FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1994-05-13** | Period of Report: **1994-03-26**
SEC Accession No. 0000950112-94-001274

FILER

NEW JERSEY RESOURCES CORP

CIK:**356309**| IRS No.: **222376465** | State of Incorp.:**NJ** | Fiscal Year End: **0930**
Type: **10-Q** | Act: **34** | File No.: **001-08359** | Film No.: **94527907**
SIC: **4924** Natural gas distribution

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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 March 31, 1994   Commission file number 1-8359

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

New Jersey (State or other jurisdiction of incorporation or organization)	22-2376465 (I.R.S. Employer Identification Number)
1415 Wyckoff Road, Wall, New Jersey - 07719 (Address of principal executive offices)	908-938-1480 (Registrant's telephone number, including area code)

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: X   No:

The number of shares outstanding of $2.50 par value Common Stock as of May 2, 1994 was 17,156,677.

<TABLE><CAPTION>

NEW JERSEY RESOURCES CORPORATION
CONSOLIDATED STATEMENTS OF INCOME
(unaudited)

	Three Months Ended March 31, 1994	Three Months Ended March 31, 1993(A)	Six Months Ended March 31, 1994	Six Months Ended March 31, 1993(A)
	(Thousands, except per share data)			
<S>	<C>	<C>	<C>	<C>
OPERATING REVENUES	$222,784	$189,465	$358,929	$322,112
	--------	--------	--------	--------
OPERATING EXPENSES				
Gas purchases	129,755	105,485	207,473	179,155
Operation and maintenance	18,824	15,883	34,374	31,589

Depreciation and amortization	7,714	6,573	14,450	13,034
Exploratory dry hole costs	-	935	29	1,229
Gross receipts tax, etc.	25,209	23,362	40,238	39,508
Federal income taxes	12,146	9,468	17,312	14,393
Total operating expenses	193,648	161,706	313,876	278,908
OPERATING INCOME	29,136	27,759	45,053	43,204
OTHER INCOME (EXPENSE), NET	97	142	(249)	119
INTEREST CHARGES, NET	5,543	5,355	10,176	10,423
INCOME BEFORE PREFERRED STOCK DIVIDENDS OF SUBSIDIARY	23,690	22,546	34,628	32,900
Preferred stock dividends	416	573	833	1,187
NET INCOME BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING FOR INCOME TAXES	23,274	21,973	33,795	31,713
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING FOR INCOME TAXES	-	-	721	-
NET INCOME AVAILABLE FOR COMMON STOCK	$23,274	$21,973	$34,516	$31,713
EARNINGS PER COMMON SHARE BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING FOR INCOME TAXES	$1.37	$1.33	$1.99	$1.92
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING FOR INCOME TAXES	-	-	.04	-
EARNINGS PER COMMON SHARE	$1.37	$1.33	$2.03	$1.92
DIVIDENDS PER COMMON SHARE	$.38	$.38	$.76	$.76
AVERAGE SHARES OUTSTANDING	17,034	16,547	16,973	16,478

See Notes to Consolidated Financial Statements

</TABLE>

(A) Restated to reflect the change in accounting principle by NJR Energy for its oil and gas operations to the successful efforts method from the full cost method.

<TABLE><CAPTION>

NEW JERSEY RESOURCES CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

	Six Months Ended March 31, 1994	1993(A)
	(Thousands)	
<S>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income available for common stock	$34,516	$31,713
Adjustments to reconcile net income to cash flows		
Depreciation and amortization	14,450	13,034
Exploratory dry hole costs	29	1,229
Amortization of deferred charges	1,267	708
Deferred income taxes	6,746	1,073
Cumulative effect of change in accounting for income taxes	(721)	-
Change in working capital	15,277	11,914
Other, net	(2,745)	913
Net cash flows from operating activities	68,819	60,584
CASH FLOWS USED IN FINANCING ACTIVITIES		
Proceeds from long-term debt	45,250	29,150

Proceeds from common stock	6,374	6,743
Payments of long-term debt and preferred stock	(15,206)	(21,065)
Payments of common stock dividends	(12,828)	(11,780)
Net change in short-term debt	(54,900)	-
Net cash flows used in financing activities	(31,310)	3,048
CASH FLOWS USED IN INVESTING ACTIVITIES		
Expenditures for		
Utility plant	(21,321)	(18,937)
Contribution from cogeneration developer	-	4,850
Real estate properties	(1,230)	(1,702)
Oil and gas properties	(1,163)	(2,336)
Cost of removal and other	(1,339)	(678)
Net cash flows used in investing activities	(25,053)	(18,803)
Net change in cash and temporary investments	12,456	44,829
Cash and temporary investments at September 30	1,555	1,811
Cash and temporary investments at March 31	$14,011	$46,640
CHANGES IN COMPONENTS OF WORKING CAPITAL		
Receivables	$(74,701)	$(67,495)
Inventories	29,249	23,587
Deferred gas costs	19,933	14,024
Purchased gas	2,607	3,977
Accrued taxes	43,788	48,039
Customers' credit balances and deposits	196	(7,876)
Other, net	(5,795)	(2,342)
Total	$15,277	$11,914
SUPPLEMENTAL DISCLOSURES OF CASH FLOWS INFORMATION		
Cash paid for		
Interest (net of amounts capitalized)	$8,950	$9,105
Income taxes	$4,101	$6,485

See Notes to Consolidated Financial Statements

</TABLE>

(A) Restated to reflect the change in accounting principle by NJR Energy for its oil and gas operations to the successful efforts method from the full cost method.

<TABLE><CAPTION>

NEW JERSEY RESOURCES CORPORATION
CONSOLIDATED BALANCE SHEETS

ASSETS

	March 31, 1994 (unaudited)	September 30, 1993(A)	March 31, 1993(A) (unaudited)
		(Thousands)	
PROPERTY, PLANT AND EQUIPMENT			
<S>	<C>	<C>	<C>
Utility plant	$659,359	$637,580	$600,426
Real estate properties	103,599	102,369	101,204
Oil and gas properties	65,718	64,576	57,775
	828,676	804,525	759,405
Accumulated depreciation and amortization	(211,428)	(198,875)	(190,386)
Property, plant and equipment, net	617,248	605,650	569,019
CURRENT ASSETS			
Cash and temporary investments	14,011	1,555	46,640
Customer accounts receivable	79,754	16,719	65,855
Unbilled revenues	22,805	10,037	27,994
Allowance for doubtful accounts	(1,808)	(684)	(1,875)

Gas in storage, at average cost	7,314	37,282	4,882
Materials and supplies, at average cost	7,810	7,091	7,530
Deferred gas costs	-	22,891	-
Other	6,951	6,250	5,787
Total current assets	136,837	101,141	156,813
DEFERRED CHARGES AND OTHER	42,479	31,871	31,228
Total assets	$796,564	$738,662	$757,060

See Notes to Consolidated Financial Statements

</TABLE>

(A) Restated to reflect the change in accounting principle by NJR Energy for its oil and gas operations to the successful efforts method from the full cost method.

<TABLE><CAPTION>

NEW JERSEY RESOURCES CORPORATION
CONSOLIDATED BALANCE SHEETS

CAPITALIZATION AND LIABILITIES

	March 31, 1994 (unaudited)	September 30, 1993(A)	March 31, 1993(A) (unaudited)
		(Thousands)	
CAPITALIZATION			
<S>	<C>	<C>	<C>
Common stock equity	$258,360	$230,313	$240,787
Redeemable preferred stock	22,340	22,340	22,610
Long-term debt	306,964	310,996	270,275
Total capitalization	587,664	563,649	533,672
CURRENT LIABILITIES			
Current maturities of long-term debt	4,514	4,650	4,730
Short-term debt	-	20,900	-
Purchased gas	27,422	24,815	23,834
Accounts payable and other	28,558	33,571	28,155
Accrued taxes	55,034	11,246	80,164
Overrecovered gas costs	6,795	-	10,699
Customers' credit balances and deposits	11,835	11,639	5,345
Total current liabilities	134,158	106,821	152,927
DEFERRED CREDITS			
Deferred income taxes	45,369	39,344	41,397
Deferred investment tax credits	12,225	12,419	12,633
Other	17,148	16,429	16,431
Total deferred credits	74,742	68,192	70,461
Total capitalization and liabilities	$796,564	$738,662	$757,060

See Notes to Consolidated Financial Statements

</TABLE>

(A) Restated to reflect the change in accounting principle by NJR Energy for its oil and gas operations to the successful efforts method from the full cost method.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. General

The preceding financial statements have been prepared without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (the SEC). The September 30, 1993 balance sheet data is derived from audited financial statements. Although management believes that the disclosures are adequate to make the information presented not misleading, it is recommended that these financial statements be read in conjunction with the financial statements and the notes thereto included in New Jersey Resources Corporation's (the Company) 1993 Annual Report on Form 10-K/A.

In the opinion of management, the information furnished reflects all adjustments (consisting only of normal recurring adjustments) necessary for a fair statement of the results of the interim periods. Because of the seasonal nature of the Company's utility operations and other factors, the results of operations for the interim periods presented are not indicative of the results to be expected for the entire year.

2. Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries - New Jersey Natural Gas Company (NJNG) and Paradigm Resources Corporation (Paradigm). Commercial Realty & Resources Corp. (CR&R), NJR Energy Corporation (NJR Energy) and Paradigm Power, Inc. (Paradigm Power) are wholly owned subsidiaries of Paradigm. New Jersey Natural Resources Company (NJNR), NJNR Pipeline Company (Pipeline), Natural Resources Compressor Company (Compressor) and NJRE Operating Company are wholly owned subsidiaries of NJR Energy. Lighthouse One, Inc. and Lighthouse II, Inc. are wholly owned subsidiaries of Paradigm Power. Significant intercompany accounts and transactions have been eliminated.

3. Changes in Accounting

a. Oil and Natural Gas Properties

As disclosed on Form 8-K, filed on April 27, 1994, NJR Energy changed its method of accounting for its oil and gas operations to the successful efforts method from the full cost method. On April 28, 1994, the Company filed Form 10-K/A for the fiscal year ended September 30, 1993 and Form 10-Q/A for the quarterly period ended December 31, 1993, which filings restated the Company's financial statements to reflect the change in accounting principle by NJR Energy.

Under the successful efforts method of accounting, proved leasehold costs are capitalized and amortized over the proved developed and undeveloped reserves on a units-of-production basis. Successful drilling costs and developmental dry holes are capitalized and amortized over the proved developed reserves on a units-of-production basis. Unproved leasehold costs are capitalized and are not amortized, pending an evaluation of their exploration potential. Unproved leasehold costs are assessed periodically to determine if an impairment of the cost of significant individual properties has occurred. The cost of an impairment is charged to expense in the period in which it occurs. Costs incurred for exploratory dry holes, geological and geophysical work and delay rentals are charged to expense as incurred.

The Consolidated Balance Sheets as of September 30, 1993 and March 31, 1993 and related notes to the consolidated financial statements have been restated to show the effects of NJR Energy's change in accounting principle to the successful efforts method of accounting for oil and gas properties from the full cost method. The change to the successful efforts method of accounting resulted in a decrease of $17.2 million in retained earnings as of September 30, 1993 by restating previously issued financial statements.

b. Income Taxes

Effective October 1, 1993, the Company adopted Statement of Financial

Accounting Standards (SFAS) No. 109, "Accounting for Income Taxes" (SFAS 109). SFAS 109 requires the implementation of a liability method for the financial reporting of income taxes, as compared with the deferred method. Under the liability method, deferred tax balances must be recorded irrespective of ratemaking treatment and are adjusted to reflect changes in tax rates. Previously, deferred tax balances were not recorded for certain ratemaking items and were not adjusted to reflect changes in tax rates. The cumulative effect of adopting SFAS 109 on the Company's nonregulated operations was a credit to net income of $721,000, or $.04 per share. The effect on NJNG was to decrease its deferred tax liability by $375,000 with an offsetting regulatory liability as the Company believes it is probable that the effects of SFAS 109 on NJNG will be payable to customers in the future.

The tax effects of significant temporary differences comprising the Company's net deferred income tax liability at October 1, 1993, upon adoption of SFAS 109, were as follows:

Property related items	$58,093
Customer contributions	(4,589)
Capitalized overhead and interest	(4,720)
Unamortized investment tax credits	(4,347)
Alternative minimum taxes	(7,882)
Deferred charges and other	1,693
Total net deferred tax liability	$38,248

The provision for federal income taxes for the six months ended March 31, 1994 is composed of the following:

Current expense	$18,453
Deferred expense	(1,085)
Amortization of investment tax credits	(194)
Total provision	$17,174
Charged to:	
Operating expenses	$17,312
Other income (expense), net	(138)
Total provision	$17,174

c. Other Postretirement Benefits

Effective October 1, 1993, the Company adopted SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions" (SFAS 106). SFAS 106 requires an accrual method of accounting for postretirement benefits, similar to that presently in effect for pension plans. Previously, certain health care and life insurance benefits were charged to expense when paid. Under the accrual method, the cost of providing postretirement benefits will be recognized over the employee's service period. The Company's transition obligation associated with SFAS 106 is $8.6 million, which will be amortized over 20 years, and its annual expense will increase from approximately $400,000 to $1.5 million, of which over 95% relates to NJNG. As part of its January 1994 base rate order, NJNG is permitted to recover approximately 50% of its SFAS 106 expense currently and defer the balance with ultimate recovery of the deferred portion no later than that prescribed by generally accepted accounting principles. At March 31, 1994, $443,000 of SFAS 106 expenses were deferred and are included in Deferred charges and other on the Consolidated Balance Sheet.

The components of the accumulated postretirement benefit obligation as of October 1, 1993 and the estimated cost in fiscal 1994 are as follows:

Accumulated Postretirement Benefits Obligation (APBO)

Retirees	$1,648
Fully eligible participants	2,648
Other active participants	4,304
Total APBO	$8,600

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There were no plan assets as of October 1, 1993.

Annual Net Postretirement Benefit Cost

Service cost	$ 369
Interest cost	678
Amortization of transition obligation	430
Deferral of current expense	(797)

Total annual net expense	$ 680
	=====

The assumed health care cost trend rate used in measuring the APBO as of October 1, 1993 was 12% in 1994 declining 1% each year to 7% in 1999 and then remaining constant at 6.5% in 2000 and thereafter for participants under age 65. For participants age 65 and older the trend rate was 9% in 1994 declining 1% each year to 7% in 1996 and then remaining constant at 6.5% in 1997 and thereafter. A 1% increase in the trend rates would increase the APBO as of October 1, 1993 by $1.4 million and would increase the annual service and interest costs by $200,000. The assumed discount rate used in determining the APBO was 8%.

4. Capitalized Interest

Capitalized interest and total interest charges for the six months ended March 31, 1994 and 1993, respectively, are as follows:

	Three Months Ended March 31, 1994	1993	Six Months Ended March 31, 1994	1993
	(Thousands)			
Capitalized Interest	$741	$620	$1,675	$1,270
	====	====	======	======
Total Interest Charges	$6,284	$5,975	$11,851	$11,693
	======	======	=======	=======

5. Legal and Regulatory Proceedings

a. Base Rate Case

In April 1993, NJNG filed a petition with the Board of Regulatory Commissioners (BRC) seeking additional annual revenues of approximately $26.9 million, or 7.1%, in base rates. The filing reflected primarily the incremental capital and operating costs associated with NJNG's continued customer growth, general system expansion and New Jersey tax law changes. The filing included a 12.5% return on equity and a rate base of $541 million, compared with 12.2% return on equity and a $389 million rate base previously reflected in its base rates. On January 5, 1994, the BRC approved a stipulated agreement which authorized a $7.5 million base rate increase and included an 11.5% return on common equity and a rate base of $492 million. Also included in the stipulation was a continuation of NJNG's margin sharing formula for sales to JCP&L and other interruptible customers and transportation services and, effective January 5, 1994, the margin sharing formula for off-system and capacity release sales was established to credit 80% to firm customers and 20% to be retained by NJNG.

b. Levelized Gas Adjustment Clause (LGA)
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In July 1993, NJNG filed a petition with the BRC to increase its annual LGA revenues by $4.8 million, or 1.3%, reflecting primarily higher-than-expected natural gas prices. On November 24, 1993, the BRC approved the $4.8 million increase effective December 1, 1993, which included recovery of NJNG's share of transition costs paid through September 1993 associated with interstate natural gas pipelines complying with Federal Energy Regulatory Commission Order 636, over two years. Accordingly, $9.8 million of deferred gas costs has been classified as Deferred charges and other on the Consolidated Balance Sheet at March 31, 1994.

c. Manufactured Gas Plant (MGP) Sites

NJNG has identified eleven former manufactured gas plant (MGP) sites, dating back to the late 1800's and early 1900's, which it acquired from predecessors, and which contain contaminated residues from former gas manufacturing operations. All of the gas manufacturing operations ceased at these sites at least since the mid-1950's and in some cases had been discontinued many years earlier, and all of the old gas manufacturing facilities were subsequently dismantled by NJNG or its predecessors. NJNG is currently involved in administrative proceedings with the New Jersey Department of Environmental Protection and Energy (the NJDEPE) and local government authorities with respect to the plant sites in question, 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. Since October 1989, NJNG has entered into Administrative Consent Orders or Memoranda of Agreement with the NJDEPE covering all eleven sites. These documents establish the procedures to be followed by NJNG in developing a final remedial clean-up plan for each site.

Most of the cost of such studies and investigations is being shared under an agreement with the former owner and operator of ten of the MGP sites. NJNG's expenditures through June 1993 for environmental investigations and preparation of proposals for remedial action at the former gas plant sites are being recovered through a remediation rider, which was approved by the BRC in its June 1992 base rate order. Costs incurred subsequent to June 30, 1993 will be reviewed annually and, subject to BRC approval, recovered over seven-year periods.

NJNG estimates that it will incur additional expenditures of approximately $10 million over the next five years for further investigation and remedial action at these sites. Accordingly, this amount is reflected in both Deferred charges and other and Other deferred credits in the Consolidated Balance Sheets.

d. Aberdeen

In December 1993, a complaint was filed against NJNG, its contractor and as yet unidentified parties by persons alleging injuries caused by a natural gas explosion and fire on June 9, 1993 at a residential building in Aberdeen Township, New Jersey. The plaintiffs (a decedent, his

administratrix ad prosequendum and his guardian) are seeking to recover compensatory and punitive damages in unspecified amounts from the defendants. The complaint alleges, among other things, that the defendants were negligent or are strictly liable in tort for their alleged failure to control, repair and maintain natural gas facilities at such building. In February 1994, an additional complaint was filed in New Jersey Superior Court against NJNG and its contractor by a person (individually and as general administratrix and administratrix ad prosequendum of a decedent) alleging injuries arising out of the natural gas explosion and fire at the Aberdeen Township building. The plaintiff alleges, among other things, that the defendants were negligent or are strictly liable in tort in connection with their controlling, maintaining or inspecting natural gas lines to such building. The plaintiff seeks unspecified compensatory and punitive damages from NJNG, its contractor and as yet unidentified parties. Reference is made to the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 1993 for information relating to four complaints previously filed against NJNG arising out of the Aberdeen fire.

NJNG has notified its liability insurance carriers of these matters. NJNG is unable to predict the extent to which other claims will be asserted against, or liability imposed on, NJNG. The Company does not believe that the ultimate resolution of these matters will have a material adverse effect on its consolidated financial condition or results of operations.

e. Carnegie

In March 1993, NJNG was named a defendant in a civil action commenced by Carnegie Natural Gas Company (Carnegie) in the U.S. District Court for the Western District of Pennsylvania. This action challenges NJNG's decision to terminate the June 18, 1986 "Service Agreement for Sales Service under Rate Schedule LVWS" (LVWS Service Agreement) between Carnegie and NJNG effective March 31, 1994, pursuant to a "market-out" clause. The LVWS Service Agreement would otherwise have expired on March 31, 2001. Carnegie seeks, among other things, a declaratory judgment that the contract termination was void. Claims of tortious interference with contractual relations and abuse of process are also asserted and unspecified damages and punitive damages are also sought. In April 1993, Carnegie filed a motion for summary judgment on the contract termination claim. In May 1993, NJNG filed a response opposing Carnegie's motion, as well as a cross motion for summary judgment on all claims. On January 21, 1994 a federal magistrate issued a recommended decision denying Carnegie's motion for summary judgment. In addition, the magistrate granted NJNG's motion for summary judgment on Carnegie's tortious interference claim and denied NJNG's motion for summary judgment on the contract termination and abuse of process claims. Both parties filed objections to various aspects of the magistrate's recommended decision, which were denied by order of a federal district court judge on March 18, 1994. NJNG is unable to predict the outcome of this matter. The Company does not believe that the ultimate resolution of this matter will have a material adverse effect on its consolidated financial condition or results of operations.

f. South Brunswick Asphalt, L.P.
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NJNG has been named a defendant in a civil action commenced in New Jersey Superior Court by South Brunswick Asphalt, L.P. (SBA) and its affiliated companies seeking damages arising from alleged environmental contamination at three sites owned or occupied by SBA and its affiliated companies. Specifically, the suit charges that tar emulsion removed from 1979 through 1983 by an affiliate of SBA (Seal Tite, Inc.) from NJNG's former gas manufacturing plant sites has been alleged by the NJDEPE to constitute a hazardous waste and that the tar emulsion has contaminated the soil and ground water at the three sites in question. In February 1991, the NJDEPE issued letters classifying the tar emulsion/sand and gravel mixture at each site as dry industrial waste, a non-hazardous classification. NJNG is presently exploring various disposal methods for the tar emulsion/sand and gravel mixture.

NJNG's liability insurance carrier has assumed defense of this action but has denied coverage for SBA's claims. Although management is considering legal action against the carrier, NJNG believes that the total cost to remove and dispose of the tar emulsion/sand and gravel mixture from all three sites would be immaterial. Based upon the gas remediation rider approved by the BRC in June 1992, NJNG believes that such costs should be

recoverable through the ratemaking process.

One of the SBA sites is the subject of a NJDEPE Directive and Notice alleging that the tar emulsion/sand and gravel mixture was a contributing factor to the contamination of ground water at a residential community. The NJDEPE is seeking reimbursement under the New Jersey Spill Compensation and Control Act of cleanup, remediation and related costs, estimated by the NJDEPE at approximately $20 million. NJNG is contesting the NJDEPE directive on the grounds, among others, that any such alleged ground water contamination was not caused by tar emulsions removed from NJNG's former gas plant manufacturing sites. NJNG's liability insurance carriers, which have been defending the civil action, have denied coverage for these claims and NJNG intends to contest this position. NJNG would attempt to seek recovery through the ratemaking process of any such cleanup or remediation payments it might ultimately be required to make, but recognizes that such recovery is not assured. There can be no assurance as to the outcome of these proceedings. The Company does not believe that the ultimate resolution of these matters will have a material adverse effect on its consolidated financial condition or results of operations.

g. Bridgeport Rental and Oil Service
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In January 1992, NJNG was advised of allegations that certain waste oil from its former manufactured gas plant site in Wildwood, New Jersey may have been sent by a demolition contractor to the Bridgeport Rental and Oil Service site in Logan Township, New Jersey. That site has been designated a Superfund site and is currently the subject of two lawsuits pending in the U.S. District Court in New Jersey. NJNG has notified its insurance carriers and is investigating this matter. NJNG is currently unable to predict the extent, if any, to which it may have cleanup or other liability with respect to this matter, but would seek recovery of any such costs through the ratemaking process. However, no assurance can be given as to the timing or extent of the ultimate recovery of such costs. The Company does not believe that the ultimate resolution of these matters will have a material adverse effect on its consolidated financial condition or results of operations.

h. Iroquois

Pipeline owns a 2.8% equity interest in the Iroquois Gas Transmission System, L.P. (Iroquois) which has constructed and is operating a 375-mile pipeline from the Canadian border in Upstate New York to Long Island.

Iroquois has been informed by the U.S. Attorney's Offices for the Northern, Southern and Eastern Districts of New York that an investigation is underway to determine whether or not Iroquois committed civil violations of the Federal Clean Water Act and/or its Corps of Engineers permit during construction of the pipeline.

In addition, in conjunction with the Environmental Protection Agency (EPA), a criminal investigation has been initiated by the U.S. Attorney's Office for the Northern District of New York. To date, no criminal charges have been filed.

On December 3, 1993, Iroquois received notification from the Enforcement Staff of the Federal Energy Regulatory Commission Office of the General Counsel (Enforcement) that Enforcement has commenced a preliminary, non-public investigation concerning matters related to Iroquois' construction of certain of its pipeline facilities. Enforcement has requested information regarding certain aspects of the pipeline construction. In addition, on December 27, 1993, Iroquois received a similar communication from the Army Corps of Engineers requesting information regarding permit compliance in connection with certain aspects of the pipeline construction. Iroquois is evaluating and responding to these requests for information and intends to work with these agencies to allay their concerns. To date, no proceedings have been commenced against Iroquois in connection with these agency inquiries.

Iroquois has publicly stated that it believes the pipeline construction and right-of-way activities were conducted in a responsible manner and that its environmental program complied with or exceeded applicable standards for the industry. The foregoing proceedings and investigations have not affected the pipeline's operations.

Pipeline is unable to predict the outcome of these proceedings and investigations. Based upon information currently available to the Company concerning the above matters involving Iroquois, the Company does not believe that their ultimate resolution will have a material adverse effect on the Company's consolidated financial condition or results of operations. Pipeline's investment in Iroquois as of March 31, 1994 was $5.4 million.

i. Bessie-8

Reference is made to the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 1993 and the Company's Form 10-Q/A for the quarterly period ended December 31, 1993 for information relating to legal proceedings against NJNR and others (the Joint Venture, *et al.*) in connection with the Bessie-8 joint venture activities.

In January 1992, Bethlehem Steel Corporation announced its intention to sell the Johnstown plant and, effective June 1, 1993, Bethlehem discontinued gas purchases from the Joint Venture, *et al.* The portion of the pipeline used to provide gas to Bethlehem was shut-in to preserve its structural integrity. Field production is currently being sold into the interstate natural gas market at spot prices.

In January 1994, the owners of the plant previously served by the Bessie-8 pipeline entered into a three-year natural gas contract with another supplier. In March 1994, NJNR concluded that, based on meetings with its partners to discuss various alternatives for the pipeline, the recovery of NJNR's net investment of $1 million is doubtful. Accordingly, as disclosed on Form 8-K filed by the Company on April 27, 1994, the results for the three and six months ended March 31, 1994 include an after-tax charge to earnings of $650,000, or $.04 per share.

j. Real Estate Properties

CR&R is the owner of certain parcels of land located in Monmouth County, New Jersey which it is in the process of developing. The development of the land is subject to the Freshwater Wetlands Protection Act (the Act), which restricts building in or near certain protected geographic areas designated as "freshwater wetlands' and their transition areas. CR&R's land parcels were exempt from the provisions of the Act until assumption of the Federal 404 freshwater wetlands program by the State of New Jersey on March 2, 1994. As of that date, the New Jersey Department of Environmental Protection and Energy (DEPE) has jurisdiction over any freshwater wetlands and may classify all or part of the remaining developable area as freshwater wetlands. It is probable that CR&R will be precluded from developing any land classified by the DEPE as freshwater wetlands. CR&R is currently determining what portion of the land parcels may be classified as freshwater wetlands by the DEPE and the effect, if any, that such classification will have on its further development.

k. Various

The Company is party to various claims, legal actions and complaints arising in the ordinary course of business. In management's opinion, the ultimate disposition of these matters will not have a material adverse effect on its financial condition or results of operations.

6. Long-Term Debt

In March 1994, under its loan agreement with the New Jersey Economic Development Authority, NJNG issued an additional $4 million of its 7.25% Series U Bonds.

7. Other

At March 31, 1994, there were 17,056,184 common shares outstanding and book value per share was $15.15.

Certain reclassifications have been made of previously reported amounts to conform with current year classifications.

NEW JERSEY RESOURCES CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS
THREE AND SIX MONTHS ENDED MARCH 31, 1994

RESULTS OF OPERATIONS

Earnings for the six months ended March 31, 1994 include the cumulative effect of adopting Statement of Financial Accounting Standards No. 109 "Accounting for Income Taxes", which was a non-cash credit to consolidated net income of $721,000, or $.04 per share. See Note 3. Changes in Accounting -b.) Income Taxes on page 6 for a discussion of this change in accounting principle.

Consolidated net income for the three and six months ended March 31, 1994, before the effect of adopting SFAS 109, increased by $1.3 million, or 6%, to $23.3 million and by $2.1 million, or 7%, to $33.8 million, respectively.

Earnings per share for the three and six months ended March 31, 1994, before the effect of SFAS 109, were $1.37 compared with $1.33, and were $1.99 compared with $1.92, respectively.

The increase in consolidated earnings before the effect of SFAS 109 was attributable primarily to the higher financial results of the Company's principal subsidiary, New Jersey Natural Gas Company (NJNG).

UTILITY OPERATIONS

NJNG's financial results are summarized as follows:

	Three Months Ended March 31,		Six Months Ended March 31,	
	1994	1993	1994	1993

	(Thousands)			
Gross margin				
Residential and commercial	$62,916	$56,286	$101,053	$94,813
JCP&L and other interruptible	249	277	398	395
Off system and capacity release	1,390	650	2,596	1,334
Total gross margin	64,555	57,213	104,047	96,542
Operating expenses	23,287	20,567	43,787	40,918
Interest charges, net	4,033	3,661	7,191	7,044
Federal income taxes	12,790	10,557	17,931	15,673
Preferred dividends and other, net	319	426	663	986
Net income	$24,126	$22,002	$34,475	$31,921

Gross Margin

Gross margin, defined as gas revenues less gas costs and gross receipts and franchise taxes (GRFT), provides a more meaningful basis for evaluating utility operations since gas costs and GRFT are passed through to customers and, therefore, have no effect on earnings. Gas costs are charged to operating expenses on the basis of therm sales at the base and Levelized Gas Adjustment (LGA) cost rates included in NJNG's tariff. The LGA clause allows NJNG to recover gas costs that exceed the level reflected in its base rates. GRFT are also calculated on a per-therm basis (excluding sales to other utilities).

Residential and Commercial Sales

In NJNG's June 1992 base rate order, the BRC approved a weather-normalization clause on a two-year experimental basis effective October 1, 1992. Such clause provides for a revenue adjustment if the weather varies by more than one-half of one percent from normal, or 10-year average, weather. The accumulated adjustment from one heating season (October-April) is billed or credited to customers in the subsequent heating season. This clause reduces the weather-sensitivity of gross margin from firm (i.e. residential and commercial) customers.

Gross margin from sales to firm customers increased by $6.6 million, or 12%, to $62.9 million during the second fiscal quarter and by $6.2 million, or 7%, to $101 million during the six months, compared with the same periods last year.

These increases were due primarily to a 13% and 7% increase in firm therm sales in the quarter and six months ended March 31, 1994, respectively, as well as a $7.5 million base rate increase which became effective January 5, 1994. Firm therm sales increased due to the weather, which was 5% colder than last year, and the addition of approximately 9,700 customers during the twelve months ended March 31, 1994.

The weather for the six months ended March 31, 1994, was 9% colder than normal which, due to the aforementioned weather-normalization clause, did not significantly impact gross margin. Instead, $5.8 million of gross margin was deferred and included in Customers' credit balances and deposits. For the six months ended March 31, 1993, colder than normal weather resulted in $1.8 million of gross margin being deferred due to the weather normalization clause.

Off-System and Capacity Release Sales

In order to reduce the overall cost of its gas supply commitments, NJNG has entered into contracts to sell gas to customers who are outside of the state and not connected to its system. These sales enable NJNG to spread its fixed demand costs, which are charged by pipelines to access their supplies year-round, over a larger and more diverse customer base. NJNG also participates in the capacity release market where it sells capacity on the interstate pipeline network which is not needed for its own system requirements.

NJNG's off-system sales totaled 91 million and 169 million therms and generated $944,000 and $1.9 million of gross margin in the three and six months ended March 31, 1994, respectively, compared with 66 million and 111 million therms and $650,000 and $1.3 million of gross margin in the same periods last year. Off-system sales improved due primarily to increased marketing efforts, while the margin per therm declined due to a change in the regulated margin-sharing formula and increased competition. Effective January 1994, NJNG retains 20% of the gross margin from off-system sales. Capacity release sales generated $446,000 and $727,000 of gross margin in the three and six months ended March 31, 1994, respectively.

Operating Expenses

Operating expenses increased by $2.7 million, or 13%, and by $2.9 million, or 7%, for the three and six months ended March 31, 1994, respectively. These increases were due primarily to higher depreciation associated with NJNG's growing plant investment needed to support the customer growth and general system expansion, higher payroll associated with the colder weather, rate case related expenses and an inventory adjustment.

Interest Charges, Net

Interest charges, net increased by $372,000, or 10%, and $147,000, or 2%, for the three and six months ended March 31, 1994, due primarily to higher debt levels associated with its ongoing construction program.

REAL ESTATE OPERATIONS

CR&R's financial results are summarized as follows:

	Three Months Ended March 31, 1994	1993	Six Months Ended March 31, 1994	1993
	(Thousands)			
Revenues	$3,213	$3,126	$6,342	$6,190
Operating expenses				
Depreciation	483	498	965	959
Other	1,311	1,091	2,376	2,225
Operating income	1,419	1,537	3,001	3,006
Other expenses	-	-	653	116
Interest charges,net	1,042	1,305	2,042	2,607
Federal income taxes	130	75	103	87
Net income before SFAS 109	247	157	203	196
Effect of SFAS 109	-	-	660	-
Net income	$247	$ 157	$863	$ 196

Earnings for the six months ended March 31, 1994 include the cumulative effect of adopting SFAS 109 which was a non-cash credit to net income of $660,000. See Note 3. Changes in Accounting -b.) <u>Income Taxes on page</u> 6 for a discussion of this change in accounting principle.

In evaluating the results of real estate operations, it is appropriate to analyze net income adjusted for depreciation which better reflects the cash flow being generated by its income-producing properties. This approach is common in the real estate industry since cash flow is generally used to evaluate asset performance.

Other expenses represent the costs associated with the October 1993 redemption of CR&R's remaining $13.8 million outstanding principal of its 11 5/8% mortgage and the December 1992 redemption of its remaining $2.1 million outstanding principal of its 12.75% mortgage.

Excluding redemption costs from both periods, net income before the effect of SFAS 109, adjusted for depreciation, increased by 11%, to $730,000, and by 27%, to $1.6 million, for the three and six months ended March 31, 1994, respectively, reflecting lower financing costs resulting from the mortgage redemption activity and the maintenance of a high occupancy rate.

Since March 1993, CR&R's inventory of completed space has remained unchanged at 914,200 square feet and the occupancy rate has remained at 96%.

Interest charges, net decreased by $263,000, or 20%, and $565,000, or 22%, for the three and six months ended March 31, 1994, respectively, due to lower average interest rates resulting from the abovementioned mortgage redemption activity.

EXPLORATION AND PRODUCTION OPERATIONS

NJR Energy's financial results are summarized as follows:

	Three Months Ended March 31,		Six Months Ended March 31,	
	1994	1993(A)	1994	1993(A)
	(Thousands)			
Revenues	$2,515	$2,381	$5,236	$4,742
Operating expenses	3,660	3,441	5,931	6,015
Operating loss	(1,145)	(1,060)	(695)	(1,273)
Interest charges, net	383	311	776	619
Federal income taxes	(654)	(1,158)	(823)	(1,421)
Net loss before SFAS 109	(874)	(213)	(648)	(471)
Effect of SFAS 109	-	-	79	-
Net loss	$(874)	$ (213)	$(569)	$ (471)

(A) Restated to reflect the change in accounting principle by NJR Energy for its oil and gas operations to the successful efforts method from the full cost method.

Earnings for the six months ended March 31, 1994 include the cumulative effect of adopting SFAS 109 which was a non-cash credit to net income of $79,000. See Note 3. Changes in Accounting -<u>b.) Income Taxes</u> on page 6 for a discussion of this change in accounting principle.

NJR Energy's operating loss increased by $85,000, or 8%, for the three months ended March 31, 1994, due primarily to the $1 million write-down of its investment in the Bessie-8 pipeline. See Note 5. Legal and Regulatory Proceedings -<u>i.) Bessie-8</u> on page 11 for a discussion of this write-down. The operating loss for the six months ended March 31, 1994 decreased by $578,000, or 45%, as higher revenues from increased production and lower exploratory dry hole costs more than offset the Bessie-8 write-down.

Natural gas production increased to 1.9 billion cubic feet (bcf) for the six months compared with 1.6 bcf a year ago, and oil production increased to 62,700 barrels compared with 47,000 barrels. These increases were due primarily to the impact of the $5 million acquisition of 56 properties from Marathon Oil Company in August 1993. In conjunction with the strategic shift in capital allocation as discussed in Liquidity and Capital Resources - Exploration and Production on page 16, NJNR has removed 7.6 bcf and 290,000 barrels of oil of proved undeveloped reserves from its reserve base. NJR Energy's proved reserves at March 31, 1994 totaled 32 bcf of natural gas and 1.9 million barrels of oil.

Average natural gas and oil prices for the six months were $1.84 per thousand cubic feet (mcf) and $15.07 per barrel compared with $1.81 per mcf and $19.71 per barrel, respectively, during the same period a year ago.

NJR Energy's interest charges, net for the three and six months ended March 31, 1994, increased by $72,000, or 23%, and by $157,000, or 25%, respectively, due to higher average debt levels associated with the Marathon acquisition.

Federal income taxes were favorably impacted by permanent tax benefits associated with the development of properties eligible for the tight sands tax credit.

NJR Energy's ability to improve its earnings in the future is dependent on several factors including changes in natural gas and oil prices, the performance of reserve acquisitions and other investments, the amount and type of which will be determined by market and other conditions.

LIQUIDITY AND CAPITAL RESOURCES

In order to meet the working capital and external debt financing requirements of its non-regulated subsidiaries, as well as its own working capital needs, the Company maintains committed bank credit facilities totaling $145 million and has a $10 million credit facility available on an offering basis. At March 31, 1994, $123.7 million was outstanding under these facilities.

UTILITY

The seasonal nature of NJNG's operations creates large short-term cash requirements, primarily to finance gas purchases and customer accounts receivable. NJNG obtains working capital for these requirements, as well as for the temporary financing of construction expenditures, sinking fund needs and accelerated GRFT payments mandated by changes in New Jersey law, through the issuance of commercial paper and short-term bank loans. To support the issuance of commercial paper, NJNG maintains committed credit facilities totaling $71 million with a number of commercial banks and has an additional $15 million in lines of credit available on an offering basis. NJNG's lines of credit are adjusted quarterly based upon its projected cash needs.

Remaining fiscal 1994 construction expenditures are estimated at $30 million. These expenditures will be incurred for services, mains and meters to support NJNG's continued customer growth, and general system renewals and improvements. NJNG also has additional capital requirements in 1994 of approximately $25 million resulting from the acceleration of GRFT payments to the State of New Jersey. NJNG expects to finance these expenditures through internal generation, the issuance of short-term debt and proceeds from the Company's Dividend Reinvestment and Customer Stock Purchase Plan (DRP), the amount and timing of which will be affected by market conditions and other factors.

NJNG will also pursue the refinancing of existing long-term debt, the amount and timing of which will be affected by market conditions and other factors.

INDEPENDENT POWER

In July 1993, the Company announced that Lighthouse One, Inc. entered into an agreement with a subsidiary of Destec Energy, Inc. to jointly develop a 57 megawatt, natural gas fired cogeneration project in Harriman, New York (the Northway Project). No significant development expenditures for this project are expected in fiscal 1994. The Northway Project has entered into a twenty-year gas supply agreement with NJNG. Pending various regulatory approvals, the project is currently scheduled to begin construction in 1995, and commence operation in 1996.

REAL ESTATE

As a result of the Company's strategic re-evaluation, CR&R's capital expenditures are expected to be limited to the fit-up of existing tenant space and the development of previously committed projects, subject to additional investments, approved by the Board of Directors, made for the purpose of preserving the value of particular real estate holdings, or made on a build-to-suit basis in accordance with acceptable commitments from existing or prospective tenants or buyers. Such remaining capital expenditures for fiscal 1994 are estimated at $2 million and are expected to be funded through internal generation and bank loans obtained by the Company.

EXPLORATION & PRODUCTION

On April 27, 1994, the Company announced that it plans to reallocate much of the capital previously dedicated to the development of natural gas and oil reserves to investments with closer strategic ties to the rest of its energy businesses. No further exploration is planned. Potential investment opportunities may include gas gathering, storage and marketing, as well as other investments designed to capitalize on the post - Order 636 investment environment. In connection with this strategic shift, as discussed in Note 3 to the Consolidated Financial Statements, Changes in Accounting -a.) Oil and Natural Gas Properties on page 5, NJR Energy has changed the method by which it accounts for its oil and gas operations from the full cost method to the successful efforts method.

Such remaining capital expenditures for fiscal 1994 are expected to total up to $2 million, depending on market conditions and other factors. These expenditures are expected to be funded through bank loans obtained by the Company, proceeds from the Company's DRP and internal generation.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

Information required by this Item is incorporated by reference to Note 5 - Legal and Regulatory Proceedings beginning on Page 8.

Item 6. Exhibits and Reports on Form 8-K

(b) Reports on Form 8-K

The Company filed a Current Report on Form 8-K, under Item 5 - Other Events, dated January 5, 1994, with respect to the settlement of New Jersey Natural Gas Company's base rate case.

The Company filed a Current Report on Form 8-K, under Item 5 - Other Events, dated April 27, 1994, with respect to (a) the change in accounting principle for its oil and gas operations from the full cost method to the successful efforts method and (b) the write-down of its investment in the Bessie-8 pipeline.

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

Date: May 13, 1994

/s/Laurence M. Downes

Laurence M. Downes
Senior Vice President and
Chief Financial Officer

Date: May 13, 1994

/s/Glenn C. Lockwood

Glenn C. Lockwood
Vice President, Controller
and Chief Accounting Officer