contributions to postemployment benefit plans	(7,866)	(1,768)
Changes in:		
Components of working capital	(54,205)	243,048
Other noncurrent assets	9,891	(23,611)
Other noncurrent liabilities	(2,902)	(10,251)
Cash flows from operating activities	155,944	350,684
CASH FLOWS USED IN INVESTING ACTIVITIES		
Expenditures for:		
Utility plant	(49,696)	(51,169)
Real estate properties and other	(460)	(356)
Cost of removal	(6,252)	(4,014)
Investments in equity investees	(4,300)	(41,343)
Release from restricted cash construction fund	—	4,200
Cash flows used in investing activities	(60,708)	(92,682)
CASH FLOWS USED IN FINANCING ACTIVITIES		
Proceeds from issuance of common stock	6,414	13,327
Tax benefit from stock options exercised	(96)	993
Proceeds from sale-leaseback transaction	4,925	6,268
Payments of long-term debt	(4,683)	(58,860)
Purchases of treasury stock	(28,069)	(17,757)
Payments of common stock dividends	(39,160)	(37,977)
Net proceeds (payments) of short-term debt	20,900	(129,600)
Cash flows used in financing activities	(39,769)	(223,606)
Change in cash and temporary investments	55,467	34,396
Cash and temporary investments at beginning of period	36,186	42,626
Cash and temporary investments at end of period	\$ 91,653	\$ 77,022
CHANGES IN COMPONENTS OF WORKING CAPITAL		
Receivables	\$(82,253)	\$ 97,642

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Inventories	18,222	260,883
Recovery of gas costs	(77,529)	58,836
Gas purchases payable	90,976	(144,528)
Prepaid and accrued taxes	(14,093)	37,792
Accounts payable and other	330	2,271
Restricted broker margin accounts	24,172	(27,814)
Customers' credit balances and deposits	(17,137)	(43,162)
Other current assets	3,107	1,128
Total	\$(54,205)	\$243,048
SUPPLEMENTAL DISCLOSURES OF CASH FLOWS INFORMATION		
Cash paid for:		
Interest (net of amounts capitalized)	\$10,426	\$13,498
Income taxes	\$23,811	\$12,685

See Notes to Condensed Unaudited Consolidated Financial Statements

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ITEM 1. FINANCIAL STATEMENTS (Continued)

CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)

ASSETS

(Thousands)	June 30, 2010	September 30, 2009
PROPERTY, PLANT AND EQUIPMENT		
Utility plant, at cost	\$1,488,585	\$1,438,945
Real estate properties and other, at cost	30,400	30,195
	1,518,985	1,469,140
Accumulated depreciation and amortization	(417,714)	(404,701)
Property, plant and equipment, net	1,101,271	1,064,439
CURRENT ASSETS		
Cash and temporary investments	91,653	36,186
Customer accounts receivable		
Billed	179,251	101,945
Unbilled revenues	8,333	8,616
Allowance for doubtful accounts	(3,110)	(6,064)
Regulatory assets	49,306	5,878
Gas in storage, at average cost	277,366	297,464
Materials and supplies, at average cost	7,902	6,026
Prepaid state taxes	50,383	37,886
Derivatives, at fair value	86,554	131,070
Restricted broker margin account	5,453	26,250
Deferred taxes	—	20,801
Other	14,992	18,131
Total current assets	768,083	684,189
NONCURRENT ASSETS		
Investments in equity investees	168,682	160,508
Regulatory assets	388,253	391,025
Derivatives, at fair value	8,929	9,536
Other	10,256	11,333
Total noncurrent assets	576,120	572,402
Total assets	\$2,445,474	\$2,321,030

See Notes to Unaudited Condensed Consolidated Financial Statements

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ITEM 1. FINANCIAL STATEMENTS (Continued)

CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)

CAPITALIZATION AND LIABILITIES

(Thousands)	June 30, 2010	September 30, 2009
CAPITALIZATION		
Common stock equity	\$ 741,160	\$ 689,726
Long-term debt	434,927	455,492
Total capitalization	1,176,087	1,145,218
CURRENT LIABILITIES		
Current maturities of long-term debt	27,320	6,510
Short-term debt	164,300	143,400
Gas purchases payable	221,088	130,112
Accounts payable and other	45,768	44,448
Dividends payable	14,008	13,026
Deferred and accrued taxes	1,879	3,475
Regulatory liabilities	—	36,203
New Jersey clean energy program	12,402	10,920
Derivatives, at fair value	65,244	94,853
Restricted broker margin account	3,375	—
Customers' credit balances and deposits	56,080	73,218
Total current liabilities	611,464	556,165
NONCURRENT LIABILITIES		
Deferred income taxes	292,121	243,593
Deferred investment tax credits	6,629	6,870
Deferred revenue	7,342	8,203
Derivatives, at fair value	4,177	6,250
Manufactured gas plant remediation	146,700	146,700
Postemployment employee benefit liability	91,141	89,035
Regulatory liabilities	58,726	56,450
New Jersey clean energy program	19,393	28,449