

**STATE OF NEW JERSEY
BOARD OF PUBLIC UTILITIES**

**IN THE MATTER OF THE)
PROMULGATION OF STANDARDS)
BY THE BOARD PURSUANT TO) DOCKET NO. GT1109_____
THE PROVISIONS OF THE)
ELECTRIC DISCOUNT AND)
ENERGY COMPETITION ACT)
OF 1999, N.J.S.A. 48:3-49)**

**2011 COMPLIANCE PLAN OF
NEW JERSEY NATURAL GAS COMPANY**

**NEW JERSEY NATURAL GAS COMPANY
1415 Wyckoff Road
Wall, New Jersey 07719**

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BOARD OF PUBLIC UTILITIES**

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**2011
COMPLIANCE PLAN OF
NEW JERSEY NATURAL GAS COMPANY**

I. INTRODUCTION

This Compliance Plan is being submitted to the New Jersey Board of Public Utilities (the “Board”) by New Jersey Natural Gas Company (“NJNG” or the “Company”) as required by N.J.A.C. 14:4-5.1 et seq. These regulations, entitled the Affiliate Relations, Fair Competition and Accounting Standards and Related Reporting Requirements (the “Affiliate Rules”) were originally adopted by the Board pursuant to an Order dated March 15, 2000 in Docket No. EX99030182. NJNG is committed to fully comply with all laws and regulations and to maintain the highest ethical standards in the way we conduct our business. This commitment includes the development and enforcement of company policies ensuring strict compliance with the Affiliate Rules.

It is the overall policy of NJNG to consistently and proactively follow the Affiliate Rules issued by the Board. The Company has developed internal rules and compliance procedures in conjunction with the requirements of the Affiliate Rules. These rules and procedures are applicable to designated transactions between the utility and all Retail Affiliates¹ operating in the state of New Jersey. Since NJNG is not a multi-state utility, the limited exemption provided in N.J.A.C. 14:4-5.1(c) of the Affiliate Rules is not applicable.

1. Training. All employees participated in a training session concerning the Affiliate Rules after the initial adoption by the Board. The subject is also covered annually in the Company’s Code of Conduct procedures which all employees are required to attend. (See

¹ “Retail Affiliate” means any NJR Home Services Company and/or any other retail affiliate of NJNG as determined by the Legal Department in accordance with the Affiliate Rules.

Exhibit H attached hereto.)² Additionally, the Company provides Affiliate Rules training to all new employees, at least every quarter. A document detailing the intent and impact of the Affiliate Rules, entitled “Fair Competition Guidelines” (Exhibit B), has been provided to all employees. Additionally, the Company has developed and distributed policies and procedures as part of the Affiliate Rules training which are updated as often as necessary. (See, for example, Exhibits C, D, E and F attached hereto.)

2. Compliance. The Chief Compliance Officer and representatives from Regulatory Affairs monitor Affiliate Rules issues, provide guidance internally and ensure ongoing compliance. Additionally, after the adoption by the Company of any major substantive changes to the Plan, a revised copy of the Compliance Plan or any documents incorporated therein will be submitted to the Board.

II. COMPANY ORGANIZATION

As of December 11, 2000, the appliance service business of NJNG was spun-out into an affiliate, NJR Home Services Company (“NJRHS”). This was done pursuant to Board Order dated December 6, 2000 in Docket Nos. EX99090676 and GM98060394. All service contract, installation and appliance repair activities are now performed by employees of NJRHS. Additionally, NJR Service Corporation was established as of October 1, 2000 to provide legal, financial, computer, human resource and other administrative services to the family of NJR companies. All such work and associated costs are directly charged to the affiliate receiving such services. (See Exhibits J, K, L and Q attached hereto.) On August 24, 2009, NJR Clean Energy Ventures (NJR CEV”) was established to provide commercial and residential solar energy installations.

Attached hereto as Exhibit A is a complete listing of the subsidiaries of NJR, as of the date of this document.

III. NONDISCRIMINATION

1. Preferential Treatment Regarding Services Provided by an Electric and/or Gas Public Utility. It is the Company’s policy not to discriminate against any competitor in favor of any of its affiliates. (See Exhibit B attached hereto.)

2. Transactions. It is the Company’s policy that transactions between NJNG and any Retail Affiliates will be limited to: 1) tariffed products and services; 2) the sale or purchase of goods, property, products or services made available through an open competitive bidding process; and 3) those services allowed under the Affiliate Rules. (See Exhibit J attached hereto.)

3. Provision of Supply, Capacity, Services or Information. NJNG will provide access to utility information, services, and unused capacity or supply to all market participants by

² All Exhibits referenced herein are part of the Compliance Plan, attached hereto and incorporated herein by reference.

way of a public posting on a non-discriminatory basis, except as to those shared services allowed pursuant to the Affiliate Rules. (See Exhibits J and Q attached hereto.)

4. Surplus Energy and/or Capacity. NJNG will not routinely sell or offer to sell on a short term or long term basis surplus energy and/or capacity to its Retail Affiliates and, when such transactions do occur, the provisions of the Affiliate Rules will apply. However, it is possible that NJNG or its Retail Affiliates may unintentionally receive each other's capacity as a result of a series of trades in the open competitive capacity release market. In the normal course of business, customers may accept capacity for transportation service from NJNG. Such customers may be current or future customers of a Retail Affiliate. NJNG will not intentionally establish a situation wherein that occurs or where a Retail Affiliate may obtain a competitive advantage.

5. Offering of Discounts and Discretionary Waivers. It is the Company's policy not to offer discounts or discretionary waivers to any Retail Affiliates. Accordingly, no affiliate discount reports pursuant to the Affiliate Rules are required at this time.

6. Interpretation of Tariff Provisions. It is the policy of NJNG to apply its tariff provisions to all market participants on a non-discriminatory basis.

7. Processing Requests for Electric and/or Gas Public Utility Services. All requests for similar services will be provided by NJNG on a non-discriminatory basis, whether such request is from NJR, a Retail Affiliate, or any other market participant and its customers.

8. Tying of Products and/or Services Provided by an Electric and/or Gas Public Utility. It is the policy of NJNG that the provision by the Company of any products and/or services or the availability of discounts, rebates or waivers of terms and conditions will not be tied in any manner to the taking of products and/or services from any Retail Affiliates.

9. Assignment of Customers. NJNG will not assign current utility customers to a Retail Affiliate of NJR by any means, unless such an assignment is made available on a non-discriminatory basis to all competitors, or pursuant to a Board Order.

10. Business Development and Customer Relations. NJNG will not provide assistance, aid, or services related to customer enrollment, marketing, or business development to a Retail Affiliate, unless offered to all competitors on a non-discriminatory basis. Specifically the Company maintains a policy that its employees shall not provide leads, solicit business, or acquire information on behalf of any Retail Affiliate. Additionally, it is NJNG's policy not to share with its Retail Affiliates any market analysis, reports or non-publicly available reports, including but not limited to marketing, forecast, planning or strategic reports. (See Exhibit B attached hereto.)

NJNG will not share non-public customer usage or end use equipment information with any Retail Affiliate, nor will it request authorization from its customers to share such information. It is NJNG's policy that its employees will not represent or imply that NJNG speaks on behalf of a Retail Affiliate or NJR or that the customer will receive preferential treatment as a consequence of conducting business with a Retail Affiliate and/or NJR. Additionally, NJNG

employees shall not represent that a Retail Affiliate or NJR speaks on behalf of NJNG. (See Exhibits C, E and O attached hereto.)

IV. INFORMATION DISCLOSURE

1. **Customer Information.** Pursuant to NJNG policy (see Exhibit B), individual proprietary customer information will only be released to an affiliated or unaffiliated entity upon the provision of a customer signature or two pieces of specific information which can only be obtained from the customer directly, or through alternative means or regulations adopted by the Board. For example, access to customer information on the Electronic Bulletin Board (“EBB”) is currently only allowed upon the provision of a customer meter number and account number. Customer proprietary information includes, but is not limited to, such items as the customer account number, usage history or payment information.

2. **Non-Customer Specific Non-Public Information.** With the exception of information NJNG may need to provide to a Retail Affiliate or NJR for the limited purposes related to the provision of corporate support or shared services, the Company will not make available non-customer specific non-public information, as described in the Affiliate Rules, to a Retail Affiliate without making such information available by public posting on a non-discriminatory basis to all other service providers. (See Exhibit Q attached hereto.) This restriction applies to information related to natural gas purchases, sales or operations, or information regarding gas-related goods or services.

3. **Supplier Lists.** Any supplier list provided by NJNG shall include only those suppliers duly licensed by the Board and that list will be in alphabetical order, with no specific suppliers highlighted. The current list will be updated routinely for posting on the NJNG Web site (www.njng.com). (See Exhibit Q attached hereto.)

4. **Non-Public Supplier Information.** Written affirmative authorization must be received by NJNG from an unaffiliated supplier before NJNG will provide to NJR or any affiliate any information or data regarding that supplier. NJNG will not seek the exclusive release of such information to NJR or to any Retail Affiliate in order to keep such information from unaffiliated suppliers.

5. **Product and/or Service Provider Information.** NJNG employees will not provide a list of products or service providers to its customers which highlights NJR or any Retail Affiliate. If a request for such information is made by a customer, any list so provided will contain information on all suppliers currently licensed by the Board. The Company may also refer customers to a general listing publicly available, such as on the Internet or in a local telephone directory.

6. **Record-Keeping.** All tariffed and non-tariffed transactions between NJNG and NJR or any Retail Affiliates will be maintained in accurate records, which shall be kept pursuant to applicable regulations. Additionally, such records will be made available for review by the Board Staff or the New Jersey Division of Rate Counsel (“Rate Counsel”) within 72 hours (3 business days) notice or at a mutually agreed upon time.

7. **Maintenance of Affiliate Contracts and Related Bids.** All records pertaining to contracts and related bids for the provision of work, products and/or services to and from NJNG to and from NJR or a Retail Affiliate will be maintained pursuant to applicable regulations. (See Exhibits G, I and J attached hereto.)

V. SEPARATION

1. **Corporate Entities.** NJNG, NJR and all affiliates are separate corporate entities, as set out in Exhibit A.

2. **Books and Records.** All books and records of NJNG, NJR and the NJR affiliates shall be separately kept and will be available for examination by the Board upon request. While the books and records are categorized by an internal accounting structure for internal reporting, all NJNG accounts are recorded in accordance with FERC Uniform System of Accounts accounting guidelines and can be reported in that manner, as is done for the Annual Report submitted to the Board.

3. **Sharing of Plant, Facilities, Equipment or Costs.** NJNG will not share office space, office equipment, services and systems with a Retail Affiliate, except as permitted in the area of shared corporate support functions. (See Exhibit J attached hereto for a listing of the shared services.) Additionally, specific system protections will be in effect to prevent unauthorized access to information or data within the computer systems which would be in violation of the Affiliate Rules. (See Exhibit Q attached hereto.)

4. **Joint Products and Services.** If NJNG selects to offer a product or service in conjunction with an affiliated company, that offering will be authorized by the Board and will be made available to all non-affiliated product or service providers on the same terms and conditions.

5. **Joint Purchases.** NJNG will not make joint purchases of items related directly to the merchant function but will make joint purchases of other products and services, provided that there is a clear identification and allocation of the direct product costs and indirect purchasing costs of the utility portion, as opposed to purchases for NJR and Retail Affiliates. Furthermore, all such purchases will be in compliance with the Affiliate Rules, as well as any other Board allocation and reporting rules. (See Exhibit G attached hereto.)

6. **Corporate Support.** Certain corporate support services, including oversight, governance, support systems and personnel, will be jointly shared by NJNG, NJR and the Retail Affiliates as long as that support is priced, reported and conducted in accordance with the Affiliate Rules and other applicable Board pricing and reporting requirements. However, NJNG will not permit such corporate support services to be used as a means for confidential customer or market information³ to be transferred from NJNG to any Retail Affiliate. Attached hereto as Exhibit M is the verification by a Senior Officer that adequate mechanisms and procedures are in place to ensure compliance. (See also Exhibit Q attached hereto.)

³ “Confidential Information” means any Company information which is not generally available to the public and which would be useful or helpful to the Company’s competitors, such as the Company’s customer list, customer usage, end use equipment information, market analysis, market forecasts, planning or strategic reports or other information designated as such by the Company.

7. **Corporate Identification and Advertising.** A Retail Affiliate of NJR will not trade upon, promote or advertise its relationship to NJNG nor will it use the utility's name and/or logo in any publicly circulated materials in New Jersey without clear and conspicuous language disclosing its independent status. That disclosure will include the following information:

- a statement that the Retail Affiliate is not the same company as NJNG
- notification that the Retail Affiliate is not regulated by the Board
- full disclosure that the customer is not obligated to purchase anything from the Retail Affiliate in order to receive or continue receiving natural gas service from the utility

It is the position of NJNG that it will not offer its Retail Affiliate any advertising space nor participate in joint advertising or joint marketing with a Retail Affiliate except to the extent allowed through the Affiliate Rules. A Retail Affiliate cannot include advertising material in the utility billing envelope, other than to existing Retail Affiliate customers, unless that opportunity is made available to all other unaffiliated service providers on the same terms and conditions. The utility and the Retail Affiliates will not participate in joint business activities, trade shows, conferences, or marketing events in New Jersey and NJNG will not subsidize the cost of research, development or advanced technology research to the benefit of a Retail Affiliate. (See Exhibit O attached hereto.)

8. **Employees.** NJNG will comply fully with the Affiliate Rules related to restrictions on the employment, whether paid or without compensation, of individuals by NJR and NJNG or by NJNG and a Retail Affiliate in relation to the offering of merchant functions. Employees of a Retail Affiliate will not provide non-competitive or safety related functions for the utility unless related to shared administration and overhead or in emergency situations. All members of the Boards of Directors of the utility, NJR and the Retail Affiliates will be elected in full compliance with the Affiliate Rules. Accordingly, a board member or corporate officer may serve on NJR and the utility or NJR and a Retail Affiliate but may not serve on both the utility and a Retail Affiliate.

Any transfers of employees between NJNG and a Retail Affiliate will comply fully with the Affiliate Rules. All employees transferring between NJNG and a Retail Affiliate will agree that the confidentiality of customer information, as defined herein and in the Affiliate Rules, will be strictly maintained. (See Exhibit P attached hereto.)

9. **Transfer of Services.** All transfers from NJNG to a Retail Affiliate of services produced, purchased or developed for sale on the open competitive market will be priced at no less than fair market value. All transfers from a Retail Affiliate to NJNG of services produced, purchased or developed for sale on the open market will be priced at no more than fair market value. Any services produced, purchased or developed for sale on the open market by NJNG will only be provided to the Retail Affiliates on a nondiscriminatory basis, unless otherwise permitted under law. Any transfers of services not produced, purchased or developed for sale on the open market shall be priced at fully allocated cost. The transfer of services not produced, purchased or developed for sale on the open market by a Retail Affiliate to NJNG shall be priced at the lower of fully allocated cost or fair market value.

10. **Transfer, Lease or Rental of Utility Assets.** Any transfers, leases, rentals, licenses, easements or other encumbrances of any utility assets from NJNG to a Retail Affiliate

will be recorded at the greater of net book cost or fair market value and, similarly, any such actions related to assets of a Retail Affiliate going to the utility will be recorded at the lesser of net book cost or fair market value. Intellectual Property rights, including but not limited to such things as trademarks, copyrights, trade secrets, and patents, are covered by this provision.

VI. COMPETITIVE PRODUCTS AND/OR SERVICES OFFERED BY A UTILITY OR AFFILIATE OF A UTILITY

1. **Eligible Competitive Products and/or Services.** NJNG will obtain Board approval for the implementation of any proposed competitive products and/or services and will comply with the provisions of the Affiliate Rules and the law concerning the provision of competitive services. There are no competitive services offered by NJNG at this time.

2. **Standards for Approval.** NJNG will comply with Board mandates concerning the standards of approval for competitive services and will continue to offer safety related services as determined necessary by the Board.

3. **Conditions for Offering Competitive Products and/or Services.** All NJNG employees involved directly in the provision of non-competitive, as well as competitive services, will maintain complete and accurate time logs as to the amount of time spent in each type of service and the Company will continue to track, monitor and update its fully allocated costs of providing competitive services. NJNG will ensure that the provision of competitive services, if any, will not adversely impact its ability to provide safe, adequate and proper natural gas service. The Company will maintain its obligation to offer its competitive services in a non-discriminatory manner and it is the intention of NJNG that its employees will not violate the applicable Affiliate Rules. (See Exhibits K and L attached hereto.)

4. **Accounting Standards, Books and Records and Periodic Reporting.** Currently, NJNG is not offering any Competitive Services but will follow the Affiliate Rules in the event such services are offered, as discussed below. However, if such services were offered, NJNG would maintain, as part of the general ledger, separate subledgers for each competitive service and/or product offered. These subledgers would contain assets, revenue and expense accounts as necessary to record all transactions for each service or product. NJNG and its Retail Affiliates would also track the following: total customers, total revenues received by the utility, dedicated assets and the carrying costs thereon, the portion of shared assets allocated to competitive services, all dedicated expenses incurred in the start up, promotion and provision of service, the fully allocated shared expenses, the total margins as defined in the Affiliate Rules, the net revenues defined in the Affiliate Rules and any additional item the Board may determine.

Additionally, if NJNG were to offer a competitive service pursuant to the Affiliate Rules, no later than forty-five (45) days from the close of the calendar year, NJNG would file an annual financial report and no later than six months after that NJNG would file the semi-annual financial report. Those reports would provide the Board with information on the financial performance of each competitive product and/or service offering by NJNG, if any.

In preparation of the above reports, NJNG would be responsible for reflecting the most current cost information available to report the performance of the competitive products and service offerings of NJNG and its Retail Affiliates.

If an asset of NJNG's is transferred, leased or rented to one of its Retail Affiliates with the intention of that asset becoming a dedicated asset of the affiliate, the value of that asset shall be recorded at the greater of net book cost or fair market value, pursuant to all applicable laws and regulations and subject to Board approval. (See Exhibit R attached hereto.)

5. Treatment of Revenues. NJNG will record the level of gross revenues representing the fully allocated costs of providing competitive services and/or products in the appropriate revenue account and such revenues will be treated as above the line for ratemaking purposes. There are no Competitive Services offered at this time by NJNG. Similarly, any revenues received by the utility from the transfer of services or the transfer, lease, or rental of assets to a Retail Affiliate shall also be recorded to the appropriate competitive service revenue account and credited to customers in the manner to be determined by the Board.

6. Change(s) in Price or Terms and Conditions. If there are any modifications to the pricing terms or to other terms and conditions of a Board approved competitive product and/or service offering, NJNG will notify the Board of such proposed changes thirty (30) days prior to the intended implementation. Such notice will include the revised tariff and an affidavit from an NJNG officer stating that the proposed changes will be in compliance with the Affiliate Rules. There are no competitive services offered by NJNG at this time.

7. Change(s) in Competitive and/or Service Offering. If NJNG makes any substantive changes to a previously approved competitive services offering, the Company will provide notice of such changes to the Board sixty (60) days prior to the intended effective date and will include sufficient information in that notice to ensure that such changes will be in continued compliance with the Affiliate Rules. There are no competitive services offered by NJNG at this time.

8. Violations. NJNG is fully aware of the penalties contained in the Affiliate Rules for any violations.

VII. REGULATORY OVERSIGHT

1. Compliance Plans. NJNG is submitting its 2011 Compliance Plan to the Board, with a copy to the New Jersey Division of Rate Counsel. This Plan includes demonstration that there are adequate procedures in place to ensure continued compliance with the Affiliate Rules and, as shown in Exhibit A, contains an accurate listing of all NJR affiliates. As set out in Exhibit Q, this information will be updated within five (5) business days of any substantive changes. It is the intention of the Company to file revisions to this plan annually or in the event a major substantive change is made.

2. New Affiliate Compliance Plans. NJNG will notify the Board, and make a public posting, if a new Retail Affiliate subject to the Affiliate Rules is established. (See Exhibit O attached hereto.)

3. Audits. NJNG will comply fully and within the established time frame with any audits required pursuant to the Affiliate Rules.

4. **Responsibility for Enforcement of Affiliate Rules.** As noted throughout this document, NJNG views the enforcement of the Affiliate Rules very seriously and provides all new employees with training about the policies and procedures when employment commences. Additionally, this topic is addressed in the Annual Code of Conduct sessions that are mandatory for all employees of New Jersey Resources. The overall responsibility for ensuring compliance with the Affiliate Rules lies with each employee but is managed by the Chief Compliance Officer within the General Counsel's Office and by Regulatory Affairs.

VIII. DISPUTE RESOLUTION

1. **Procedure.** NJNG has an established dispute resolution and complaint procedure, including a telephone complaint hotline. (See Exhibit N attached hereto.) The Company will report any violations of the Affiliate Rules to the Board and provide a copy to Rate Counsel within five (5) days of learning of the violation. A log of all violations, both resolved and pending, will be maintained and will contain the information required by the Affiliate Rules, including a summary of the complaint, the manner in which the complaint was resolved or an explanation as to why the complaint remains pending.

IX. VIOLATIONS AND PENALTIES

1. **Penalties.** NJNG is fully aware of the penalties contained in the Affiliate Rules for violations, both substantial and not substantial in nature.

VERIFICATION

STATE OF NEW JERSEY)
COUNTY OF MONMOUTH)

KATHLEEN T. ELLIS, being duly sworn, deposes and says:

1. I am Executive Vice President and Chief Operating Officer of New Jersey Natural Gas Company located at 1415 Wyckoff Road, Wall, New Jersey 07719.
2. I have read the foregoing Compliance Plan and Exhibits, know the contents thereof, and the same is true to the best of my knowledge, information and belief.

Kathleen T. Ellis

Kathleen T. Ellis
Executive Vice President and Chief Operating Officer

Sworn to before me this *31st* day
of *August* 2011

Lisa Hamilton
Notary Public

LISA HAMILTON
NOTARY PUBLIC FOR NEW JERSEY
Commission Expires January 4, 2015



**NEW JERSEY NATURAL GAS COMPANY
2011 AFFILIATE RULES COMPLIANCE PLAN**

EXHIBITS

- Exhibit A - New Jersey Resources Corporation Corporate Structure
- Exhibit B - Fair Competition Guidelines
- Exhibit C - Do's and Don'ts for Customer Service Representatives
- Exhibit D - Do's and Don'ts for First Responders and Utility Services Technicians
- Exhibit E - Do's and Don'ts for Marketing Services
- Exhibit F - Do's and Don'ts for Supplier Relations Consumer Consultants
- Exhibit G - Joint Purchasing Guidelines
- Exhibit H - New Jersey Resources Corporation Code of Conduct
- Exhibit I - Service Agreements
- Exhibit J – Shared Services Guidelines
- Exhibit K - New Jersey Resources Corporation Time Sheet Policy and Procedure
- Exhibit L - New Jersey Resources Corporation Employee Time Sheet
- Exhibit M - Section 5(5) (b) Affidavit
- Exhibit N - External Complaint Procedure
- Exhibit O – Corporate Communications and Public Relations Policy
- Exhibit P – Inter-company Transfer of New Jersey Natural Gas Company Employees
- Exhibit Q – Information Systems Access Guidelines
- Exhibit R – Inter-company Asset Transfer Policy and Procedure

**NEW JERSEY RESOURCES CORPORATION
CORPORATE STRUCTURE**

Company Name	Company Line of Business	Company Officers/Directors	Company Location
<p><u>New Jersey Resources Corporation</u> (Parent Company)</p>	<p>Owens 100% of New Jersey Natural Gas Company, 100% of NJR Energy Services Company, 100% of NJR Retail Holdings Corporation, 100% of NJR Service Corporation and 100% of NJR Energy Investments Corporation.</p>	<p>L.M. Downes, Chairman, CEO & President/Director G.C. Lockwood, Executive Vice Pres. & Chief Financial Officer K.T. Ellis, Senior Vice President, Corporate Affairs M. Dugan, Senior Vice President, General Counsel R.M. Figueroa, Corporate Secretary W. T. Foley, Treasurer L. Kellner, Chief of Staff L.R. Codey, Director D.L. Correll, Director R.B. Evans, Director M. W. Howard, Jr., Director J.M. Kenny, Director A.C. Koeppe, Director J.T. Strange, Director D.A. Trice, Director G.R. Zoffinger, Director</p>	<p>1415 Wyckoff Road Wall, New Jersey 07719 Telephone: 732-938-1480</p>

Company Name	Company Line of Business	Company Officers/Directors	Company Location
<p><u>New Jersey Natural Gas Company</u> (Utility)</p>	<p>Provides energy services to residential, commercial and industrial customers in Monmouth and Ocean counties and parts of Morris and Middlesex counties.</p>	<p>L.M. Downes, Chairman, CEO & President/Director K. T. Ellis, Executive Vice Pres., and Chief Operating Officer M. Dugan, Senior Vice President, General Counsel K.F. Kerr, Vice Pres., Customer Services C. A. Lynch, Vice President, Energy Delivery T.J. Massaro, Vice Pres., Marketing and Business Intelligence M.R. Spurduto, Vice President Regulatory and External Affairs R.M. Figueroa, Corporate Secretary W. Foley, Treasurer L.R. Codey, Director D. L. Correll, Director R. B. Evans, Director A.C. Koeppe, Lead Director</p>	<p>1415 Wyckoff Road Wall, New Jersey 07719 Telephone: 732-938-1000</p>
<p><u>NJR Retail Holdings Corporation</u> (Retail Affiliate)</p>	<p>Owns 100% of Commercial Realty and Resources Corporation, and NJR Home Services Company.</p>	<p>L. M. Downes, President & Treasurer/Director R. Reich, Secretary</p>	<p>1415 Wyckoff Road Wall, New Jersey 07719 Telephone: 732-938-1480</p>
<p><u>NJR Home Services Company</u> (Retail Affiliate)</p>	<p>Engages in the provision of appliance installation, sales and repair services, and owns 100% of NJR Plumbing Services, Inc.</p>	<p>S. Kosierowski, President/Director Joseph Marazzo, Vice President, Treasurer R. Reich, Secretary</p>	<p>5008 Belmar Boulevard Farmingdale, NJ 07727 Telephone: 732-938-1480</p>
<p><u>NJR Plumbing Services, Inc.</u> (Retail Affiliate)</p>	<p>Provides plumbing services for customers of NJR Home Services Company.</p>	<p>S. Kosierowski, President/Director Joseph Marazzo, Vice President, Treasurer R. Reich, Secretary</p>	<p>5008 Belmar Boulevard Farmingdale, NJ 07727 Telephone: 732-938-1480</p>

EXHIBIT A

Company Name	Company Line of Business	Company Officers/Directors	Company Location
<p><u>NJR Service Corporation</u> (Non-Retail Affiliate)</p>	<p>Renders shared administrative services to all affiliates.</p>	<p>L.M. Downes, Chairman, CEO & President/Director G.C. Lockwood, Senior Vice Pres., Chief Financial Officer/Director M. Dugan, Senior Vice President, General Counsel/Director G.C. Smith, Vice President, Internal Audit D.G. Zilai, Vice President, Corporate Services R.M. Figueroa, Corporate Secretary W. Foley, Treasurer</p>	<p>1415 Wyckoff Road Wall, New Jersey 07719 Telephone: 732-938-1480</p>
<p><u>NJR Energy Services Company</u> (Non-Retail Affiliate)</p>	<p>Provides unregulated wholesale energy services, including natural gas supply, pipeline capacity and storage management.</p>	<p>L.M. Downes, Chairman, CEO & President/Director S.D. Westhoven, Senior Vice President G.C. Lockwood, Senior Vice Pres., Chief Financial Officer M. Dugan, Senior Vice President, General Counsel G.P. Richman, Vice President, Energy Services R.M. Figueroa, Corporate Secretary W. Foley, Treasurer R. B. Evans, Lead Director Rev. M. W. Howard, Jr., Director J. T. Strange, Director D. A. Trice, Director G. R. Zoffinger, Director</p>	<p>1415 Wyckoff Road Wall, New Jersey 07719 Telephone: 732-938-1480</p>

EXHIBIT A

Company Name	Company Line of Business	Company Officers/Directors	Company Location
<p><u>NJR Storage Holdings Company</u> (Non-Retail Affiliate)</p>	<p>Subscribes to natural gas storage capacity and engages in wholesale natural gas marketing. Owns 100% of NJR Steckman Ridge Storage Company.</p>	<p>L.M. Downes, Chairman, CEO & President/Director G.C. Lockwood, Senior Vice Pres., Chief Financial Officer, Treasurer /Director M. Dugan, Senior Vice President, General Counsel/Director R.R. Gardner, Vice President R.M. Figueroa, Corporate Secretary</p>	<p>1415 Wyckoff Road Wall, New Jersey 07719 Telephone: 732-938-1480</p>
<p><u>NJR Steckman Ridge Storage Company</u> (Non-Retail Affiliate)</p>	<p>Subscribes to natural gas storage capacity and engages in wholesale natural gas marketing.</p>	<p>L.M. Downes, Chairman, CEO & President/Director G.C. Lockwood, Senior Vice Pres., Chief Financial Officer /Director M. Dugan, Senior Vice President, General Counsel/Director R.R. Gardner, Vice President R.M. Figueroa, Corporate Secretary W. Foley, Treasurer</p>	<p>1415 Wyckoff Road Wall, New Jersey 07719 Telephone: 732-938-1480</p>
<p><u>NJR Energy Investments Corporation</u> (Non-Retail Affiliate)</p>	<p>Owns 100% of NJR Investment Company and NJR Energy Holdings Corporation.</p>	<p>L.M. Downes, Chairman, CEO & President/Director G.C. Lockwood, Senior Vice Pres., Chief Financial Officer M. Dugan, Senior Vice President, General Counsel R.R. Gardner, Vice President R.M. Figueroa, Corporate Secretary W. Foley, Treasurer R. B. Evans, Lead Director Rev. M.W. Howard, Jr., Director J. T. Strange, Director D. A. Trice, Director G. R. Zoffinger, Director</p>	<p>1415 Wyckoff Road Wall, New Jersey 07719 Telephone: 732-938-1480</p>

Company Name	Company Line of Business	Company Officers/Directors	Company Location
<u>Commercial Realty & Resources Corp.</u> (Non-Energy Affiliate)	Develops and owns commercial office and mixed use commercial and industrial real estate projects in Monmouth and Ocean Counties, New Jersey.	L.M. Downes, Chairman of the Board/Director J. Lishak, President/Director G.C. Lockwood, Senior Vice Pres., Chief Financial Officer & Treasurer/Director M. Dugan, Senior Vice President, General Counsel/Director R.M. Figueroa, Corporate Secretary	1415 Wyckoff Road Wall, New Jersey 07719 Telephone: 732-938-1111
<u>NJR Investment Company</u> (Non-Retail Affiliate)	Makes certain energy-related equity investments.	L.M. Downes, Chairman/Director G.C. Lockwood, President /Director M. Dugan, Senior Vice President, General Counsel/Director R.M. Figueroa, Corporate Secretary W. Foley, Treasurer	1415 Wyckoff Road Wall, New Jersey 07719 Telephone: 732-938-1480
<u>NJR Energy Holdings Corporation</u> (Non-Retail Affiliate)	Owns 100% of NJR Energy Corporation. Owns 100% of NJR Storage Holdings Co.	L.M. Downes, Chairman, CEO & President/Director G.C. Lockwood, Senior Vice Pres., Chief Financial Officer /Director M. Dugan, Senior Vice President, General Counsel/Director R.M. Figueroa, Corporate Secretary W. Foley, Treasurer	1415 Wyckoff Road Wall, New Jersey 07719 Telephone: 732-938-1480
<u>NJR Energy Corporation</u> (Non-Retail Affiliate)	Invests in energy-related ventures through its 2 wholly owned operating subsidiaries, NJR Pipeline Company and NJNR Pipeline Company.	L.M. Downes, Chairman, CEO & President/Director G.C. Lockwood, Senior Vice Pres., Chief Financial Officer /Director M. Dugan, Senior Vice President, General Counsel/Director R.M. Figueroa, Corporate Secretary W. Foley, Treasurer	1415 Wyckoff Road Wall, New Jersey 07719 Telephone: 732-938-1480

Company Name	Company Line of Business	Company Officers/Directors	Company Location
<p><u>NJNR Pipeline Company</u> (Non-Retail Affiliate)</p>	<p>Owns a small percentage of Iroquois Gas Transmission System, L.P., an interstate natural gas pipeline subject to the jurisdiction of the Federal Regulatory Commission.</p>	<p>L.M. Downes, Chairman, CEO & President/Director G.C. Lockwood, Senior Vice Pres., Chief Financial Officer /Director M. Dugan, Senior Vice President, General Counsel/ Director R. R. Gardner, Vice President R.M. Figueroa, Corporate Secretary W. Foley, Treasurer</p>	<p>1415 Wyckoff Road Wall, New Jersey 07719 Telephone: 732-938-1480</p>
<p><u>NJR Pipeline Company</u> (Non-Retail Affiliate)</p>	<p>Formed to make pipeline investments.</p>	<p>L.M. Downes, Chairman, CEO & President/Director G.C. Lockwood, Senior Vice President, CFO/Director M. Dugan, Senior Vice President, General Counsel/ Director R.R. Gardner, Vice President R.M. Figueroa, Corporate Secretary W. Foley, Treasurer</p>	<p>1415 Wyckoff Road Wall, New Jersey 07719 Telephone: 732-938-1480</p>
<p><u>NJR Clean Energy Ventures Corporation</u> (Non-Retail Affiliate)</p>	<p>Formed to make clean energy investments</p>	<p>L.M. Downes, Chairman, CEO /Director S. Kosierowski, President G.C. Lockwood, Senior Vice President, CFO, Treasurer M. Dugan, Senior Vice President, General Counsel R.M. Figueroa, Corporate Secretary M. W. Howard, Lead Director J. M. Kenny, Director J. T. Strange, Director D. A. Trice, Director G. R. Zoffinger, Director</p>	<p>1415 Wyckoff Road Wall, New Jersey 07719 Telephone: 732-938-1480</p>

FAIR COMPETITION GUIDELINES

I. DEFINITIONS

“Affiliate” means any affiliate of New Jersey Natural Gas Company, including New Jersey Resources Corporation (“NJR”) and NJR Service Corporation.

“Company” or “NJNG” means New Jersey Natural Gas Company.

“Retail Affiliate(s)” means NJR Home Services Company and/or any other retail affiliate of NJNG as determined by the Legal Department in accordance with the Affiliate Rules.

“Confidential Information” means any Company information which is not generally available to the public and which would be useful or helpful to the Company’s competitors, such as the Company’s customer list, individual customer usage, end use customer equipment information, market analysis, market, forecast, planning or strategic reports or other information designated as such by the Company.

II. STATEMENT OF POLICY AND GENERAL INFORMATION

The Company is committed to full compliance with all laws and regulations, and to maintaining the highest ethical standards in the way we conduct our business. The Company’s commitment includes strict compliance with the Affiliate Relations, Fair Competition and Accounting Standards and Related Reporting Requirements, N.J.A.C 14:4-5.1 et seq. (the “Affiliate Rules”), which were implemented by the New Jersey Board of Public Utilities (“BPU) and are designed to promote fair competition. **Compliance with the Affiliate Rules, these Fair Competition Guidelines (“Guidelines”), and all other guidelines specific to the Affiliate Rules is mandatory. Violations may result in heavy fine for the Company and violators may receive disciplinary action, up to and including termination of employment.**

In order for natural gas customers and appliance service customers to make reasonable and intelligent choices regarding which products and services to buy and from whom they should buy them, the marketplace must be open, level and fair. NJNG provides bundled sales, transportation and energy-related services. The Company’s retail affiliates, NJR Home Services Company (“NJR HS”) and NJR Plumbing Services Company, sell appliance installation and repair services on their own and through competitive bid contracts open to competitors. Therefore, all NJR employees must be particularly conscious of their conduct so that a level playing field exists for all product and service providers who compete with the Company and our Retail Affiliates. We must ensure that full and fair competition in the marketplace is not impaired and, importantly, that even the appearance of unfair competition is avoided.

The first basic tenet of fair competition is that all players offering the same or similar products or services should be treated in the same manner. This means that all suppliers, vendors and appliance repair providers, including Retail Affiliates, must receive the same treatment. Retail Affiliates shall not receive information that is not made available, in the same time frame and in the same manner, to its competitors. This may seem strange because Retail Affiliate employees are, after all, fellow corporate employees and friends, but Retail Affiliates cannot be given an unfair advantage over competitors, and favoring Retail Affiliates could be illegal.

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Specifically, Retail Affiliate employees do not have unlimited access to the Customer Information System (“CIS”) where all customer information is computerized, stored and manipulated. In addition, Retail Affiliates do not have access to Company files containing confidential information on the “G” drive. A copy of the Information Systems Access Guidelines has been distributed to all employees and is available online in Policies and Procedures. In addition, Company employees must not put Company Confidential Information on the “G:/public” shared drive.

NJNG employees, like all Affiliate employees, may provide customer leads for conversions to natural gas from alternative fuel sources; however, NJNG employees, unlike other Affiliate employees, may not provide customer leads to Retail Affiliates. For example, if a friend or neighbor asks about available appliance protection plans, you may not give a referral to or about Retail Affiliates. You must refer that person to the Yellow Pages or the Internet to find a supplier. The Company also has separate guidelines for Marketing Services, Customer Service Representatives, First Responders, Utility Services Technicians, and Supplier Relations Consultants, which have been distributed to those employees and are included in the Compliance Plan.

All NJR employees must ensure that customer information, like all other Confidential Information, is not discussed outside the Company and is shared internally only on a need-to-know basis, such as with an NJR or NJR Service Corporation employee who needs access to Confidential Information in order to properly provide a Shared Service to the Company pursuant to the Shared Services Guidelines. Proprietary Customer Information includes but is not limited to such things as a customer service address, usage information, social security number or service history. Such information should not be left openly on our computers, desks or other surfaces in our work spaces. While we are not advocating secrecy among employees, we are advocating safeguards to ensure that Confidential Information is not handled in a way that inadvertently circumvents the procedures required of participants in a competitive environment.

NJNG employees cannot speak or give the impression that they speak on behalf of our Retail Affiliates or that NJNG and the Retail Affiliates are the same company. Nor can a Retail Affiliate employee speak or give the impression that he or she speaks on behalf of NJNG or works for the same company as NJNG. NJNG has a written policy regarding corporate identification and advertising. This policy has been distributed to all Company and Affiliate employees.

Finally, employee transfers between the Company and a Retail Affiliate may occur but must be done on a permanent rather than a temporary basis. Subject to certain exceptions, NJNG employees who transfer to a Retail Affiliate cannot return to NJNG for a period of one (1) year. Returned NJNG employees cannot transfer back to a Retail Affiliate for a period of one (1) year. Transferred NJNG employees are under a continuing obligation to keep Company and Customer information confidential in accordance with the Affiliate Rules and these Guidelines. The Company has a written Employee Transfer policy which is available online in Policies and Procedures. Additionally, employees transferring between NJNG and a Retail Affiliate must acknowledge these provisions by signing a form provided by Human Resources. All job postings will include guidance about the restrictions related to transferring between the utility and a Retail Affiliate.

It is impossible to anticipate every situation or occurrence we will encounter. If a problem comes to your attention, please advise your immediate supervisor or someone in Regulatory Affairs or the Legal Department. All suggestions and complaints, internally and externally generated, will be reviewed and/or investigated immediately. Internal complaints shall be filed consistent with the procedure identified in the NJR Code of Conduct. External complaints shall be filed consistent with the Company's External Complaint Procedure filed with the BPU. Questions regarding this policy or complaints should be referred to Mariellen Dugan, Senior Vice President and General Counsel.

III. SPECIFIC GUIDELINES

A. Market-Sensitive or Confidential Information

1. The Company's customer list is Confidential Information and should not be disclosed to Retail Affiliate employees or unaffiliated competitors.
2. Company employees shall not provide leads to Retail Affiliate employees or solicit business or acquire information on behalf of a Retail Affiliate. Information received from customers shall not be disclosed to Retail Affiliate employees.
3. Information concerning individual customers (*e.g.*, name, service address, energy usage and payment history) may be disclosed to third party suppliers, or to a Retail Affiliate, after the Company has received a written request from the customer permitting the disclosure of such information to the person the customer specifies, if the supplier making the request provides the customer's account number, or under certain exceptions as permitted pursuant to the BPU regulations.
4. Company employees may not discuss Confidential Information with Retail Affiliate employees, except if such employee needs certain information to perform a Shared Service for NJNG pursuant to the Shared Services Guidelines. This includes information exchanged between NJNG and a Retail Affiliate to affect a joint purchase pursuant to the Joint Purchasing Guidelines. Retail Affiliate employees must keep all such information confidential. Copies of the Shared Services Guidelines and the Joint Purchasing Guidelines are available online in Policies and Procedures and are included in the Compliance Plan.
5. Company employees may disclose non-public supplier information (number of customers, customer mix, price, market share, market activity, market areas, etc.) to a third party only upon the supplier's written authorization. Any such requests shall be referred to the Gas Transportation Department for processing.

B. Requests for Products or Services Offered by Retail Affiliates

1. If a customer requests information concerning eligible suppliers, the customer should be directed to the current list of eligible suppliers maintained by Treasury in

EXHIBIT B

either hard copy form or on the Company's Web site at www.njliving.com. If asked, Company employees may acknowledge that a Retail Affiliate provides a product or service, but the customer must still be directed to the supplier list so that the customer may make an informed choice. Calls are not forwarded to a Retail Affiliate and the Retail Affiliate is not to be advised of the customer's call or interest. Customers must be advised to contact the Retail Affiliate directly. Such call may be returned to the corporate main menu.

2. If a customer requests information concerning a product or service other than natural gas offered by a Retail Affiliate, that customer should be directed to the yellow pages, the BPU or the Internet. Company employees may acknowledge that a Retail Affiliate provides a particular product or service when asked, but the customer still must be directed to the Yellow Pages, the BPU or the Internet so that the customer may make an informed choice. Calls are not to be forwarded to a Retail Affiliate and the Retail Affiliate is not to be advised of the customer's call or interest. Customers must be advised to contact the Retail Affiliate directly.
3. Marketing Department personnel shall market the Company's unbundled transportation services as aggressively as its bundled services. All available information regarding all the Company's services should be supplied so that the customer may make an informed choice.
4. If a customer has called the Company by mistake, thinking he or she has called a Retail Affiliate, it is acceptable to give the customer the affiliate's telephone number or transfer the call if technically feasible.
5. Company employees shall not make disparaging remarks to customers about competitors.

C. Requests for Gas Transportation Services Offered by NJNG

1. Questions about Residential Gas Transportation service shall be referred to the Call Center. Questions about Interruptible Transportation service shall be referred to the Marketing Department (new customers or technical information) or the Gas Transportation Department (billing, enrollment or suppliers). Questions about all other transportation services shall be referred to the Gas Transportation Department. No other employee except those from Regulatory Affairs or Legal should answer any questions regarding these services.
2. Requests for gas transportation service shall be processed promptly. The Company shall process all requests for gas transportation service in the same manner and within the same time frame, regardless of who makes the request. Any and all information needed or requested shall be handled in a timely, courteous and equitable manner.

D. Separation of Products and Services

1. The products and services offered by Retail Affiliates are distinct and separate. NJNG may not tie the two together by denying a product or service offered by NJNG if a customer refuses to buy a product or service from a Retail Affiliate or other product or service provider designated by NJNG. For example, NJNG may not deny a customer gas transportation service if the customer refuses to buy an appliance repair service from a Retail Affiliate.
2. NJNG may not offer a waiver or discount of its own products or services on the condition that the customer buys a product or service from a Retail Affiliate or other product or service provider designated by NJNG. For example, NJNG may not offer a discount of a gas transportation service if the customer buys an appliance repair service from a Retail Affiliate.
3. Such arrangements would violate the Affiliate Rules and may be illegal and subject the Company and the employees making such an arrangement to civil and possibly criminal, penalties.

E. Dealings with Competitors

1. Company employees shall not make any agreements or arrangements with any competitor or potential competitor concerning the prices or terms and conditions at which services or products will be offered to customers. This would include agreements between competitors not to deal with certain customers. Pricing and other decisions must be made by each entity, on its own, without the help, assistance or benefit of those against whom we compete.
2. Discussions to divide marketing territories with actual or potential competitors are against corporate policy as expressed in the NJR Code of Conduct and are illegal.

F. Accounting Issues

1. Separate books of account and records shall be maintained by all Affiliates with whom NJNG does business.
2. NJNG shall maintain complete and accurate records of all tariffed and non-tariffed transactions, including contracts and related bids, with its Affiliates.
3. Costs shall be allocated or assigned to each Affiliate based on Service Agreements, which prescribe cost allocation procedures and methods.

4. Company employees who also work on Retail Affiliate matters must maintain complete and accurate hard copy or electronic time sheets separately stating the time chargeable to the appropriate Affiliate, in accordance with the NJR Time Sheet Policy and Procedure, a copy of which has been distributed to all employees, is available online in Policies and Procedures and is included in the Compliance Plan .

In summary, no rules, procedures or guidelines can be expected to cover every conceivable circumstance. There may be occasions when you are uncertain about what is the right thing to do. Please contact your supervisor, Regulatory Affairs (Extension 1487) or the General Counsel's Office (Extension 1489) for specific answers to any questions regarding this issue. **Remember, treat all providers of natural gas and appliance repair services in the same way and avoid even the appearance of unfair competition.**

**NEW JERSEY NATURAL GAS COMPANY
FAIR COMPETITION GUIDELINES:
DO'S AND DON'TS FOR CUSTOMER SERVICE REPRESENTATIVES**

The Retail Affiliates¹ offer a variety of product and services in the competitive environment. For example, NJR HS, sells appliance repair and installation services. NJNG's customers may also choose to buy the products and services available from the retail affiliates from other providers. NJNG will continue to provide gas transportation services and traditional bundled sales services, and will maintain and expand its distribution system. Since NJNG performs several functions in this competitive environment, we have to ensure that fair competition exists so that all product and service providers have a fair chance to compete with any Retail Affiliate. This means that when we are responding to customer inquiries on behalf of NJNG, we must treat a Retail Affiliate in the same manner as we would treat any other unaffiliated product or service provider. We cannot conduct ourselves in a way that favors a Retail Affiliate or that discourages a customer from choosing someone else. Therefore, we have developed guidelines to ensure that calls to NJNG regarding unbundled gas transportation, sales services, and appliance repair and installation services are handled in a consistent manner and in accordance with all legal requirements. When receiving such calls, please follow these guidelines:

A. Unbundled Gas Transportation and Sales Services Offered by NJNG

1. **DO** refer calls from anyone identifying himself or herself as a Supplier, Marketer or Broker, or anyone who wishes to become a Supplier, Marketer or Broker to Supplier Relations Consultants at ext. 1291 or 8256.
2. **DO** refer any calls from Commercial Transport Customers to the Supplier Choice Customer Service Representatives at ext. 2268.
3. **DO** see your supervisor or refer the call to the Supplier Choice Customer Service Representatives if you are unable to answer any residential gas transportation customer's question.
4. **DO NOT** give Retail Affiliate employees information you may receive or learn from calls requesting or asking about "NJNG" gas transportation services. This prohibition includes both the substance of the call and the fact that the call was made.
5. **DO NOT** comment upon the quality or reliability of NJNG's sales service or the services offered by any other supplier as compared to our transportation services.
6. If a customer requests information concerning unbundled supplier services, code the customer's account to receive the current list of eligible suppliers and/or refer the customer to the Company's Web site at www.njliving.com.

¹ "Retail Affiliate(s)" means NJR Home Services Company and/or any other retail affiliate of NJNG as determined by the Legal Department in accordance with the Affiliate Rules.

B. Products or Services Offered by a Retail Affiliate

1. **DO** refer the calls from anyone identifying himself or herself as a product or service provider to your supervisor.
2. **DO NOT** give Retail Affiliate employees information you may receive or learn from calls requesting or asking about NJNG services. This prohibition includes both the substance of the call and the fact that the call was made.
3. **DO NOT** transfer calls to Retail Affiliate employees.
4. **DO NOT** comment upon the quality or reliability of a Retail Affiliate's product or service or our appliance repair service as compared to a product or service provided by someone else.
5. **DO NOT** offer a Retail Affiliate product or service, including a protection plan, to any customer calling for utility work (meter set, turn on, read over, and restoration of service).
6. **DO NOT** answer any questions with regard to products or services offered by a Retail Affiliate. The customer must call the Retail Affiliate directly.
7. **DO** see your supervisor if you are unable to answer any customer's question.
8. If a customer requests information concerning a product or service other than natural gas and that product is offered by a Retail Affiliate, that customer should be directed to the Yellow Pages, the BPU or the Internet.

C. Customer Account Services

1. **DO** transfer the call to NJR HS if a customer calls NJNG to cancel service provided by NJR HS.
2. **DO NOT** inappropriately use utility customer information when providing services to customers of a Retail Affiliate.

Should you have any questions concerning what you should say or do, please discuss the matter with your supervisor, or contact Tracy Mitchell at Ext. 8061.

**NEW JERSEY NATURAL GAS COMPANY
FAIR COMPETITION GUIDELINES:
DO'S AND DON'TS FOR FIRST RESPONDERS
AND UTILITY SERVICE TECHNICIANS**

NJNG's Retail Affiliates,¹ which include NJR Home Services Company ("NJR HS"), sell appliance repair and installation products and services in a competitive environment. Because of this, NJNG's customers may choose to obtain these products and services from others. NJNG will continue to provide gas transportation services and traditional bundled sales services, and will maintain and expand its distribution system. Since NJNG performs several functions in this competitive environment, we have to ensure that fair competition exists so that all product and service providers have a fair chance to compete with any Retail Affiliate. This means that when we are responding to service calls on behalf of NJNG, we must treat a Retail Affiliate in the same manner as we would treat any other unaffiliated product or service provider. We cannot conduct ourselves in a way that favors a Retail Affiliate or that discourages a customer from choosing someone else. Therefore, we have developed guidelines to ensure that service calls to NJNG regarding appliance repair services are handled in a consistent manner and in accordance with all legal requirements. When responding to any utility service or emergency response call, please follow these guidelines:

1. **DO NOT** refer a customer to NJR HS to have his or her appliance repaired or replaced, or suggest that a customer to buy appliance repair services or contracts from NJR HS.
2. **DO** say "yes" and refer a customer to the yellow pages, if the customer asks if NJR HS provides appliance repair services.
3. **DO** continue to make those minor incidental appliance repairs NJNG offers to customers at no charge. As a matter of customer convenience and satisfaction, you may replace a flex connector or thermocouple.
4. **DO NOT** comment upon the quality or reliability of the service provided by any appliance repair providers, including NJR HS.
5. If you are unable to answer a customer's question, advise them that you will speak to your supervisor and have someone contact them.

Should you have any questions concerning what you should say or do, please discuss the matter with your supervisor, or contact Craig Lynch at Ext. 7885.

¹ "Retail Affiliate(s)" means NJR Home Services Company and/or any other retail affiliate of NJNG as determined by the Legal Department in accordance with the Affiliate Rules.

**NEW JERSEY NATURAL GAS COMPANY
FAIR COMPETITION GUIDELINES:
DO'S AND DON'TS FOR MARKETING SERVICES**

The Retail Affiliates¹ offer a variety of product and services in the competitive environment. NJNG's Retail Affiliate NJR Home Services Company (NJR HS) sells appliance repair and installation products and services. This means that NJNG's customers may choose to obtain these products and services from a Retail Affiliate or NJR HS or others. NJNG will continue to provide gas transportation services and traditional bundled sales services, and will maintain and expand its distribution system. Since NJNG also performs several functions in this competitive environment, we have to ensure that fair competition exists so that all product and service providers have a fair chance to compete with any Retail Affiliate. This means that when we are responding to customer inquiries on behalf of NJNG, we must treat a Retail Affiliate in the same manner as we would treat any other unaffiliated product or service provider. We cannot conduct ourselves in a way that favors a Retail Affiliate or that discourages a customer from choosing someone else. Therefore, we have developed guidelines to ensure that inquiries regarding unbundled gas transportation, sales services, appliance repair and installation products and services are handled in a consistent manner and in accordance with all legal requirements. When dealing with potential or new customers on the telephone or in person, please adhere to the following guidelines:

1. **DO NOT** give Retail Affiliate employees information you may receive or learn from calls requesting or asking about utility services. This prohibition includes both the substance of the call and the fact that the call was made.
2. **DO NOT** transfer calls to Retail Affiliate employees.
3. **DO NOT** comment upon the quality or reliability of a Retail Affiliate's product or service, or a product or service offered by someone else.
4. **DO NOT** offer or give information about a Retail Affiliate product or service, including a protection plan, to a customer who calls regarding utility service.
5. **DO NOT** refer a customer to the Retail Affiliate or advise a customer to buy a product or service from the Retail Affiliate.
6. **DO** advise customers about gas transportation and related services.
7. **DO** see your supervisor if you are unable to answer any customer's question. Let the customer know you will call him or her back.

Should you have any questions concerning what you should say or do, please discuss the matter with your supervisor, or contact Bob Gallo at Ext. 1143.

¹ "Retail Affiliate(s)" means NJR Home Services Company and/or any other retail affiliate of NJNG as determined by the Legal Department in accordance with the Affiliate Rules.

**NEW JERSEY NATURAL GAS COMPANY
FAIR COMPETITION GUIDELINES:
DO'S AND DON'TS FOR SUPPLIER RELATIONS CONSULTANTS**

New Jersey Natural Gas Company (NJNG) sells natural gas in a competitive environment. This means that NJNG's customers may choose to buy natural gas as a separate, distinct commodity from other suppliers. NJNG will continue to provide gas transportation services, including related energy services, and traditional bundled sales services, and will maintain and expand its distribution system. Since NJNG performs several functions in this competitive environment, we have to ensure that fair competition exists so that all suppliers have a fair chance to compete with NJNG. We cannot conduct ourselves in a way that favors NJNG or that discourages a customer from choosing someone else. Therefore, we have developed guidelines to ensure that calls regarding unbundled transportation services are handled in a consistent manner and in accordance with all legal requirements. When receiving such calls, please follow these guidelines:

1. **DO** handle requests received from suppliers in the order that they are received.
2. **DO** treat all non-public supplier information as confidential.
3. **DO** treat all suppliers the same in all aspects of our day-to-day business.
4. If you are unable to answer any supplier's question, please see your supervisor.

Should you have any questions concerning what you should say or do, please discuss the matter with your supervisor, or contact Judy DeSalvatore at Ext. 1019.

**NEW JERSEY NATURAL GAS COMPANY
AFFILIATE RULES COMPLIANCE PLAN
JOINT PURCHASING GUIDELINES**

The following list contains examples of goods and services that may and may not be purchased jointly by New Jersey Natural Gas Company (“NJNG”) and New Jersey Resources Corporation (“NJR”) or a Retail Affiliate¹ under the Affiliate Rules. If you have a question about whether or not a specific purchase is permitted under the Affiliate Rules, please contact the General Counsel at ext. 1489 or Regulatory Affairs at ext. 1487.

A. Remember the following:

- The Affiliate involved must pay its pro-rata share of all procurement costs and the costs of all goods and services provided to it;
- No confidential utility or customer information may be given to an affiliate unless you have followed the requirements of the Affiliate Rules for doing so;
- NJNG may provide procurement for an Affiliate as a part of providing corporate support only for items where joint purchases are permitted. Procurement as it is used here is defined as developing and issuing bid materials, contracts, purchase orders and on-going contract management. However, each Affiliate’s needs must be separately ascertained and Affiliates desiring to meet with potential or selected vendors to discuss their individual business needs must do so separately.

B. Joint Purchases NOT Allowed

- Gas for resale (commodity, transportation, storage)
- Equipment used on the utility gas system (pipe, etc.)
- Vehicles used in utility system Operations and Management (backhoes, etc.)
- Tools that must be specially ordered or built for utility use
- Computer Software specifically developed for utility functions (examples: SCADA System, distribution modeling system)

C. Joint Purchases Allowed

NJNG may purchase jointly with one or more Affiliates those products or services not associated with the merchant function, such as the following:

- Office supplies (pens, paper, pencils, scissors, etc.)
- Computers, printers and other office equipment
- Office furniture
- Express mail and shipping services
- Non-utility specific vehicles including fuels and lubricants
- Travel services and travel (airline, hotel, rental car)

¹ “Retail Affiliate(s)” means NJR Home Services Company and/or any other retail affiliate of NJNG as determined by the Legal Department in accordance with the Affiliate Rules.

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- Computer software used for general business purposes (Windows, Word, Excel, etc.)
- Hand and power tools readily available in the marketplace (hammers, screwdrivers, wrenches, drills etc.)
- Copier or fax maintenance and lease
- Health and Safety products
- Temporary Clerical Support
- Telephone services (local, long distance, cell phone, Blackberry and pager)
- Corporate support services permitted under the Shared Service Guidelines available on-line in the Financial Procedures Manual on the “G” drive.



Code of Conduct

New Jersey Resources

Effective May 11, 2011

NEW JERSEY RESOURCES CORPORATION

CODE OF CONDUCT

Revised: May 11, 2011

Letter to our Directors, Officers, Employees and Agents

The policy of New Jersey Resources Corporation and its subsidiaries (the "Company") has been and continues to be, that as directors, officers, employees and agents (i.e., someone authorized to act on the Company's behalf hereafter "Company Representatives"), we will comply with all applicable laws and regulations and adhere to the highest ethical standards in the conduct of our business.

This Code of Conduct is provided to remind us of the importance of the way we conduct our daily business. It sets forth the Company's views with regard to obeying all laws and being a good and ethical corporate citizen. Although these guidelines cannot address every circumstance we may encounter, they underscore the basic principles which must guide all our activities: good judgment, personal honesty and sound business ethics.

The Company depends on a high level of public confidence for its success. Public confidence can be sustained only if we continue to observe the highest standards of ethical behavior in the performance of our duties.

If anyone has questions about how these guidelines apply to a specific factual situation, ask for an opinion from our General Counsel and Chief Compliance Officer at 732-938-1489, Headquarters building, or contact me directly.

You may be concerned about what may happen if you report that another, director, officer, employee or an agent is involved in something that could be irregular or illegal. I want to personally assure each of you that anyone who reports any violations of this Code of Conduct will not be punished or retaliated against in any way.

Sincerely,

Laurence M. Downes

*Laurence M. Downes
Chairman and Chief Executive Officer*

CODE OF CONDUCT

POLICY

The directors and officers of the New Jersey Resources Corporation and its subsidiaries and affiliates (collectively, the "Company") firmly believe that fair and ethical business practices are a fundamental part of business conduct. Further, the very nature of our business imposes special obligations that build a public trust. Through the Code of Conduct, the Company is firmly committed to conducting business in a professional manner that clearly satisfies all moral and legal business obligations.

The Code of Conduct applies to all directors, officers, employees and agents of the Company (collectively referred to as "Company Representative(s)" or "Representative(s).") Under this Code of Conduct, the actions of all Company Representatives shall be governed by the highest standards of integrity and fairness. Strict compliance with all applicable laws and regulations is the policy of the Company, and all decisions shall be made to honor the spirit and letter of all such laws and regulations. Business shall be conducted honestly and ethically to effectively use the technical expertise, business skills and sound judgments needed to benefit customers and shareholders alike.

Our Company is an integral part of the many communities we serve. This is a corporate philosophy that encourages each of us, to the extent possible, to take an active and responsible part in public affairs that enhance the social and economic health of these communities.

Any legal questions about the matters discussed in this booklet should be addressed to our General Counsel and Chief Compliance Officer, whose telephone number is (732) 938-1489 and whose address is the Headquarters Building, Wall, New Jersey. If you believe that someone in the Company is or may be involved in any activity that violates applicable laws or regulations or any other part of this Code of Conduct you should report it to the Company in good faith and in accordance with the section of this Code entitled "Procedure." Such reports will not result in retaliation against you. New Jersey law specifically prohibits an employer from taking any retaliatory action against an employee who, among other things, reports that he or she reasonably believes the employer is acting in violation of a law, a rule or regulation. See the notice, in English and Spanish, regarding the New Jersey Conscientious Employee Protection Act ("CEPA"), annexed here as Attachment "A."

Failure to adhere to this Code of Conduct will result in disciplinary action, up to and including termination of employment. These policies will be consistently and strictly applied, and will include disciplinary action against any foreman or supervisory personnel for negligent failure to detect an offense in his or her area of responsibility.

Copies of specific policies and procedures referenced herein may be found on-line at <http://njr14/policyprocedure/Pages/default.aspx>

PROCEDURE

This Code of Conduct is your guide for how to conduct your day-to-day business activities. It sets the standard pursuant to which all Company business and operations shall be conducted. For the most part, it sets forth a number of common-sense policy guidelines to help us meet our moral and legal obligations to be responsible Company Representatives and good corporate citizens. Call it an "honor system" if you like. Just remember, it's all about honesty, fair play, integrity and good judgment.

Every Company Representative is expected to observe and follow the policy guidelines in this Code of Conduct. Copies are distributed annually to all existing Company Representatives and to new Company Representatives when they begin their employment with the Company.

When any Company Representative knows of or suspects that another Representative (or a vendor, agent or independent contractor of the Company) is engaged in unlawful, unethical, dishonest conduct or conduct that otherwise violates this Code of Conduct, that person is obligated to take immediate action. Specifically, the Representative shall promptly report this conduct orally or in writing. Generally, such a report should be made or sent to the Representative's immediate supervisor. If this is not practical, reports may be made to any of the following: the Manager, Employee Relations; the Vice President, Corporate Services; the General Counsel and Chief Compliance Officer or any attorney in the Legal Department. Thereafter, an investigation will be conducted of the allegations contained in the report in accordance with Legal Procedure 1. The results of the investigation will be communicated to the Chief Executive Officer ("CEO") and the Board of Directors of the Company. If and when appropriate a report to the proper authorities of any illegal conduct shall be promptly made by the Board of Directors of the Company or by management after notification to the Board.

Failure to cooperate in an investigation, including making false statements in the course of the investigation, shall be a basis for discipline up to and including termination.

Additionally, the Internal Auditing Department (or an outside consultant selected by the Compliance Staff) shall conduct on-site inspections of Company facilities to monitor and audit systems, records and activities. You may also make good faith reports of suspected irregularities or illegalities directly to the non-management members of the Board of Directors of the Company by contacting EthicsPoint, Inc., our independent third-party vendor at 1-866-384-4277, or you may send an Email to ethicspoint.com. See also Communicating with Non-Management Directors for a description of the process.¹ The procedure that explains how a Code of Conduct investigation is handled may also be viewed on-line.²

¹ A copy of this procedure is available at
<http://investor.njresources.com/documentdisplay.cfm?DocumentID=1153>

² A copy of Legal Procedure 1 is available at:
<http://njr14/policyprocedure/All%20Companies/Code%20of%20Conduct%20investigation%201.pdf>

CODE OF CONDUCT ANNUAL REVIEW STATEMENTS

On an annual basis, the General Counsel's Office sends a copy of the Code of Conduct and the Code of Conduct Annual Review Statement to all directors and officers of the Company, together with the Annual Directors' and Officers' Questionnaire. All employees receive a copy of the Code of Conduct and the Annual Review Statement prior to the annual Code of Conduct training sessions. The statement serves as a confirmation by the directors, officers and non-bargaining unit employees that each is aware of, understands and continues to comply with the Code of Conduct. Bargaining unit employees acknowledge receipt of the Code of Conduct in their Annual Review Statement.

The Annual Code of Conduct Review Statement must be signed by all Company Representatives and returned to the General Counsel's Office. Each signed Annual Review Statement is maintained on file. Text for the Annual Review Statements appears below:

Code of Conduct Annual Review Statement By Non-Union Representatives

I certify that I have received, read and understand the Company Code of Conduct. I agree that I will abide by the Code of Conduct, and understand that failure to comply can lead to disciplinary action up to and including termination of employment.

Signed _____ Title _____

Print Name _____

Date (mm,dd,yy) _____

Employee # _____

Code of Conduct Annual Review Statement By Bargaining Unit Representatives

I acknowledge that I have received the Company Code of Conduct.

Signed _____ Title _____

Print Name _____

Date (mm,dd,yy) _____

Employee # _____

POLICY GUIDELINES

When combined with all laws and regulations applicable to the Company, the following Policy Guidelines comprise the Code of Conduct applicable to all Company Representatives.* Each is equally important to the manner in which day-to-day business activities are expected to be handled.

Accurate Books and Records and Financial Disclosure	Equal Employment Opportunity
Affiliate Standards	Gifts, Meals and Entertainment
	Government Transactions
Alcohol Possession and Consumption & Illegal Drug Use	Memberships and Charitable Activities
Antitrust Laws	Safety
Bribes and Kickbacks	Political Activity – Contributions and Lobbying
Company Accounts of Employees Relatives and Others	Company Assets and Corporate Opportunities
Confidential Information	Recording Devices
Conflicts of Interest	Securities Fraud and Insider Trading
Copyrights and Trademarks	Technology Policy
Dealing With News Media	Unfair Business Practices/Fair Dealings
Environmental Policy	Violence in the Workplace
	Waivers of the Code

* The Code of Conduct does not include all of the Company's policies, procedures and practices.

Accurate Books and Records and Financial Disclosure

A company's credibility is judged in many ways. One very important way is the integrity of its books, records and accounting. The Company is committed to providing shareholders with full, accurate, timely and understandable information, in all material respects, about the Company's financial condition and results of operations. In meeting this commitment, the Company is required by securities laws to report financial information in accordance with generally accepted accounting principles and to maintain books and records that accurately

and fairly reflect all transactions.

But this obligation includes more than financial information. Every employee of the Company must help ensure that reporting of any business information of whatever kind (financial or otherwise) and in whatever form (computerized, paper or otherwise) is accurate, complete and timely. This requires, among other things, accurately recording costs, sales, shipments, time sheets, vouchers, bills, payroll and benefits records, expense accounts, regulatory data and other essential Company information. No employee should say or write anything about our transactions that would facilitate a vendor, customer or supplier preparing a false or misleading financial statement.

Employees, officers and directors, or any other person acting under the direction thereof, are prohibited from directly or indirectly taking any action to fraudulently influence, coerce, manipulate or mislead our independent registered public accounting firm for the purpose of rendering our financial statements misleading.

All employees of the Company must:

- Follow all laws, external accounting requirements and Company procedures for reporting financial and other business information.
- Never deliberately make a false or misleading entry in a report or record.
- Never establish an unrecorded fund for any purpose.
- Never alter or destroy Company records except as authorized by established policies and procedures.
- Never sell, transfer or dispose of Company assets without proper documentation and authorization.
- Cooperate with our internal and external auditors.
- Contact the accounting or internal auditing departments with any questions about the proper recording of financial transactions.

Senior financial officers and other managers responsible for accurate books and records, and accounting and disclosure of financial information have a special duty to ensure that these standards are met.

If you wish to raise concerns about accounting or auditing matters on an anonymous basis, call our third-party vendor, **EthicsPoint** at 1-866-384-4277, or send an Email to ethicspoint.com. Confidentiality will be maintained to the extent possible, given the Company's need to investigate and resolve the issue raised and comply with the law.

Anyone in a supervisory position is specifically required to report matters of this type to the General Counsel and Chief Compliance Officer, the Chief Financial Officer or CEO. In addition to reporting these types of concerns to members of the Compliance Staff, you may also contact the Audit Committee of the Board of Directors directly and anonymously. Please see Corporate Governance Procedure No. 1: "Reporting Complaints on Accounting, Internal Accounting Controls and Auditing Matters³".

³ A copy of this procedure is available at <http://investor.njresources.com/documentdisplay.cfm?DocumentID=1308>

Affiliate Standards

The Company is committed to strict compliance with the Affiliate Relations, Fair Competition and Accounting Standards and Related Reporting Requirements (the "Affiliate Rules"), which are designed to promote vigorous and fair competition.⁴ The Company has developed internal guidelines and procedures entitled "Fair Competition Guidelines", to ensure that all employees have a clear understanding of the Affiliate Rules.⁵ A copy of the Company's biannual update of these guidelines is distributed to each employee. As with all Company policies, compliance with these guidelines is mandatory.

Alcohol Possession and Consumption and Illegal Drug Use

The Company is committed to the health and safety of its Company Representatives and the customers we serve. This commitment includes compliance with all federal, state and local laws, regulations, rules and guidelines regarding alcohol possession and consumption and drug abuse, and the requirement that each of us be able to safely perform our jobs. As a practical matter, this means that employees should not consume alcohol or take illegal drugs before reporting to work or during the workday. Illegal drugs and alcohol are not permitted on Company premises, including parking areas and Company vehicles. Alcohol may be transported by Company vehicle to, and may be consumed in moderation at, Company sponsored and approved functions, but only when specifically authorized by a Company officer.

The solicitation, transfer, purchase or sale of illegal drugs is prohibited while on Company time, property, or while conducting Company business.

Anyone taking prescribed medication that may impact their ability to perform their jobs should notify the Manager, Compensation and Benefits at ext. 1076.

Company Representatives who test positive for alcohol or illegal drugs in violation of the Company's policies may be terminated.

The Company alcohol and drug policy is available on-line.⁶

Antitrust Laws

The Company policy is to comply fully with both the letter and spirit of all federal and state antitrust laws. The basic premise behind these laws is that all companies should compete individually rather than join together in agreements or actions that restrict their individual competition. Although the antitrust laws and the actions they proscribe are complicated, examples of a few types of activities that may be violations of those laws are: 1) competitors

⁴ A copy of the 2009 Affiliate Standards Compliance Plan is available at <http://njr14/policyprocedure/All%20Companies/2010%20Compliance%20Plan.pdf>

⁵ The Fair Competition Guidelines are attached to the 2010 Affiliate Standards Compliance Plan at Exhibit B.

⁶ A copy of Administrative Procedure 55 DOT Drug and Alcohol Control Program is available at <http://njr14/policyprocedure/All%20Companies/DOT%20Drug%20and%20Alcohol%20control%20program%20HR%20Admin%2055.pdf> See also Article 27 of the Collective Bargaining Agreements.

agreeing on prices they will charge for their products or agreeing to serve customers in certain exclusive areas; 2) competitors agreeing on the types of products or the amount of any product the companies will produce or offer for sale; 3) tying the sale of one product or service to the purchaser buying a separate unrelated product or service; and 4) treating similarly situated purchasers/sellers or users of a product or service differently. The Antitrust Compliance Guidelines attached as Attachment "B" to this Code of Conduct explain the Company's policy regarding Company compliance with the Antitrust Laws in more detail. More specific information is available and provided for those Company Representatives in certain marketing, gas sales and customer service areas of the Company. If you have any questions about this issue, please contact the General Counsel and Chief Compliance Officer.

Bribes and Kickbacks

Certain laws make it a crime for companies, and/or their directors, officers, employees and agents to bribe a foreign or domestic government official, political party, party official, or candidate for the purpose of obtaining or retaining business. You are forbidden to offer or give anything of value to a government official for the purpose of obtaining or retaining business or for any improper purpose. You are further prohibited from making improper payments through third parties – so you should be diligent in selecting agents and partners. You should never do any of the following:

- Make an unauthorized payment or authorize an improper payment or give (cash or otherwise) – directly or through an agent – to a government official;
- Induce a government official to do something illegal;
- Ignore or fail to report any indication of improper payments, gifts or entertainment;
- Establish an unrecorded fund for any purpose;
- Make a false or misleading entry in Company books; or
- Do anything to induce someone else to violate these rules, or look the other way when there might be a violation.

Under the Foreign Corrupt Practices Act, companies are required to maintain accurate books, records and accounts. That Act and the Sarbanes-Oxley Act also requires the Company to devise systems of internal control sufficient to provide reasonable assurance that corporate books and records fairly reflect, in some detail, business transactions, and dispositions or acquisitions of assets.

Company Accounts of Employees, Relatives and Others

Company employees shall not make changes, including payment arrangements on gas accounts, to their own Company accounts or to the Company accounts of anyone they know without supervisor approval. When a change is approved by a supervisor, the details regarding the change, the date that the change was authorized and made and the supervisor's name must be documented in writing and entered on the account by the approving supervisor. Employees contacting the Company to request changes to their Company accounts must identify themselves as employees. Compliance with this Policy will ensure that employees, their relatives and friends do not receive preferential treatment from the Company.

The term "*account(s)*" means any business account with the Company or the Company's agent(s) (i.e., transfer agent or bank) related to the Company's provision or receipt of products

or services or the individual's employment relationship with the Company. Accounts include any J.D. Edwards Enterprise System records such as: CIS, Accounts Payable and Receivable, Payroll, Purchasing and Personnel.

Payment arrangements for the utility bills of an employee must be made with the Supervisor of Credit & Collections or the Manager of Customer Services – Revenue Cycle in accordance with Company policies and procedures. Relatives and friends of employees must make payment arrangements in the same manner as unrelated customers.

Confidential Information

All Company Representatives must appropriately safeguard the Company's trade secrets and confidential or proprietary information ("confidential information") and refuse any improper access to confidential information of any other company, including our competitors.

Confidential information is any information, which at the time it is known, is not generally available to the public and which is useful or helpful to the Company and/or which would be useful or helpful to competitors of the Company, or which would influence a person's decision to buy or sell securities. Confidential information can include customer, employee, stockholder, supplier, financial or operational information and plans for stock splits, business acquisitions and mergers, litigation involving the Company or an important pending regulatory action.

Any Company confidential information to which we may have access should be discussed with others within the Company only on a need-to-know basis.

If we wish to disclose our own confidential information to anyone outside of our Company, it should be done only in conjunction with appropriate confidential information disclosure agreements that must be provided by the Company's legal department.

We should always be alert to inadvertent disclosures that may arise in either social conversations or in normal business relations with our suppliers and customers.

Conflicts of Interest

No Company Representative shall pursue or engage in any outside employment, business or other commercial activity that conflicts or competes directly or indirectly with his or her duties or responsibilities as a Company Representative, or with any business interests or activities of the Company. Engaging in activities that benefit family members or friends is also prohibited. This policy applies to prohibited activities conducted before, during and after work.

We cannot illustrate every situation that may be considered a conflict of interest; however, we do expect each Company Representative to carefully consider if any of your actions during or outside of Company hours rise to the level of a conflict of interest. Even the appearance of a conflict of interest must be avoided.

Directors, officers, non-bargaining unit employees who report directly to officers, and buyers in the Purchasing Department of the Company have an affirmative obligation to disclose to the Compliance Officer any interest, including but not limited to a financial interest, in any

outside activities or business that may conflict or compete with those of the Company. ThisPage 12 of 37 affirmative disclosure obligation extends to the immediate family member(s) of an officer or director.

At no time during Company working hours or on Company property shall any Company Representative engage in or pursue any non-company employment, business or commercial activity, or solicit Company customers or Company Representatives for any profit-making purpose, nor shall any Company Representative make use of any Company vehicles, telephones, tools, equipment, information or other facilities at any time for any such purpose.

No vendor or consultant shall be retained to perform services for any business unit where a Company Representative in that business unit is related to, lives with or is in a relationship with the consultant or vendor, without the express permission of the CEO. Any such existing relationships must be immediately disclosed to the Chief Compliance Officer.

Unless specifically approved by an officer of the Company, vendors or consultants may only be contacted for purposes for which the vendor or consultant was retained.

We urge you to contact the General Counsel and Chief Compliance Officer with any questions or concerns regarding any activities you may be considering or are already engaged in to ensure your compliance with this and all other requirements of this Code of Conduct.

Copyrights and Trademarks

The Company's brands, logos and trademarks are very important assets. To protect these assets, they must be used consistently and solely for the benefit and purposes of the Company. Please check with the General Counsel and Chief Compliance Officer if you have any questions.

Additionally, the Company purchases computer software and periodicals, magazines, books, journals and other published materials (hereafter called "Publications"), either electronically or in hard copy, that are considered necessary for the efficient, successful operation of the Company; however, the reproduction of any of these Publications may be a violation of copyright laws. The use and/or duplication of any Publications purchased by, through and on behalf of the Company must be in accordance with the law and Company policies and procedures.

Using Company property, including equipment or accounts, to download music or other copyrighted material from the Internet is prohibited unless it serves a legitimate business purpose and the Representative receives prior authorization from his or her supervisor. Anyone obtaining electronic information must respect all copyrights and may not copy, retrieve, modify, download, or forward such materials except as permitted by the copyright owner.

Dealing with News Media

Only Company personnel assigned to communicate with the news media should do so. Any inquiries by the media, when possible, must be referred to the Director of Corporate Communications at extension 1036. All inquiries in the field, when a representative from the Corporate Communications department is unavailable, must be referred to an officer or

manager on the scene. Any discussion with respect to litigation, regulatory matters or other sensitive matters should be conducted only by persons authorized to do so.

Environmental Policy

The Company has an environmental credo that recognizes an individual and corporate commitment to be environmentally responsible. We are committed to conducting our business in such a manner as to avoid or minimize any potential adverse effect on the environment and to comply with all federal and state environmental laws and regulations. This includes providing accurate and truthful information in connection with applying for environmental permits from the government and promptly reporting or disclosing any incidents or violations. Examples of violations include improper disposal of hazardous or contaminated materials and improper storage or containment of products that become hazardous waste if they are leaked or spilled. The environmental laws and regulations are strictly enforced by many states, including New Jersey, and the Company could be strictly liable for violations. The Company's Office of Environmental Health & Safety ("EH&S") has an established communication procedure for legally required notifications. Each employee is responsible for immediately reporting any environmental spill or discharge to EH&S. Employees should not assume that they can clean up an environmental spill or discharge on their own.

Our commitment is also evident in our support of the Environmental Committee, which is composed of dedicated employees who volunteer their time to raise our awareness of and involvement in programs to improve our environment.

A copy of the Environmental Policy is available on the Company's website at <http://www.njliving.com/community/environment/environmental-policy.asp>

Equal Employment Opportunity

General Policy on Equal Employment Opportunity

The Company is committed to ensuring equal employment opportunity. All employment decisions, policies and practices are in accordance with applicable federal, state and local anti-discrimination laws.

The Company will not engage in or tolerate unlawful discrimination (including any form of unlawful harassment or retaliation) on account of a person's sex, pregnancy, age, race, color, religion, creed, sexual or affectional orientation, genetic information (including the refusal to submit to genetic testing), atypical heredity cellular or blood trait, marital status, national origin, nationality, ancestry, immigrant status, citizenship, military status, liability for military service, veteran status, disability (including perceived disability), AIDS or HIV status, gender identity or expression, domestic partner status, civil union status or membership in any other protected group.

For example, and by way of illustration only, the Company will not unlawfully consider an individual's membership in any protected group as defined above with regard to: interviewing, hiring, compensation, benefits, training, assignments, evaluations, coaching, promotions, discipline, discharge and layoffs.

Moreover, our Company makes affirmative, good faith efforts to recruit and employ applicants and advance employees in accordance with our Affirmative Action Plans. Page 14 of 37

The Company's policy on equal employment opportunity supports and is consistent with the Company's commitment to enhancing diversity and inclusiveness. Diversity means not only membership in the various "protected groups" identified above but also diversity in experience, perspective, ideas, style and contacts. We believe that we are much stronger as a Company as a result of the richness of our diversity and strive to ensure that we have policies and practices which are respectful and promote inclusion of diversity.

This entire Policy applies to all of the Company's officers, managers, supervisors, employees and applicants. All such individuals are both protected under and restricted by this entire Policy. You are protected in terms of your right to have a working environment free from unlawful discrimination, harassment and retaliation and other inappropriate conduct as described in this Policy. You are restricted in terms of your being prohibited from engaging in unlawful discrimination, harassment and retaliation and other inappropriate conduct as described in this Policy.

Policy Prohibiting Sexual Harassment

Sexual harassment is a form of sex discrimination which the Company will not tolerate. Consistent with the foregoing, the following behaviors are prohibited, whether by a man or a woman and whether directed at a man or a woman:

- To threaten or insinuate, expressly or implicitly, that any person is required to submit to sexual advances or to provide sexual favors as a condition of employment, continued employment or any term, condition or benefit of employment, or that a person's refusal to submit to sexual advances or to provide sexual favors will affect adversely the person's employment, continued employment or any term, condition or benefit of employment.
- To make any employment decision or take any employment action based on a person's submission to or refusal to submit to sexual advances.
- To engage in unwelcome sexually-oriented or otherwise hostile conduct which has the purpose or effect of interfering unreasonably with another person's work performance or of creating an intimidating, hostile, abusive or offensive working environment.

The following behaviors, communications etc. are inappropriate, and as such, prohibited, regardless of whether they are illegal:

- Linking/conditioning any employment decision, benefits, etc. to a subordinate's submission or refusal to submit to sexual advances;
- Demands or requests for sex;
- Repeated requests for dates (if the recipient says "No");
- Sexual assault;
- Unwelcome and/or inappropriate physical contact, such as patting, pinching or brushing against another person's body;
- Sexual bantering, "jokes" and "teasing;"
- Sexual, suggestive or biased "jokes;"
- Gender biased or stereotypic comments or other communications;
- Sexual flirtations, advances or propositions;

- Verbal abuse of a sexual nature;
- Verbal commentaries about an individual's body, sexuality, or sexual orientation;
- Sexually-degrading words used to describe individuals;
- Discussions of or questions about sexual desires, fantasies, experiences, frustrations, etc.;
- Pornographic or obscene materials or other communications of any kind;
- Sexually-explicit or sexually-suggestive objects, cartoons, software, photos, pictures, etc.;
- Sexually-oriented or degrading gestures;
- Verbal or nonverbal innuendo of a sexual, suggestive or biased nature;
- Other nonverbal communications of a sexual or suggestive nature, such as leers and gawks;
- Obscene, off-color or otherwise hostile language of a sexual, suggestive or biased nature;
- Any other behavior of a hostile or abusive nature directed at one sex, even if not sexual in nature; and
- Any other inappropriate behavior of the kind or similar to that referred to here or elsewhere in this policy.

It is important to remember that these prohibitions apply not only to oral and written communications, but also to e-mail, voice mail, Internet communications and searches, text messages, and other technology-assisted communications.

The prohibitions on inappropriate behavior set forth above apply not only in the workplace itself but also to all other work-related settings, such as meetings at customer work sites, as well as business trips and business-related social functions.

It is of no defense to inappropriate behavior that there was no bad intent, that it was only a "joke," or that it was not directed at any particular person.

Harassment on Account of/with regard to any Protected Group

Harassment based on an individual's membership in any protected group (for example, race, color, gender, sexual orientation, age, religion, national origin, or marital status) is equally prohibited and will not be tolerated.

The following behaviors, communications, etc. are inappropriate, and as such, prohibited, regardless of whether they are illegal:

- Derogatory comments about an individual's membership in any protected group; for example, the "old guy;"
- Displays of cartoons, calendars, computer software, pictures etc. which are degrading to or reflect negatively upon any protected group;
- Jokes, comments or stories that are stereotype, are demeaning or make fun of any protected group, for example, racial "jokes," "jokes" regarding sexual orientation or AIDS or "jokes" regarding religion.
- Slurs to describe any protected group, for example, the "N" word or the "C" word;
- Nicknames which relate to a person's membership in any protected group, for example, "r__ head";

- Verbal or non-verbal innuendo which relates to or reflects negatively upon any protected group, for example, mimicking a disabled employee's walk or an immigrant's accent;
- Hate symbols or other symbols which suggest the inferiority of any group, for example, "a white power sign;"
- Hostile, abusive or demeaning behavior, including threats, directed at an employee because of his or her membership in any protected group, even if not racial, ethnic, religious etc. in nature;
- Stereotypic or biased comments or slurs about any protected group, for example, "they don't work hard;"
- Any other inappropriate behavior of the kind or similar to that referred to here or elsewhere in this policy; and
- Racist, sexist or other hate-based graffiti;

It is important to remember that these prohibitions apply not only to oral and written communications, but also to e-mail, voice mail, Internet communications and searches, and other technology-assisted communications.

The prohibitions on inappropriate behavior set forth above apply not only in the workplace itself but also to all other work-related settings, such as meetings at customer work sites, as well as business trips and business-related social functions.

It is of no defense to inappropriate behavior that there was no bad intent, that it was only a "joke" or that it was not directed at any particular person.

Consensual Relationships

To ensure an environment appropriate for effective business operations and to avoid actual, potential or perceived favoritism, the Company has a policy which prohibits supervisors, managers and officers from having, or seeking to establish, certain "intimate relationships."

The term intimate relationship, for purposes of this Policy, includes any romantic and/or sexual relationship. The term includes romantic and/or sexual relationships, regardless of marital status, domestic partner status or civil union status. Intimate relationships do not include purely platonic social friendships.

Officers of the Company are prohibited from having, or seeking to establish, an intimate relationship with any employee of the Company. Supervisors and managers are prohibited from having, or seeking to establish, an intimate relationship with any employee whom they directly supervise or who is in his or her "chain of command," even if they do not directly supervise them.

An officer, manager or supervisor must contact the Human Resources Department, Manager of Employee Relations at (732) 938-1057 immediately if he or she currently has an intimate relationship in violation of this Policy.

If a manager or supervisor (but not an officer) wishes to establish an intimate relationship with someone who is his or her direct report or otherwise in his or her chain of command, the manager or supervisor must notify the Human Resources Department, Manager of Employee Relations at (732) 938-1057 before commencing, or seeking to commence, the intimate

relationship. A supervisor or manager will be subject to immediate discharge if he or she fails to notify as required by this Policy. Page 17 of 37

Where an intimate relationship exists or develops in violation of this Policy, the Company will make reasonable efforts to transfer one of the two employees, subject to existing business and other appropriate considerations. Where the Company concludes that a transfer of one of the employees is not practical for business or other reasons, the employees will be offered the opportunity for one of them to discontinue his or her employment voluntarily. However, the Company retains the right to make the final decision as to which employee's employment shall terminate.

With regard to intimate relationships which are not prohibited by this policy, the following guidelines apply:

If you ask an employee or non-employee with whom you come into contact in the course of your employment for a date and the person says "no," you cannot ask him or her again. Nor can you retaliate against him or her in any way. If you ask again or retaliate in any way, you will be subject to severe disciplinary action, up to and including the termination of your employment.

Conversely, if an employee or non-employee with whom you come into contact in the course of your employment asks you out on a date, while you have a right to say "yes," you also have an **absolute right** to say "no." If you let us know there's a problem, we can help! In the absence of a complaint pursuant to the procedure that follows, the Company will assume that any relationship is entirely consensual and welcome.

Please remember, in all instances, if you feel **any unwelcome pressure** to become involved with any officer, manager, supervisor, employee, agent or non-employee with whom you come into contact in the course of your employment with the Company, we urge you to use the complaint procedure set forth below.

Finally, there may be times when an intimate relationship exists that does not violate this policy but with respect to which one employee may make discretionary decisions that could affect the other employee. In these circumstances, the person with the decision-making authority must check with the Chief Compliance Officer before making any discretionary decisions specific to the other employee. If you have any doubt about whether you need to consult with the Chief Compliance Officer, play it safe and consult.

Reasonable Accommodations

Upon request, the Company will make reasonable accommodations that do not impose an undue hardship on the Company on behalf of qualified individuals with disabilities or handicaps of which the Company is made aware. Upon request, the Company also will make reasonable accommodations that do not impose an undue hardship on the Company with regard to an employee's religious observances, practices and beliefs of which the Company is made aware. If you need an accommodation for a religious reason or for medical reasons, please contact the Company's Human Resources Department, Manager of Employee Relations at (732) 938-1057.

Policy Prohibiting Retaliation

The Company will neither engage in nor tolerate unlawful retaliation of any kind against any person who makes a complaint of unlawful discrimination, harassment or retaliation, serves as a witness or otherwise participates in the investigatory process. As with all other provisions of this policy, all Company Representatives are protected by this provision as well as restricted in terms of what they do.

Prohibited retaliation includes adverse tangible employment actions, such as denial of a raise or promotion. It also may include, in some circumstances, other material changes in the terms and conditions of employment, such as work assignments. Prohibited retaliation also may include adverse actions independent of the workplace, such as trying to exclude an employee from membership in an outside professional organization because of a complaint he or she made at work.

It is no defense to retaliation by any person (officer, manager, supervisor, etc.) that the complaint did not have legal merit. Generally speaking, so long as an individual acts in good faith in making a complaint alleging unlawful discrimination, harassment or retaliation, serving as a witness or otherwise participating in the investigatory process, no adverse action can be taken against him or her because he or she made the complaint, served as a witness or otherwise participated in the investigatory process.

Prohibited retaliation will be handled under this policy in the same manner and subject to disciplinary/corrective action to the same degree as any other violation of this policy.

Discrimination, Retaliation, Harassment Advanced by Nonemployees

The prohibitions against unlawful discrimination, retaliation and harassment set forth in this Policy apply not only to the conduct of employees of our Company but also to the conduct of non-employees (for example, customers, vendors, suppliers and contractors) with whom our employees come into contact in the course of their employment with our Company. Consequently, if you feel discriminated or retaliated against or harassed (sexually or otherwise) by a nonemployee in the course of your employment with the Company, you should use the procedure set forth below. Conversely, the prohibitions against unlawful discrimination, harassment and retaliation set forth in this Policy apply to your conduct relative to nonemployees (for example, customers, vendors, suppliers and contractors) with whom you come into contact in the course of your employment with the Company.

What To Do If You Feel You Have Been Subjected to Discrimination, Harassment or Retaliation

If you believe that you may have been, or anyone else may have been, unlawfully discriminated against, harassed by or retaliated against by any officer, manager, supervisor, co-worker, agent or nonemployee in violation of this **Equal Employment Opportunity Policy**, you should report your concerns immediately to your supervisor or any of the persons listed on Attachment D or as set forth on our Intranet at:

<http://njr360.client.shareholder.com/documentdisplay.cfm?DocumentID=5724>

Similarly, if you have any question as to whether certain conduct is unlawful discrimination, retaliation or harassment, you are encouraged to speak with any of the individuals identified above and in Attachment D.

All complaints will be investigated promptly, and the existence and nature of your complaint will be disclosed only to the extent necessary to make a prompt and thorough investigation or as may be necessary to take appropriate corrective measures. If an allegation is made against you and you are a bargaining unit employee, you ordinarily will have the right to have a union representative present when you are interviewed. The Company will neither engage in nor tolerate any form of unlawful retaliation against any person for making a complaint alleging unlawful discrimination, harassment or retaliation, serving as a witness or otherwise participating in the investigatory process.

If you are an officer, manager, or supervisor and anyone complains to you that they believe that they or anyone else may have been subject to unlawful discrimination, harassment or retaliation, you must report this by calling the Chief Compliance Officer. You may neither keep the complaint confidential nor investigate the complaint on your own. If you are not sure whether you have a duty to report, play it safe and report.

Sanctions for Violations of NJR's Equal Employment Opportunity Policy

Any officer, manager, supervisor, employee, agent or nonemployee who, after appropriate investigation, has been found to have engaged in unlawful discrimination, harassment or retaliation and/or inappropriate behavior inconsistent with this Policy (even if not unlawful) will be subject to appropriate disciplinary and/or corrective action, up to and including termination of his or her employment or other relationship with our Company.

Exempt and non-exempt employees who violate this policy also may be suspended without pay. Exempt employees will be suspended in full-day increments only.

Gifts, Meals and Entertainment

Socializing is a normal accepted component of conducting certain facets of the Company's business; however, Company Representatives must not permit this to compromise a business judgment or give even the appearance of impropriety. Gifts and other forms of special benefits to or from customers, suppliers or competitors, of the Company may raise ethical and legal questions that could potentially embarrass or damage the Company. Therefore, it is each Company Representative's responsibility to ensure that their acceptance or conveyance of anything of value (including entertainment) is consistent with the following guidelines.

Some types of gifts and entertainment are always wrong, either in fact or in appearance, so that they are never permissible, including: (i) accepting or providing any gift or entertainment that would be illegal or result in any violation of law; (ii) accepting or giving any gift of cash or cash equivalent (such as loans, stock, stock options); (iii) accepting or requesting anything as a *quid pro quo* or as part of an agreement to do anything in return for the gift or entertainment; and (iv) hosting or participating in any entertainment that is unsavory, sexually oriented, or otherwise violates the Company's commitment to mutual respect.

Other gifts and entertainment, the primary purpose of which is to establish or maintain necessary business relationships, are usually acceptable as long as the acceptance or provision of such gifts or entertainment: (i) permits business or educational discussions; (ii) is pursuant to a *bona fide* business relationship; (iii) is generally consistent with industry practices; (iv) does not influence or is not perceived by others to influence business decisions; (v) is not of excessive price or quantity; and (vi) would not embarrass the Company if it was brought to

public attention. Examples of such gifts and entertainment include meals with business associates, attendance at ordinary sporting, theatre or other cultural events, golf or fishing outings, participation in customer meetings, and participation in other business events as a means of building necessary business relationships. However, notwithstanding the above, before any Company Representative accepts or provides one or more gifts or entertainment from or to a single source in any one fiscal year with a cumulative fair market value over \$250, the Company Representative must obtain written approval from an officer or director (or in the event that the Company Representative is an officer or director, must notify another officer or director). Furthermore, all Company Representatives must comply with all applicable Company business expense accounting and reimbursement requirements.

The Company may, consistent with this provision, ask customers or suppliers to make contributions to charitable or civic organizations provided they are not made in exchange for the Company's promise to do business with the customer or the supplier. Such voluntary contributions demonstrate our commitment to good corporate citizenship and are, therefore, appropriate and, indeed, encouraged.

Giving gifts to or entertaining employees of government and public organizations may be limited or restricted by law. All Company Representatives must seek review by the Chief Compliance Officer prior to giving gifts or anything of value (including entertainment) to any federal, state, county or municipal government official or employee, or to any official or employee of a foreign government, notwithstanding whether such gift or entertainment otherwise would be consistent with the above guidelines.

Questions about the appropriateness of a gift should be directed to the General Counsel and Chief Compliance Officer.

Government Transactions

The Company is committed to compliance with all applicable federal, state and local laws and regulations in conducting its business. Laws and regulations applicable to transactions with government entities impose special rules that are stringent. For example, it is a crime to knowingly make a false statement or representation to a federal government official or to submit false information in an application or statement given to a federal agency. Any inquiries from government officials regarding the Company's business activities should be reported to the General Counsel immediately. Any questions or concerns about actual or suspected violations should be reported to the General Counsel or the confidential EthicsPoint Hotline at 1-866-384-4277.

Memberships and Charitable Activities

As part of a long-term good neighbor commitment, the Company encourages Company Representatives' participation in community and professional organizations. However, these activities on Company time shall be limited to legal charitable entities and events authorized by the Director, Customer & Community Relations. Authorized charitable activities must be coordinated with your supervisor to ensure that they do not interfere with the performance of your work duties.

Before accepting any position with another company, or non-profit organization where you are representing New Jersey Resources or an affiliate of New Jersey Resources, Company

Representatives must carefully consider the possibility that the position may be, or may appear to be, a conflict of interest.

To avoid any embarrassment to the individual, the Company or the organization involved, before becoming associated with same, Company Representatives should disclose their intentions, in writing, to the Chief Compliance Officer.

Safety

The Company is committed to providing all Company Representatives with safe and healthful working conditions in a workplace that is free from preventable hazards. We, therefore, comply with the Occupational Safety and Health Act and all other applicable federal and state laws setting safety standards for the workplace. All Company Representatives shall comply with Company accident reporting procedures, and use provided resources to eliminate the cause of workplace accidents and to control health hazard exposures. Please report any concerns you may have to your immediate supervisor and/or the Safety Administrator at extension 1093.

Political Activity – Contributions and Lobbying

No Company funds or assets, including the work or time of any employee, may be contributed, loaned, or made available, directly or indirectly, in order to aid or promote the nomination or election of any person, or in order to aid or promote the interests, success or defeat of any political party. No funds or assets of the Company may be used for or contributed to any foreign political party, candidate or committee.

The Company encourages Company Representatives to exercise their rights of citizenship by voting, by making personal political contributions if they wish to do so with their own funds, and by being otherwise politically active on their own time in support of candidates or parties of the Company Representative's own personal selection. It should be clearly understood that such political activity by the Company Representatives must be engaged strictly in their individual and private capacities as responsible citizens and not on behalf of the Company. No Company Representative may receive any direct or indirect reimbursement or offsetting refund of any nature whatsoever with respect to political contributions. Lobbying on behalf of the Company requires disclosure to the government and is subject to specific and complex rules. Moreover, the concept of "lobbying" is quite broad. Examples of lobbying include contacting legislators, regulators, executive branch officials and their respective staffs on matters relating to the Company's business. Lobbying also includes any other efforts generally intended to influence legislation or administrative action. Company employees must consult with the General Counsel before undertaking any lobbying activities.

Company Assets and Corporate Opportunities

No Company Representative shall take or use Company assets, including his or her position, for their own use, benefit or gain or to benefit a person or entity other than the Company. Similarly, no Company Representative shall offer Company assets as a loan, gift or unpaid service to others. Company assets include information, technology, intellectual property (for example, copyrights, patents and trademarks), computers, computer networks and Internet access, buildings, land, equipment, vehicles, machines, telephones, voice mail, e-mail, copiers, software and cash, the Company's brand and the time and skills of Representatives.

Company assets shall not be altered or changed without proper authorization.

No Company Representative shall use or agree to use his or her title or position with the Company or use the Company's brand to benefit, support or endorse anyone or anything other than the Company without prior authorization by the CEO.

Recording Devices

The Company records certain conversations between Company Representatives and those we serve to create and maintain accurate records and to ensure quality services. Special programs or meetings may also be recorded for historical purposes. It is against Company policy to record conversations between Company Representatives on Company property without the prior written consent of each party being recorded.

Securities Fraud and Insider Trading

It is both illegal and against Company policy for any individual to profit from undisclosed information relating to the Company or any company with which we do business. (See the *Policy on Purchase and Sale of Company Securities* for more detailed information, annexed hereto as Attachment "C"). Anyone who is in possession of any material nonpublic information ("inside information") that the Company has not yet disclosed to the public may not purchase or sell any of the Company's securities. Also, it is against Company policy for any Company Representative who may have inside or unpublished knowledge about any of our suppliers, customers, or any company we do business with to purchase or sell the securities of those companies.

"Material non-public information" is generally considered to be information, positive or negative, not available to the general public that would be expected to affect the decision of a reasonable investor contemplating whether to purchase, sell or hold Company securities. Information is also material if it could reasonably be expected to have a substantial effect on the market price of the Company's securities. Information may be material for this purpose even if it would not alone determine the investor's decision. Whether particular information is "material" at a particular time may involve complex factual and legal analysis, and an individual should consider as material any information that would be important enough to affect a decision to buy or sell Company securities.

As stated above, material inside information can also be confidential information about **another** company that you obtained during the course of your work – for example from a customer, vendor or supplier.

No "tips." This means that you must **never** give someone else (your spouse, co-worker, friend, broker, etc.) a "tip" regarding material inside information: this includes discussions on Internet "chat rooms" and blogs.

It is clearly against Company policy, and possibly illegal as well, to trade the Company's securities or the securities of any other company, in a way which attempts to hide the true identity of the trader or to mislead others as to exactly who is doing the trading. Any Company Representative trading in the Company's securities or the securities of other companies, using fictitious names, names of relatives or friends, or brokerage accounts under

fictitious names located in foreign jurisdictions shall be subject to immediate disciplinary action. Should the Company discover any such trading, it will disclose it to the appropriate authorities.

Securities law violations are taken very seriously and can be prosecuted even when the amount involved was small or the "tipper" made no profit at all. Government agencies regularly monitor trading activities through computerized searches.

Employees who have inside information can lawfully trade in the market once the information is made public through established channels and enough time has passed for the information to "settle", that is, be absorbed by the public. Employees who have regular access to inside information must generally limit their trading of Company securities to specified "window periods." See Attachment C, *Policy on Purchase and Sale of Company Securities*.

If you have questions or concerns about your responsibilities under the insider trading laws, contact the General Counsel and Chief Compliance Officer.

Technology Policy

The Company reserves the broadest possible rights to ensure that all Company electronic media, including e-mail, Web, message boards, blogs, chat rooms, instant messages, voice mail, Internet access and fax machines, computers, peripherals and related software are provided by the Company and used by employees to perform their job responsibilities in the most productive and efficient manner. Electronic media access is provided to conduct official Company business. Limited and incidental use not related to Company business must be kept to a reasonable level consistent with what would be appropriate for personal phone calls or personal e-mail usage. Users with Internet access must abide by all software license agreements, copyright laws, trademark laws, patent laws, intellectual property laws, and applicable State and Federal laws.

The Company's electronic media may not be used for accessing, transmitting, retrieving or storing any communications of a discriminatory or harassing nature or which are derogatory to the Company, any individual or group. Prohibited communications include, but are not limited to, communications that are offensive, obscene, X-rated, defamatory, threatening, illegal, against Company policy or contrary to the Company's interest.

The Company's electronic media systems are the sole property of the Company and not the individual property of employees. As such, employees should not consider any information created or disseminated using Company electronic media systems to be private. The Company reserves the right to inspect and monitor all electronic media for compliance at any time.

All computer systems are password protected. Each user is responsible for preserving the security of their password, workstation, and company data. Users are responsible for the activity performed with their User ID, whether or not they executed the task.

A supervisor or manager must give prior approval before any E-mail may be distributed to all employees or to an entire location. Guidelines to help you determine the types of messages that are appropriate for wide distribution may be found on-line.⁷

No user shall access another user's communication systems without express permission from the senior officer of the business unit to do so. Such permission is not necessary in the event of an audit, or other Company action referred to above.

Written policies regarding technology matters are available on-line.

Unfair Business Practices/Fair Dealings

Company Representatives are expected to compete honestly and fairly in the marketplace. Company Representatives may not compete through unfair practices, such as inducing customers to terminate or breach contracts with competitors, stealing or misusing competitors' trade secrets, making false statements or disparaging remarks about competitors, unduly interfering with a competitor's source of supply, or requiring someone to buy from the Company before the Company buys from them.

The Company is committed to being honest and truthful in all activities. Consistent with that commitment, Company Representatives shall avoid deceptive and misleading statements and omissions in customer-related activities, such as marketing and sales.

Violence in the Workplace

The Company is committed to providing a safe and secure work environment for employees and others conducting business on its premises. The following types of behavior are prohibited and will not be tolerated:

- Threatening, intimidating, coercive, abusive, harassing, or violent verbal, written, or physical behavior, or the suggestion of such behavior, toward or from co-workers, customers, suppliers, and visitors to Company premises/work sites
- Possessing firearms, explosives, or other weapons anywhere on Company property (including Company vehicles and private vehicles on Company property) or while conducting Company business
- Fighting on the job or while conducting Company business
- Willfully destroying Company property or the property of others

All reports of such behavior will be taken seriously and will be investigated. Employees who exhibit such behavior may be removed from the premises and may be subject to disciplinary action up to and including termination of employment, criminal penalties, or both.

The cooperation of all employees is necessary to implement this policy effectively and maintain a safe working environment. The Company expects all employees and especially supervisors to take precautions to prevent antagonistic or violent behavior in the workplace.

⁷ A copy of the Information Systems policy is located at:
<http://njr14/policyprocedure/All%20Companies/IT%20Security%20Policy.pdf>

Violent, threatening, harassing, intimidating, or other disruptive behavior should not be ignored. If an employee observes or experiences such behavior by anyone on Company premises or while conducting Company business, whether he or she is an employee or not, it should be reported immediately to a supervisor or manager. Supervisors and managers who receive such reports should seek advice from Human Resources at extension 1091 regarding investigating the incident and initiating appropriate action.

Please note: Threats or assaults that require immediate attention by police should be reported first to the police at 911 with a subsequent call to Human Resources.

Waivers of the Code

The New York Stock Exchange Listing Standards mandate that the Company's Board of Directors or an authorized committee of the Board may grant a waiver to any provision of the Code of Conduct for a senior officer or director. The Listing Standards further require that any authorized waiver to a senior officer or a director must be promptly disclosed to shareholders.

CONCLUSORY STATEMENT

No code of conduct can be expected to cover every conceivable type of illegal, unethical, immoral or otherwise unacceptable behavior. We have made explicit in this Code numerous kinds of conduct that are prohibited. It is also important to understand that it is implicit in this Code of Conduct and the Company's policies and procedures that dishonesty, fraud, unethical behavior and false statements in the course of one's employment with the Company is prohibited. Violations of this Code or of the Company's policies, including dishonesty of any kind, will result in discipline up to and including termination.

Further, the Company relies upon the knowledge, expertise, common sense and good judgment of its employees, particularly those who hold specialized positions within the Company, such as engineering or accounting positions. For those employees, the Company expects and indeed demands compliance with all laws, regulations and commonly accepted standards applicable to such specialized fields.

There may be occasions when you are uncertain about what is the right thing to do. Since adherence to Company policy and this Code of Conduct is a condition of continued employment, it is vital that the Code of Conduct is thoroughly understood. *You are encouraged to seek answers to any questions regarding the interpretation or application of the Code of Conduct prior to taking any action of which you are unclear.* Any legal questions about the matters discussed herein or about the laws and regulations applicable to the Company should be addressed to: General Counsel and Chief Compliance Officer, Headquarters Building, at 732-938-1489.

The Company reserves the right to make changes to this document as it deems necessary and appropriate. This document is advisory in nature and does not create a contractual obligation between the Company and any director, officer, employee or agent of the Company. The use of mandatory language is not intended to convert this document into a contractually binding term of employment. It does not constitute a guarantee that employment will continue for any

specified period, conform to any specified standard, or end only under certain conditions. Page 26 of 37
Nothing in this document constitutes an expressed or implied contract of employment.

Reviewed May 11, 2011

Attachment "A"

**NEW JERSEY CONSCIENTIOUS EMPLOYEE PROTECTION ACT "WHISTLEBLOWER
ACT" NOTICE**

This notice is required by law to be conspicuously displayed and distributed annually to all employees.

Pursuant to the New Jersey Conscientious Employee Protection Act ("CEPA"), N.J.S.A. 34:19-1, et seq., an employer may not take any retaliatory action against an employee because the employee does any of the following:

- Discloses or threatens to disclose to a supervisor or to a public body an activity, policy or practice of the employer or another employer, with whom there is a business relationship, that the employee reasonably believes is in violation of a law, or a rule or regulation promulgated pursuant to law, or in the case of an employee who is a licensed or certified health care professional, reasonably believes constitutes improper quality of patient care;
- Provides information to or testifies before any public body conducting an investigation, hearing or inquiry into any violation of law, or a rule or regulation promulgated pursuant to law by the employer or another employer, with whom there is a business relationship, or in the case of an employee who is a licensed or certified health care professional, provides information to, or testifies before, any public body conducting an investigation, hearing or inquiry into the quality of patient care; or
- Provides information involving deception of, or misrepresentation to, any shareholder, investor, client, patient, customer, employee, former employee, retiree or pensioner of the employer or any governmental entity.
- Provides information regarding any perceived criminal or fraudulent activity, policy or practice of deception or misrepresentation which the employee reasonably believes may defraud any shareholder, investor, client, patient, customer, employee, former employee, retiree or pensioner of the employer or any governmental entity.
- Objects to or refuses to participate in any activity, policy or practice which the employee reasonably believes:
 - is in violation of a law, or a rule or regulation issued under the law, or if the employee is a licensed or certified health care professional, constitutes improper quality of patient care;
 - is fraudulent or criminal; or
 - is incompatible with a clear mandate of public policy concerning the public health, safety or welfare or protection of the environment. N.J.S.A. 34:19-3.

The protection against retaliatory action when a disclosure is made to a public body, does not apply unless the employee has brought the activity, policy or practice to the attention of a supervisor of the employee by written notice and has given the employer a reasonable opportunity to correct the activity, policy or practice. However, disclosure is not required where the employee reasonably believes that the activity, policy or practice is known to one or more supervisors of the employer or where the employee fears physical harm as a result of the disclosure provided that the situation is emergency in nature.

Attachment "A" (cont'd)

Those supervisors designated to receive the foregoing written notification and answer questions regarding your rights and responsibilities under this act (N.J.S.A. 34:19-4) are: the General Counsel and Chief Compliance Officer, 1415 Wyckoff Road, Wall, New Jersey 07719 at 732-938-1489; the Vice President, Corporate Services, 1415 Wyckoff Road, Wall, New Jersey 07719 at 732-938-1001; the Vice President, Internal Audit, 1415 Wyckoff Road, Wall, New Jersey 07719 at 732-938-1220; the Executive Vice President and Chief Operating Officer of New Jersey Natural Gas Company, 1415 Wyckoff Road, Wall, New Jersey 07719 at 732 938-1488; the Executive Vice President and Chief Operating Officer of NJR Energy Services, 1415 Wyckoff Road, Wall, New Jersey 07719 at 732 938-1286; the President of NJR Home Services Company, 5008 Belmar Blvd., Farmingdale, New Jersey 07727 at 732-938-1491; and the President of Commercial Realty and Resources Corporation, 1415 Wyckoff Road, Wall, New Jersey 07719 at 732-938-1111.

An employee or former employee has one (1) year to institute a civil action in court for an alleged violation of CEPA.

If you need this document in a language other than English or Spanish, please call (609)292-7832 or contact the General Counsel and Chief Compliance Officer at 732 938-1489.

Anexo "A"

NOTIFICACIÓN SOBRE LA LEY DE PROTECCIÓN DEL EMPLEADO CONSCIENTE DE NUEVA JERSEY "LEY DE PROTECCIÓN DE DENUNCIANTES"

La ley exige que la presente notificación se exhiba en forma visible y se distribuya anualmente a todos los empleados.

Conforme a la Ley de Protección del Empleado Consciente de Nueva Jersey (New Jersey Conscientious Employee Protection Act, "CEPA"), N.J.S.A. 34:19-1, y subsiguientes, un empleador no podrá tomar represalias de ningún tipo contra un empleado porque dicho empleado haga lo siguiente:

- Divulgue o amenace con divulgar a un supervisor o a un organismo público una actividad, política o práctica del empleador o de otro empleador con quien exista una relación comercial, que el empleado crea razonablemente que viola una ley o una norma o reglamentación promulgada conforme a la ley; o en el caso de un empleado que sea un profesional de atención médica con licencia o certificado, que crea razonablemente que dicha actividad constituye un cuidado de calidad inadecuada a los pacientes;
- Proporcione información o testimonio a un organismo público que esté llevando a cabo una investigación, audiencia o averiguación sobre la violación de una ley o de una norma o reglamentación promulgada conforme a la ley, por parte del empleador o de otro empleador con quien exista una relación comercial; o en el caso de un empleado que sea un profesional de atención médica con licencia o certificado, que proporcione información o testimonio a un organismo público que esté llevando a cabo una investigación, audiencia o averiguación sobre la calidad de los cuidados a los pacientes; o
- Proporcione información relacionada con un engaño o tergiversación a algún accionista, inversionista, cliente, paciente, consumidor, empleado, ex empleado, jubilado o pensionado del empleador o de cualquier entidad gubernamental.
- Proporcione información con respecto a cualquier actividad, política o práctica de engaño o tergiversación aparentemente delictivas o fraudulentas que el empleado crea razonablemente que pueden constituir una estafa a cualquier accionista, inversionista, cliente, paciente, consumidor, empleado, ex empleado, jubilado o pensionado del empleador o de cualquier entidad gubernamental.
- Se oponga o se rehúse a participar en alguna actividad, política o práctica que el empleado crea razonablemente que:
 - es una violación de una ley o una norma o reglamentación emitida en virtud de la ley, o si el empleado es un profesional de atención médica con licencia o certificado, constituye un cuidado de calidad inadecuada a los pacientes;
 - es fraudulenta o delictiva; o
 - es incompatible con un claro mandato de la política pública con respecto a la salud, la seguridad o el bienestar públicos, o la protección del medioambiente. N.J.S.A. 34:19-3.

No se aplica la protección contra represalias cuando se realiza una divulgación ante un organismo público, a menos que el empleado haya informado por escrito la actividad, política o práctica a un supervisor del empleado por escrito y le haya dado al empleador una oportunidad razonable para corregir dicha actividad, política o práctica. No obstante, no se exige dicha comunicación en los casos en que el empleado crea razonablemente que la actividad, política o práctica es conocida por uno o más supervisores del empleador, o en los

Anexo "A" (cont.)

casos en que el empleado tema un daño físico como resultado de dicha comunicación, siempre que la situación tenga carácter de emergencia.

Los supervisores designados para recibir la notificación antedicha por escrito y responder a preguntas con respecto a sus derechos y responsabilidades en virtud de esta ley (N.J.S.A. 34:19-4) son: el Asesor Legal y Director de Cumplimiento, 1415 Wyckoff Road, Wall, New Jersey 07719, teléfono: 732-938-1489; el Vicepresidente de Servicios Corporativos, 1415 Wyckoff Road, Wall, New Jersey 07719, teléfono: 732-938-1001; el Vicepresidente de Auditoría Interna, 1415 Wyckoff Road, Wall, New Jersey 07719, teléfono: 732-938-1220; the Executive Vice President and Chief Operating Officer of New Jersey Natural Gas Company, 1415 Wyckoff Road, Wall, New Jersey 07719 at 732 938-1488; the Executive Vice President and Chief Operating Officer of NJR Energy Services, 1415 Wyckoff Road, Wall, New Jersey 07719 at 732 938-1286; el Presidente de NJR Home Services Company, 5008 Belmar Blvd., Farmingdale, New Jersey 07727, teléfono: 732-938-1491; y el Presidente de Commercial Realty and Resources Corporation., 1415 Wyckoff Road, Wall, New Jersey 07719, teléfono: 732-938-1111.

Un empleado o ex empleado tiene un plazo de un (1) año para iniciar una acción civil ante un tribunal por una supuesta violación de la CEPA.

Si necesita este documento en otro idioma distinto del inglés y el español, llame al (609) 292-7832 o comuníquese con el Asesor Legal y Director de Cumplimiento, llamando al 732 938-1489.

Attachment "B"

ANTITRUST COMPLIANCE GUIDELINES

The Company is committed to full compliance with all laws and regulations, and to maintaining the highest ethical standards in the way we conduct our business. The Company's commitment includes strict compliance with federal and state antitrust laws, which are designed to promote vigorous and fair competition and to provide American consumers with the best combination of price and quality. **Compliance with the antitrust laws is serious business. Antitrust violations may result in heavy fines for corporations, and in fines and even imprisonment for individuals.**

THE COMPANY'S ANTITRUST COMPLIANCE POLICY WILL BE STRICTLY ENFORCED. ANY EMPLOYEE WHO FAILS TO ADHERE TO THIS POLICY WILL BE SUBJECT TO DISCIPLINE UP TO AND INCLUDING TERMINATION.

In all Company activities, all directors, officers and employees and consultants retained by the Company must avoid any discussions or conduct that might violate the antitrust laws or even raise an appearance of impropriety.

- **DO** consult with the General Counsel about any internally produced documents or documents produced by a third party on behalf of the Company that touch on sensitive antitrust subjects such as pricing, market allocations, refusals to deal with any company.
- **DO** consult with the General Counsel on any non-routine correspondence that requests the Company to participate in projects or programs, submit data for such activities, or otherwise join other companies in joint activity.
- **DO** use an agenda and take accurate minutes at every meeting, which should be reviewed by the General Counsel before they are finalized and circulated.
- **DO NOT** initiate or participate in discussions about
 - (a) agreements with competitors to fix prices for products or services
 - (b) agreements with competitors on the prices they will pay for products or services sold by other companies, or to engage in collusive bidding practices (bid rigging)
 - (c) agreements with a supplier on the price at which the Company may resell a service or product purchased from the supplier
 - (d) agreements with a customer on the price at which the customer may resell the service or product purchased from the Company
 - (e) allocating markets, customers, territories or products and services with competitors, including refraining from selling a certain product generally or in any geographic territory or to any category of customer

Attachment "B" (cont'd)

- (f) agreements with a competitor to limit the quality of production, restrict the products or services sold to a particular customer, refrain from introducing new products and services or eliminating old ones, or accelerate the introduction or withdrawal of a new product or service
 - (g) joint boycott of or joint refusal to buy from particular suppliers or sell to particular customers
 - (h) refusing to offer monopoly utility service to a customer unless the customer also purchases a competitive product or service from the utility or its affiliate
 - (i) requiring a customer to sell exclusively the products of a particular company, forcing a supplier not to sell to its customer's competitors or forcing a customer to buy all of its requirements for a particular product or service from a single supplier.
 - (j) buying a supplier's products and services only on the condition that the supplier buys the Company's products and services
 - (k) acquiring or maintaining monopoly power in a particular market to drive a particular competitor out of business or to prevent a competitor from entering the market
 - (l) charging different prices for its products and services to competing customers at the same point in time
 - (m) deceptive or misleading advertising and trade practices, such as disparaging a competitor's product, harassing a customer or competitor, stealing trade secrets and customer lists
- **DO NOT** stay at any meeting or gathering, if these kinds of discussions are occurring and notify the General Counsel immediately.
 - **DO NOT** use joking or aggressive language (e.g. "Let's kill our competitors") or language that might arouse suspicion (e.g. "For limited distribution" or "Destroy after reading")
 - **DO NOT** use language or create any documents or other records that might be misinterpreted to suggest that the Company condones or is involved in anti-competitive behavior

You are encouraged to seek answers to any questions regarding the interpretation or application of this policy prior to taking any action of which you are unclear. Any legal questions about the matters discussed herein should be addressed to the General Counsel and Chief Compliance Officer, 1415 Wyckoff Road, Wall, NJ, telephone number 732-938-1489.

"Attachment C"

NEW JERSEY RESOURCES CORPORATION

POLICY REGARDING THE PURCHASE AND SALE OF NEW JERSEY RESOURCES CORPORATION SECURITIES

Revision Date: March 13, 2007

In order to assure that directors, officers and employees of NJR and its subsidiaries (collectively referred to as the "Company") do not violate legal prohibitions on "insider trading" of NJR securities, this policy has been established.

In accordance with the following requirements, it is the policy of the Company that no director, officer or employee should unlawfully use or profit from non-public information about the Company.

A. General Requirements

1. Federal and state securities laws generally impose upon insiders -- corporate officers, directors and employees and other fiduciaries -- possessing material non-public information a "disclose or abstain" rule. This means that the insider must abstain from trading in the Company's securities unless the information has been publicly disclosed and sufficient time has elapsed for the information to be "absorbed" by the investing public.

Since insiders are not generally in a position to act on their own to disclose material non-public information without violating their fiduciary duty of confidentiality to the Company and causing the Company substantial harm, the "disclose or abstain" rule should be regarded as imposing an obligation not to trade in Company securities at any time when one is in possession of material non-public information.

2. "Material non-public information" is generally considered to be information, positive or negative, not available to the general public that would be expected to affect the decision of a reasonable investor contemplating whether to purchase, sell or hold Company securities. Information is also material if it could reasonably be expected to have a substantial effect on the market price of the Company's securities. Information may be material for this purpose even if it would not alone determine the investor's decision. Whether particular information is "material" at a particular time may involve complex factual and legal analysis, and an individual should consider as material any information that would be important enough to affect a decision to buy or sell Company securities.

Examples of non-public information which is normally considered to be material includes information related to stock splits and other actions relating to capital structure, possible acquisitions, business combinations or asset sales, major management changes, dividend rate changes, the proposed issue or repurchase of Company securities, information concerning earnings or similar financial information, new major contracts and the commencement of or significant developments in litigation or ratemaking proceedings, as well as other important corporate developments. Such information continues to be "non-public" information until disclosed to the general public.

3. Any director, officer or employee who is in possession of material non-public information is an "insider". This includes not only directors and officers, but also non-management employees and persons

Attachment "C" (cont'd)

outside the Company, such as spouses, friends, brokers, etc., who may have acquired the "inside" information directly or through tips.

4. In order to assure that directors, officers, employees and other insiders do not violate the legal prohibition on "insider trading", the following procedures have been established. These procedures should not, however, be viewed as exhaustive, and anyone who is uncertain as to whether a proposed transaction in Company securities would violate these insider trading procedures should consult with the General Counsel before engaging in it. All directors, officers and all others who have regular contact with the Board of Directors of the Company should consult with the General Counsel before engaging in any transactions in Company securities.

B. Specific Requirements

1. Directors, officers and employees shall maintain as confidential and shall not disclose material non-public information to any third party (including members of their families), except as part of an official Company disclosure such as a news release or a required filing with the Securities and Exchange Commission or other federal or state governmental agency.

2. In order to ensure adequate dissemination of financial information to the general public prior to trading, directors and officers, in addition to being subject to all of the other limitations in this policy, may only engage in transactions in Company securities during the period commencing 48 hours after public release of annual or quarterly financial information of NJR and ending two weeks after the commencement period (the "Trading Window"). The General Counsel may also require persons in addition to directors and officers to comply with the restrictions of this paragraph and may determine that no transactions shall take place during all of or a part of the Trading Window. Affected persons shall be notified of any such requirement or determination by the General Counsel. This Policy shall not prohibit directors and officers (or others who may be subject to restrictions under this paragraph) from engaging in the following transactions outside of the Trading Window ("Permissible Transactions"):

- Transactions made under a trading plan adopted pursuant to Securities and Exchange Commission Rule 10b-5(-1)(c) (17 C.F.R. §240.10b5-1(c)) and approved in advance and in writing by the Company's Legal Department ("10b5-1 Plan"),
- Granting Bona fide gifts of Company stock.
- Exercising options and holding all the shares, (i.e., other than a cashless exercise or any other market sale for the purpose of generating cash needed to pay the exercise price of an option).
- Acquiring shares of Company stock through the dividend reinvestment features of the Company's Automatic Dividend Reinvestment Plan (DRP) including purchases of shares resulting from a periodic contribution of money to the DRP pursuant to the election made at the time of enrollment in the DRP (voluntary purchases of Company stock resulting from optional cash payments to the DRP and new elections to participate in the plan or increase the amount of cash contributed by payroll deduction to the DRP are not Permissible Transactions).

Attachment "C" (cont'd)

- Acquiring shares of Company stock through other similar non-discretionary, regular investment programs of the Company such as the Directors' Deferral Plan or Executive Compensation Deferral Plan.
- Acquiring shares through the Employees' Retirement Savings Plan ("401(k) Plan") as a result of periodic contributions to the 401k Plan pursuant to a payroll deduction election. Elections made under the 401(k) Plan to (a) increase or decrease the percentage of periodic contributions that will be allocated to the Company stock fund, (b) make an intra-plan transfer of an existing account balance into or out of the Company stock fund, (c) to borrow money against a 401(k) Plan account if the loan will result in a liquidation of some or all of the Company stock fund balance or (d) to pre-pay a plan loan if the pre-payment will result in allocation of loan proceeds to the Company stock fund are **not** Permissible Transactions.

A director or officer who has entered into a 10b5-1 Plan must report to the General Counsel (i) all transactions made pursuant to the 10b5-1 Plan and (ii) the completion or termination of the 10b5-1 Plan.

3. No director, officer or other employee or any other insider of the Company may engage in any transaction in Company securities (other than the Permissible Transactions) at any time (including during the Trading Window) when such person is in possession of material non-public information concerning the Company, or for a period of 48 hours following public disclosure of such information.

4. No director, officer or member of or subject matter expert to the Benefits Administration Committee of the Company may engage in transactions in any Company securities during any period when all employees are prohibited from engaging in transactions in the 401(k) Plan. Each person subject to this prohibition will be advised in writing prior to the start of any prohibited period.

5. Any questions concerning the interpretation of the foregoing rules, including whether particular information is material or has been publicly disclosed, should be referred to the General Counsel prior to engaging in a transaction in Company securities.

"Attachment D"

REPORTING DISCRIMINATION, RETALIATION AND HARRASSMENT
COMPLAINTS
CONTACT LIST

If you believe that you may have been, or anyone else may have been, unlawfully discriminated against, harassed by or retaliated against by any officer, manager, supervisor, co-worker, agent or nonemployee in violation of this **Equal Employment Opportunity Policy**, you should report your concerns immediately to your supervisor or any of the points of contact listed below. Please speak with whichever person you feel the most comfortable, whatever your reasons

Legal Department
Mariellen Dugan
Senior Vice President & General Counsel
(732) 938-1489

Human Resources
Andrew Morris
Manager Employee Relations
(732) 938-1057

1. Raymond Ashkenis, Field Supervisor, Manahawkin (609) 597-9381
2. Howie Brey, Supervisor Distribution, Bay (732) 938-6745
3. Diane Davidson, Mgr. External Reporting & Research – (732) 919-8055
4. Kathleen Ellis, Executive V.P. and COO, NJNG, Wall (732) 938-1488
5. Maria Goanos, Manager - Residential Sales, Wall (732) 938-1089
6. Marianne Harrell, Regulatory Analyst II, Wall (732) 938-1257
7. Rick Hauter, General Supervisor Distribution, Lakewood (732) 938-4323
8. Jeff Lamb, Manager – Inventory & Facilities, Wall (732) 938-1171
9. Peter Kelly, Manager Customer Contact, Wall (732) 938-1149
10. Daniel Lin, Managing Engineer, Wall (732) 938-7226
11. Kathleen O’Connell, Mgr. Cust. Advocacy & Volunteerism, Wall (732) 938-1074
12. Ginger Richman, Vice President – Gas Supply/Energy Services, Wall (732) 938-1268
13. Kraig Sanders, Manager PMT, Maude (732) 938-1188
14. James Tarleton, General Supervisor, North Division, Rockaway (732) 938-4666.
15. William Wells, Manager-Distribution Monmouth Co., Maude (732) 919-8282
16. John Wyckoff, Manager Engineering, Wall (732) 938-7864
17. Stephen Westhoven, Senior Vice President - NJRES, Wall (732) 938-1261

You may also make good faith reports of suspected irregularities or illegalities directly to the non-management members of the Board of Directors of the Company by contacting EthicsPoint, Inc., our independent third-party vendor at 1-866-384-4277, or send an email to ethicspoint.com.

OUR COMMITMENT TO STAKEHOLDERS

- ◆ **SAFE, RELIABLE AND COMPETITIVELY PRICED SERVICE**
- ◆ **CUSTOMER SATISFACTION**
- ◆ **GROWTH**
- ◆ **QUALITY**
- ◆ **VALUING EMPLOYEES**
- ◆ **CORPORATE CITIZENSHIP**
- ◆ **SUPERIOR RETURN**

**NEW JERSEY NATURAL GAS COMPANY
SERVICE AGREEMENT**

THIS AGREEMENT is made effective this ____ day of ____ 2008 by and between **NEW JERSEY NATURAL GAS COMPANY**, a New Jersey corporation with principal offices at 1415 Wyckoff Road, Wall, New Jersey 07719 (“**NJNG**”) and **COMMERCIAL REALTY & RESOURCES CORP.**, a New Jersey corporation with principal offices at 1415 Wyckoff Road, Wall, New Jersey 07719 (“**CRR**”).

WITNESSETH:

WHEREAS, NJNG has a staff of employees competent to perform certain services (“**Services**”) for the subsidiaries of New Jersey Resources Corporation, including “**Shared Services**” as that term is defined in section 2(1) of the Affiliate Relations, Fair Competition and Accounting Standards and Related Reporting Requirements, N.J.A.C. 14:4-5.1 seq. (“**Affiliate Rules**”) and the Shared Services Guidelines of New Jersey Natural Gas Company’s Compliance Plan on file with the New Jersey Board of Public Utilities and is willing to provide the **Services** to **CRR** in accordance with the **Affiliate Rules**;

WHEREAS, **CRR** is an affiliate of **NJNG** and **CRR** desires to retain **NJNG** to provide the **Services**;

NOW THEREFORE, in consideration of the mutual covenants and agreements contained in this Agreement, the parties agree as follows:

1. SCOPE

1.1 NJNG shall provide the **Services** described in the New Jersey Natural Gas Company Affiliate Allocation and Billing Procedures (“**Allocation and Billing Procedures**”) attached to and made a part of this Agreement as Exhibit 1. In addition to the services described in the **Allocation and Billing Procedures**, NJNG may also provide **CRR** with additional services, which NJNG concludes it is able to perform and which are permitted under law and regulation to be provided. In supplying such services, NJNG may arrange, where it deems appropriate, for the services of such experts, consultants, advisers and other persons with necessary qualifications as are required for or pertinent to the performance of such services. NJNG warrants that all services shall be performed in full conformity with the Agreement with the skill and care which would be exercised by those who perform similar services at the time the **Services** are performed, and in accordance with accepted industry practice.

1.2 Services Selected. **CRR** shall make its selection of the **Services** described in Section 1.1 above that it agrees to receive from **NJNG** by providing **NJNG** an executed service request in the form set forth in Exhibit 2-Service Request, which is attached to

and made a part of this Agreement. NJNG shall provide the selected Services on a fiscal year basis beginning October 1 through September 30.

1.3 Changes in Scope. CRR shall have the right from time to time to change or rescind any activity, project, program or work order provided that (a) such change, which results in a material change in the scope of the Services, is agreed to by NJNG; (b) the cost of the Services covered by any activity, project, program or work order shall include any expense incurred by NJNG as a direct result of such change or rescission of the activity, project, program or work order; and (c) no change or rescission of an activity, project, program or work order shall release CRR from liability for all costs already incurred by or contracted for by NJNG pursuant to the activity, project, program or work order, regardless of whether the Services associated with such costs have been completed. Any request made by CRR pursuant to this Section 1.3 shall be in writing to NJNG and shall take effect on the first day of the first calendar month which is at least thirty (30) days after the day that CRR sent the written notice to NJNG.

2. TERM AND TERMINATION

This Agreement shall become effective on the date first set forth above and shall continue unless and until it is terminated upon thirty (30) days prior written notice by either party. This Agreement shall also be subject to termination or modification at any time, without notice, if and to the extent performance under this Agreement may conflict with any rule, regulation or order of the New Jersey Board of Public Utilities adopted before or after the date of this Agreement, or if it is not approved by the New Jersey Board of Public Utilities subsequent to the effective date.

3. FEES

3.1 NJNG shall be paid in accordance with the Affiliate Allocation and Billing Procedures attached to and made a part of this Agreement as Exhibit 1.

3.2 It is the intent of the parties that the fees for the Services rendered by NJNG will cover all costs of doing business. All of the Services rendered under this Agreement will be charged using a fully allocated cost methodology in compliance with the Affiliate Rules. Direct charges will be made where possible. The cost allocation/assignment methodology associated with each of the Services to be provided under this Agreement is set forth on the Allocation and Billing Procedures. The cost allocation/assignment methodology will be reviewed periodically as deemed appropriate by the parties and in compliance with all applicable laws and regulations. Such cost allocations/assignment methodology may be modified by NJNG provided that, in each instance, all services rendered under this Agreement will be charged and allocated in conformance with all applicable laws and regulations. NJNG shall advise CRR of any changes to such cost allocation/assignment methodology.

3.3 Invoices.

(a) CRR may review fees charged by NJNG monthly through the designated NJNG inter-company account in the J.D. Edwards Enterprise System during the monthly closing process, by no later than the 25th day of each month. NJNG shall issue an itemized statement on a quarterly basis by the 25th of the month following the end of the quarter. Where estimates are used for initial billing, periodic true-ups will adjust all provisional amounts to actual.

(b) Payment shall be made to NJNG through an inter-company transfer of cash to or from the NJNG designated account by the 25th day of the month following the date of the monthly invoice.

3.4 Audit. NJNG shall keep complete and accurate accounting records, in accordance with generally accepted accounting principles, to substantiate NJNG's charges and expenses under this Agreement. NJNG's records shall be open to examination during regular business hours by CRR.

4. FORCE MAJEURE

Neither party shall be liable to the other party for any loss, damage, delay or failure of performance resulting directly or indirectly from any cause which is beyond its reasonable control, including, but not limited to acts of God, riots, civil disturbances, wars, acts of public enemy, strikes, work stoppages, or the laws, regulations, acts or failures to act of any governmental authority. Under such circumstances, the parties shall engage in good faith negotiations to arrange achievement of this Agreement's purposes through alternative methods.

5. DISPUTE RESOLUTION

NJNG and CRR commit to take specific steps to prevent and settle all disputes that may arise in relation to this Agreement as follows:

5.1 Prevention of Claims. It is in the best interest of both Parties to this Agreement to prevent any misunderstandings or differences. Both Parties shall make a good faith effort to identify in advance and discuss potential causes of disputes. The Parties agree that each shall make a good faith effort to jointly and regularly review compliance with this Agreement. The Parties further agree to promptly resolve any issues as described below in Section 5.2 and Section 5.3.

5.2 Voluntary Settlement - Direct and Mediated Negotiations. The Parties agree that, should differences of interpretation or any other disagreement or claim arise out of this Agreement, they shall immediately make a good faith effort to negotiate and document a voluntary resolution of the matter. If the matter remains unsettled for thirty days after formal notification that a dispute exists, the Parties shall immediately enlist the aid of a mutually-agreed upon neutral mediator who is a member of senior management.

5.3 Arbitration of Disputes. The Parties agree that if the dispute remains unsettled for an additional thirty days, then they shall submit the dispute to three neutral members of senior management for discussion and resolution. Such resolution shall be documented and the necessary changes, if any, made to this Agreement.

6. MISCELLANEOUS

6.1 Amendments. No amendment or waiver of any provision of this Agreement shall be effective unless the same shall be in writing and signed by authorized representatives of both parties. In addition, no course of dealing or failure of a party to strictly enforce any term, right or condition of this Agreement shall be construed as a waiver of such term, right or condition.

6.2 No Assignment. Neither party may assign this Agreement without the other party's prior written consent.

6.3 Independent Contractor Status. NJNG acknowledges that it is an independent contractor and nothing herein constitutes a joint venture or partnership. Neither party has the right to bind or act for the other as agent or in any other capacity.

6.4 Third Party Beneficiaries. Nothing in this Agreement is intended to confer upon any other person except the parties any rights or remedies hereunder or shall create any third party beneficiary rights in any person.

6.5 Severability. Should any provision of this Agreement be held to be void or unenforceable, the remaining provisions shall remain in full force and effect, to be read and construed as if the void or unenforceable provisions were originally deleted.

6.6 Waiver. The waiver or failure of either party to exercise any right in any respect provided for herein shall not be deemed a waiver of any further right hereunder.

6.7 Headings. The headings used in this Agreement are for convenience of reference only and are not intended to affect the meaning or interpretation of this Agreement.

6.8 Applicable Law. This Agreement and performance under this Agreement shall be governed by the laws of the State of New Jersey, excluding any conflicts of law principles that would make applicable the laws of another state.

6.9 Survival. Termination of this Agreement shall be without prejudice to the rights and obligations of the parties accrued prior to the date of termination. All provisions, which by their terms should survive termination of this Agreement, shall survive termination.

6.10 Termination of Existing Service Agreement. NJNG currently provides

services to CRR pursuant to the terms and conditions of the Service Agreement dated September 15, 2006 on file with the New Jersey Board of Public Utilities. That agreement shall automatically terminate upon receipt of any required regulatory approvals of this Agreement and the subsequent execution of this Agreement.

7. ENTIRE AGREEMENT

This Agreement (including Exhibit 1-Affiliate Allocation and Billing Procedures; and Exhibit 2-Service Request) embodies the entire understanding between NJNG and CRR for the subject matter of this Agreement and any prior or contemporaneous representations, either oral or written, are hereby superseded and canceled.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement by their duly authorized officers, whose signatures are conclusive evidence of such authority.

**NEW JERSEY
NATURAL GAS COMPANY**

**COMMERCIAL REALTY &
RESOURCES CORP.**

(Signature)

(Signature)

(Print Name)

(Print Name)

(Print Title)

(Print Title)

**NEW JERSEY NATURAL GAS COMPANY
AFFILIATE ALLOCATION AND BILLING PROCEDURES
EXHIBIT 1**

I. INTRODUCTION

New Jersey Natural Gas Company (“NJNG”), as of January 1982, is a subsidiary of New Jersey Resources Corporation (“NJRC”). The purpose of this document is to describe the services provided by NJNG to NJRC and other affiliates and the cost assignment/allocation methodologies utilized by NJNG to allocate and bill the costs of such services.

II. DESCRIPTION OF SERVICES AND COST ASSIGNMENT/ALLOCATION METHODOLOGIES

Whenever possible, services are directly charged. Where direct charging is not possible, allocation methods are used as described below.

1. Building Expense Pool

a. Description of Services

- i. Provide internal maintenance services
- ii. Provide external maintenance services
- iii. Arrange and monitor improvements and replacement of facilities and systems.
- iv. Coordinate services such as: janitorial, landscaping, snow removal, security, utilities and refuse
- v. Administration of facility rental and leasing agreements

b. Direct Charges – Whenever possible, services expenses are directly charged to affiliate accounts.

c. Allocation of Expenses – All labor, payroll taxes, fringes and overheads are allocated to affiliates and departments on the basis of square footage utilized by the affiliate or business unit.

2. Vehicles and Transportation

a. Description of Services

- i. Mechanic repair services for cars, light trucks, medium trucks and other motor, trailer and related equipment
- ii. Coordination of outside service repairs on all vehicles for services not handled by the internal repair facilities. These may include: transmission, painting, collision and major engine repair.
- iii. Coordination of vehicle fueling for gasoline, diesel and natural gas powered vehicles
- iv. Installation of natural gas powered capabilities into gasoline

- powered vehicles
- v. On the road pickup and repair services for fleet vehicles
- vi. Coordination of the purchase or leasing replacement and salvage of fleet vehicles and equipment
- b. **Direct Charges** – Whenever possible, service expenses are charged directly to affiliate accounts.
- c. **Allocation of Expenses** – All vehicle expenses, except those allocated to the NJR Home Services affiliate, are allocated to other affiliates and business units based on the proportion of vehicles and related services utilized by the affiliate or business unit. The sub pools used for vehicles are: cars, light trucks and medium trucks.

3. **Radio Tie-line Expense Pool**

- a. **Description of Services**
 - i. Radio tower rental fees
 - ii. Radio tie line communication charges
 - iii. Radio maintenance – time and materials
 - iv. Radio equipment communication charges
- b. **Direct Charges** – Whenever possible, services parts and repairs are charged directly to affiliate accounts.
- c. **Allocation of Expenses** – Expenses consist of outside, vouchers, communications, installations, and repair charges. Expenses are allocated to affiliates and business units based on the number of radios in the control of the affiliate or business unit.

4. **Inserter Room Expense Pool**

- a. **Description of Services**
 - i. Labor and expenses for operation of the inserter room
- b. **Direct Charges** – Whenever possible, service expenses are directly charged to affiliate or business unit accounts.
- c. **Allocation of Expenses** – Allocations of all expenses are based on prior year actual operation usage, modified for known significant future differences in levels of support.

5. **Hardware/Software Maintenance Expense Pool**

- a. **Description of Services**
 - i. Maintain operation and control of centralized main network computer hardware & software
 - ii. Maintain security and licensing for users
 - iii. Arrange and maintain periodic leasing controls for hardware and software
 - iv. Maintain hardware & software, licensing, leasing for all PC users and commercial equipment

- v. Maintain hardware & software, licensing, and maintenance for field order dispatch system (FODS) computes in field vehicles
 - b. **Direct Charges** – Whenever possible, service expenses are directly charged to affiliate accounts.
 - c. **Allocation of Expenses** – Expenses include labor, fringes, and overheads allocated from the NJR Service Company into the NJNG Hardware/Software maintenance cost pool. The pool also includes outside purchases for various vouchered expenses for leasing, maintenance contracts, and other overhead expenses, that are initially booked in NJNG. The allocation process uses a three factor weighted calculation to arrive at the allocation to affiliates and business units. The three factors and their specific bases are:
 - Central Processing Unit (AS400 – CPU) costs are allocated based on prior year CPU usage statistics
 - Personal Computer (PV) costs are allocated based on the proportion of PC computers in the control of the affiliate or business unit
 - Field Order Dispatch System (FODS) computer costs are based on the proportion of FODS computers in the control of the affiliate or business unit
- The three allocations above are blended into a weighted average rate for allocation to each affiliate or business unit.

6. **Application Development**

- a. **Description of Services**
 - i. Analysis of computer system needs
 - ii. Coordination with affiliate or business unit management in developing best approach
 - iii. System prototype, development, testing and training of users and implementation of new and modified computer systems
 - iv. Troubleshooting and correction of software problems
 - v. Maintenance of a help desk for user support
 - vi. Periodic training of users for all systems
 - vii. Research and development of new systems
- b. **Direct Charges** – Whenever possible, service expenses are directly charged to other affiliates
- c. **Allocation of Expenses** – All expenses of the Application Development pool including labor, fringes, payroll taxes and overheads are allocated to affiliates and business units based on current month actual timesheets.

7. Communications Equipment Cost Pool

a. Description of Services

- i. Date communications line fees – local and long distance
- ii. Maintenance and support for PC & network, related communications equipment

b. Direct Charges – Whenever possible, service expenses are directly charged to affiliate accounts.

c. Allocation of Expenses – Expenses are made up of outside service fees for PC and network computers. Costs are allocated based on the proportion of PCs in the control of the affiliate or business unit.

8. Energy Services (Department 410)

a. Description of Services

- i. Senior Vice President executive leadership, control, tactical and strategic planning.
- ii. Nomination and scheduling
- iii. Volumetric accounting
- iv. Invoice preparation and customer payment processing
- v. Review of interstate pipeline tariffs and associated filings
- vi. Track deal confirmations and provide administrative support

b. Direct Charges – Whenever possible, service expenses are directly charged. Labor is initially charged to specific affiliate object accounts based on a predetermined allocation for each individual. Labor is subsequently trued up quarterly from employee monthly timesheets submitted by department personnel.

c. Allocation of Expenses – A predetermined overhead and fringe rate applies these costs on the basis of labor dollar transfers. The predetermined overhead rate is calculated by dividing the department overhead cost by the base direct labor dollars. This predetermined rate and the resulting allocation is trued up on an annual basis.

III. TRANSFER OF SERVICES

To the extent that there is any transfer of services between NJNG and a retail affiliate, the transfer will be priced in accordance with the Affiliate Rules. Current transactions primarily fall under either a tariffed service, which is automatically deemed to be priced at fair market value, or a shared corporate support service, which would not be available for sale on the open market and is accordingly priced at a fully allocated cost.

IV. INTERCOMPANY BILLING AND PAYMENT

Direct charges to other affiliates and allocations to other affiliates are charged to specific affiliate inter-company accounts on the books of the affiliate experiencing the

initial accumulation of cost. Period end balances in the specific affiliate inter-company account are communicated to the specific affiliate. The charged affiliate posts the payable to a corresponding, specific affiliate inter-company account on their books. Net funds due between affiliates are transferred on a monthly basis. Where estimates are used for initial billing/charging, periodic true-ups adjust all provisional amounts to actual.

V. FEDERAL INCOME TAX ALLOCATION

The following tax allocation procedures outline the inter-company Federal Income Tax Calculation of NJNG with NJR as the parent holding company.

As in prior years, NJR intends to file a consolidated Federal income tax return for itself and its subsidiaries. NJNG consents to be included in the consolidated return. NJR and NJNG therefore agree to the following method of allocating the consolidated Federal tax liability and for compensating NJNG for the use of its net operating losses and/or tax credits, if any, in arriving at such tax liability. The agreement also applies to claims, alternate minimum tax prepayments, and the carryback of net operating and/or tax credits.

The primary goal of this method is, to the maximum extent possible, to allocate to NJNG the tax liability or savings for the consolidate group which are generated by NJNG. Therefore, the parties hereto agree as follows:

1. NJNG shall compute its liability on a stand alone basis solely by reference to its respective items of income, gain, loss, deduction and credit.
2. If NJNG generates a net tax liability on a stand alone basis, it shall pay the amount of such separate return liability to NJR.
3. If NJNG incurs a net operating loss, alternative minimum tax prepayments, and/or tax credits, on a stand along basis, NJNG shall receive the tax savings to the extent such savings can be utilized by NJR.
4. The tax allocation procedures shall be administered by the Tax Department of NJR Service Corporation.
5. All tax payments or refunds, including estimated tax payments, as calculated by the Tax Department, shall be paid by NJR to NJNG or by NJNG to NJR no later than the day payments are made or received by a taxing authority. The amounts due each company may be paid either by the actual remittance of cash or via inter-company accounts, as determined from time to time the NJR.
6. Adjustments to consolidated Federal income tax liability or refunds made by the Internal Revenue Service on audit of the consolidated return shall be determined in accordance with paragraphs 1 through 3.

7. This agreement shall apply to all tax years beginning with the year 1999 unless NJR and NJNG agree in writing to terminate this agreement.

**NEW JERSEY NATURAL GAS COMPANY
SERVICE REQUEST
EXHIBIT 2**

The undersigned requests from New Jersey Natural Gas Company, the services selected below:

<u>Service</u>	<u>Yes</u>	<u>No</u>
Building Expense Pool	_____	_____
Vehicle Transportation	_____	_____
Radio Tie-Line Expense Pool	_____	_____
Insertor Room Expense Pool	_____	_____
Hardware/Software Maintenance Expense Pool	_____	_____
Application Development	_____	_____
Communications Equipment Cost Pool	_____	_____
Energy Services	_____	_____

**COMMERCIAL REALTY &
RESOURCES CORP.**

**NEW JERSEY NATURAL GAS COMPANY
SERVICE AGREEMENT**

THIS AGREEMENT is made effective this ____ day of ____ 2008 by and between **NEW JERSEY NATURAL GAS COMPANY**, a New Jersey corporation with principal offices at 1415 Wyckoff Road, Wall, New Jersey 07719 (“**NJNG**”) and **NJR HOME SERVICES COMPANY** (“**NJRHS**”) a New Jersey corporation with principal offices at 1415 Wyckoff Road, Wall, New Jersey 07719.

WITNESSETH:

WHEREAS, NJNG has a staff of employees competent to perform certain services (“**Services**”) for the subsidiaries of New Jersey Resources Corporation, including “**Shared Services**” as that term is defined in section 2(1) of the Affiliate Relations, Fair Competition and Accounting Standards and Related Reporting Requirements, N.J.A.C. 14:4-5.1 seq. (“**Affiliate Rules**”) and the Shared Services Guidelines of New Jersey Natural Gas Company’s Compliance Plan on file with the New Jersey Board of Public Utilities and is willing to provide the **Services** to NJRHS in accordance with the **Affiliate Rules**;

WHEREAS, NJRHS is an affiliate of NJNG and NJRHS desires to retain NJNG to provide the **Services**;

NOW THEREFORE, in consideration of the mutual covenants and agreements contained in this Agreement, the parties agree as follows:

1. SCOPE

1.1 NJNG shall provide the **Services** described in the New Jersey Natural Gas Company Affiliate Allocation and Billing Procedures (“**Allocation and Billing Procedures**”) attached to and made a part of this Agreement as Exhibit 1 and Exhibit 3. In addition to the services described in Exhibit 1 and Exhibit 3, NJNG may also provide NJRHS with additional services, which NJNG concludes it is able to perform and which are permitted under law and regulation to be provided. In supplying such services, NJNG may arrange, where it deems appropriate, for the services of such experts, consultants, advisers and other persons with necessary qualifications as are required for or pertinent to the performance of such services. NJNG warrants that all **Services** shall be performed in full conformity with the Agreement with the skill and care which would be exercised by those who perform similar services at the time the **Services** are performed, and in accordance with accepted industry practice.

1.2 Services Selected. NJRHS shall make its selection of the **Services** described in Section 1.1 above that it agrees to receive from NJNG by providing NJNG an executed service request in the form set forth in Exhibit 2-Service Request, which is

attached to and made a part of this Agreement. NJNG shall provide the selected Services on a fiscal year basis beginning October 1 through September 30.

1.3 Changes in Scope. NJRHS shall have the right from time to time to change or rescind any activity, project, program or work order provided that (a) such change, which results in a material change in the scope of the Services, is agreed to by NJNG; (b) the cost of the Services covered by any activity, project, program or work order shall include any expense incurred by NJNG as a direct result of such change or rescission of the activity, project, program or work order; and (c) no change or rescission of an activity, project, program or work order shall release NJRHS from liability for all costs already incurred by or contracted for by NJNG pursuant to the activity, project, program or work order, regardless of whether the Services associated with such costs have been completed. Any request made by NJRHS pursuant to this Section 1.3 shall be in writing to NJNG and shall take effect on the first day of the first calendar month which is at least thirty (30) days after the day that NJRHS sent the written notice to NJNG.

1.4 Billing and Collection Services. In addition to the services selected pursuant to Section 1.2., NJNG shall render the following Billing and Collection services to NJRHS:

a) Services Rendered

1) *Purchase of Accounts Receivable.* NJNG shall purchase NJRHS accounts receivable resulting from the NJRHS sale of products and services. The purchase of accounts receivable by NJNG shall occur when the customer is billed for products and services provided by NJRHS. If and when NJRHS decides, in its discretion, not to charge a customer for goods and services NJNG will not be responsible for collecting any amount that would otherwise be due NJRHS. Notwithstanding anything contained herein, NJNG reserves the right to deduct from any sums due NJRHS hereunder any amounts owed by NJRHS.

2) *Extended payments for non-contract work.* NJNG shall provide an extended payment option to NJRHS customers who purchase products or services from NJRHS totaling no more than \$1,000 at any one time.

3) *Billing and Collection Services.* NJNG shall provide billing and collection services on behalf of NJRHS resulting from NJRHS's sale of products and services to Customers. Specifically, NJNG shall (i) render monthly bills to NJRHS Customers, (ii) receive payments from NJRHS Customers, (iii) maintain accounts of NJRHS Customers, including the posting of charges, payments, adjustments and other activities required to maintain accurate billing records for the sale of products and services by NJRHS, and (iv) assume responsibility for collecting charges from delinquent NJRHS Customers, including forwarding collection notices to NJRHS Customers and any other actions necessary to collect such accounts.

4) *Management Reports.* NJNG will provide monthly reports to NJRHS

relating to services provided by NJNG to NJRHS's customers and unbilled revenue accounts owed to NJRHS. Such services will include but not be limited to customer billings, collections, bankruptcy activity and accounts receivables.

5) *Generic Bill Messages.* At no additional cost to NJRHS, NJRHS shall be allowed to include on the monthly bills to its Customers one (1) line of text for a generic message to each of its Customers.

6) *Payroll Support.* NJNG will provide technical staff timesheet processing support to NJRHS.

b) Transfer of Rate Information. NJRHS shall provide NJNG with prices for each product and service delivered by NJRHS and billed by NJNG. NJNG shall not assume any responsibility for verifying such information.

c) Over/Under Payments by NJNG. In the event of any overpayment by NJNG to NJRHS, NJNG shall deduct the amount of the overpayment from any amounts due NJRHS under Section 3 of this Agreement. In the event of an underpayment by NJNG to NJRHS, NJNG shall include the amount of the underpayment in any amounts due NJRHS.

d) Billing Errors. If NJNG finds or is notified by NJRHS within forty five (45) days of the customer bill date of a billing error, it will make a reasonable effort to correct the error and render the appropriate bill within the time limits permitted by the laws and regulations of the State of New Jersey. The forty-five (45) day notification period shall not apply to billing errors caused by NJNG. If correction of such billing error results in an additional payment to NJRHS, then NJNG shall pay NJRHS the difference between the amount incorrectly billed and the amount that should have been billed had no billing error occurred. Should any billing errors caused by NJNG include periods prior to the most recent 12 months, those differences will not be billed to the NJRHS customers. If correction of such billing error results in an additional payment to NJNG, then NJNG shall deduct such amount from any amounts due NJRHS under Section 3.

2. TERM AND TERMINATION

This Agreement shall become effective on the date first set forth above and shall continue unless and until it is terminated upon thirty (30) days prior written notice by either party. This Agreement shall also be subject to termination or modification at any time, without notice, if and to the extent performance under this Agreement may conflict with any rule, regulation or order of the New Jersey Board of Public Utilities adopted before or after the date of this Agreement, or if it is not approved by the New Jersey Board of Public Utilities subsequent to the effective date.

3. FEES

3.1 NJNG shall be paid in accordance with the Allocation and Billing Procedures attached to and made a part of this Agreement.

3.2 It is the intent of the parties that the fees for the Services will cover all costs of doing business. All of the Services rendered under this Agreement will be charged using a fully allocated cost methodology in compliance with the Affiliate Rules. Direct charges will be made where possible. The cost allocation/assignment methodology associated with each of the Services to be provided under this Agreement is set forth on Exhibit 1 and Exhibit 3, as applicable. The cost allocation/assignment methodology will be reviewed periodically as deemed appropriate by the parties and in compliance with all applicable laws and regulations. Such cost allocations/assignment methodology may be modified by NJNG provided that, in each instance, all services rendered under this Agreement will be charged and allocated in conformance with all applicable laws and regulations. NJNG shall advise NJRHS of any changes to such cost allocation/assignment methodology.

3.3 Invoices.

(a) NJRHS may review fees charged by NJNG monthly through the designated NJNG inter-company account in the J.D. Edwards Enterprise System during the monthly closing process, by no later than the 25th of each month. For periods subsequent to January 2005, NJNG shall issue an itemized statement on a quarterly basis by the 25th of the month following the end of the quarter. Where estimates are used for initial billing, periodic true-ups will adjust all provisional amounts to actual.

(b) Payment shall be made through an inter-company transfer of cash to or from the NJNG designated account by the 25th of each month.

3.4 Audit. NJNG shall keep complete and accurate accounting records, in accordance with generally accepted accounting principles, to substantiate NJNG's charges and expenses under this Agreement. NJNG's records shall be open to examination during regular business hours by NJRHS.

4. FORCE MAJEURE

Neither party shall be liable to the other party for any loss, damage, delay or failure of performance resulting directly or indirectly from any cause which is beyond its reasonable control, including, but not limited to acts of God, riots, civil disturbances, wars, acts of public enemy, strikes, work stoppages, or the laws, regulations, acts or failures to act of any governmental authority. Under such circumstances, the parties shall engage in good faith negotiations to arrange achievement of this Agreement's purposes through alternative methods.

5. DISPUTE RESOLUTION

NJNG and NJRHS commit to take specific steps to prevent and settle all disputes that may arise in relation to this Agreement as follows:

5.1 Prevention of Claims. It is in the best interest of both Parties to this Agreement to prevent any misunderstandings or differences. Both Parties shall make a good faith effort to identify in advance and discuss potential causes of disputes. The Parties agree that each shall make a good faith effort to jointly and regularly review compliance with this Agreement. The Parties further agree to promptly resolve any issues as described below in Section 5.2 and Section 5.3.

5.2 Voluntary Settlement - Direct and Mediated Negotiations. The Parties agree that, should differences of interpretation or any other disagreement or claim arise out of this Agreement, they shall immediately make a good faith effort to negotiate and document a voluntary resolution of the matter. If the matter remains unsettled for thirty days after formal notification that a dispute exists, the Parties shall immediately enlist the aid of a mutually-agreed upon neutral mediator who is a member of senior management.

5.3 Arbitration of Disputes. The Parties agree that if the dispute remains unsettled for an additional thirty days, then they shall submit the dispute to three neutral members of senior management for discussion and resolution. Such resolution shall be documented and the necessary changes, if any, made to this Agreement.

6. MISCELLANEOUS

6.1 Amendments. No amendment or waiver of any provision of this Agreement shall be effective unless the same shall be in writing and signed by authorized representatives of both parties. In addition, no course of dealing or failure of a party to strictly enforce any term, right or condition of this Agreement shall be construed as a waiver of such term, right or condition.

6.2 No Assignment. Neither party may assign this Agreement without the other party's prior written consent.

6.3 Independent Contractor Status. NJNG acknowledges that it is an independent contractor and nothing herein constitutes a joint venture or partnership. Neither party has the right to bind or act for the other as agent or in any other capacity.

6.4 Third Party Beneficiaries. Nothing in this Agreement is intended to confer upon any other person except the parties any rights or remedies hereunder or shall create any third party beneficiary rights in any person.

6.5 Severability. Should any provision of this Agreement be held to be void or unenforceable, the remaining provisions shall remain in full force and effect, to be read and construed as if the void or unenforceable provisions were originally deleted.

6.6 Waiver. The waiver or failure of either party to exercise any right in any respect provided for herein shall not be deemed a waiver of any further right hereunder.

6.7 Headings. The headings used in this Agreement are for convenience of reference only and are not intended to affect the meaning or interpretation of this Agreement.

6.8 Applicable Law. This Agreement and performance under this Agreement shall be governed by the laws of the State of New Jersey, excluding any conflicts of law principles that would make applicable the laws of another state.

6.9 Survival. Termination of this Agreement shall be without prejudice to the rights and obligations of the parties accrued prior to the date of termination. All provisions, which by their terms should survive termination of this Agreement, shall survive termination.

6.10 Termination of Existing Service Agreement. NJNG currently provides services to NJRHS pursuant to the terms and conditions of the Service Agreement dated October 20, 2006, on file with the New Jersey Board of Public Utilities. That agreement shall automatically terminate upon the receipt of any required regulatory approvals of this Agreement and the subsequent execution of this Agreement.

7. ENTIRE AGREEMENT

This Agreement (including Exhibit 1-Affiliate Allocation and Billing Procedures, Exhibit 2-Service Request and Exhibit 3- Additional Affiliate Allocation and Billing Procedures embodies the entire understanding between NJNG and NJRHS for the subject matter of this Agreement and any prior or contemporaneous representations, either oral or written, are hereby superseded and canceled.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement by their duly authorized officers, whose signatures are conclusive evidence of such authority.

**NEW JERSEY
NATURAL GAS COMPANY**

**NJR HOME SERVICES
COMPANY**

(Signature)

(Signature)

(Print Name)

(Print Name)

(Print Title)

(Print Title)

**NEW JERSEY NATURAL GAS COMPANY
AFFILIATE ALLOCATION AND BILLING PROCEDURES
EXHIBIT I**

I. INTRODUCTION

New Jersey Natural Gas Company (“NJNG”), as of January 1982, is a subsidiary of New Jersey Resources Corporation (“NJR”). NJNG’s gas utility operations continue to constitute the primary business activity of NJR. However, NJR has diversified into unregulated ventures through other subsidiaries. Refer to Exhibit A to the Affiliate Rules Compliance Plan for the corporate structure of NJR. The purpose of this document is to describe the services provided by NJNG to NJR and other affiliates and the cost assignment/allocation methodologies utilized by NJNG to allocate and bill the costs of such services.

**II. DESCRIPTION OF SERVICES AND
COST ASSIGNMENT/ALLOCATION METHODOLOGIES**

Whenever possible, services are directly charged. Where direct charging is not possible, allocation methods are used as described below.

1. Building Expense Pool

- a. Description of Services**
 - i. Provide internal maintenance services
 - ii. Provide external maintenance services
 - iii. Arrange and monitor improvements and replacement of facilities and systems.
 - iv. Coordinate services such as: janitorial, landscaping, snow removal, security, utilities and refuse
 - v. Administration of facility rental and leasing agreements
- b. Direct Charges** – Whenever possible, services expenses are directly charged to affiliate accounts.
- c. Allocation of Expenses** – All labor, payroll taxes, fringes and overheads are allocated to affiliates and departments on the basis of square footage utilized by the affiliate or business unit.

2. Vehicles and Transportation

- a. Description of Services**
 - i. Mechanic repair services for cars, light trucks, medium trucks and other motor, trailer and related equipment
 - ii. Coordination of outside service repairs on all vehicles for services not handled by the internal repair facilities. These may include: transmission, painting, collision and major engine repair.

- iii. Coordination of vehicle fueling for gasoline, diesel and natural gas powered vehicles
 - iv. Installation of natural gas powered capabilities into gasoline powered vehicles
 - v. On the road pickup and repair services for fleet vehicles
 - vi. Coordination of the purchase or leasing replacement and salvage of fleet vehicles and equipment
- b. **Direct Charges** – Whenever possible, service expenses are charged directly to affiliate accounts.
- c. **Allocation of Expenses** – All vehicle expenses, except those allocated to the NJR Home Services affiliate, are allocated to other affiliates and business units based on the proportion of vehicles and related services utilized by the affiliate or business unit. The sub pools used for vehicles are: cars, light trucks and medium trucks.

3. **Radio Tie-line Expense Pool**

- a. **Description of Services**
- i. Radio tower rental fees
 - ii. Radio tie line communication charges
 - iii. Radio maintenance – time and materials
 - iv. Radio equipment communication charges
- b. **Direct Charges** – Whenever possible, services parts and repairs are charged directly to affiliate accounts.
- c. **Allocation of Expenses** – Expenses consist of outside, vouchers, communications, installations, and repair charges. Expenses are allocated to affiliates and business units based on the number of radios in the control of the affiliate or business unit.

4. **Inserter Room Expense Pool**

- a. **Description of Services**
- i. Labor and expenses for operation of the inserter room
- b. **Direct Charges** – Whenever possible, service expenses are directly charged to affiliate or business unit accounts.
- c. **Allocation of Expenses** – Allocations of all expenses are based on prior year actual operation usage, modified for known significant future differences in levels of support.

5. **Hardware/Software Maintenance Expense Pool**

- a. **Description of Services**
- i. Maintain operation and control of centralized main network computer hardware & software
 - ii. Maintain security and licensing for users

- iii. Arrange and maintain periodic leasing controls for hardware and software
- iv. Maintain hardware & software, licensing, leasing for all PC users and commercial equipment
- v. Maintain hardware & software, licensing, and maintenance for field order dispatch system (FODS) computers in field vehicles
- b. **Direct Charges** – Whenever possible, service expenses are directly charged to affiliate accounts.
- c. **Allocation of Expenses** – Expenses include labor, fringes, and overheads allocated from the NJR Service Company into the NJNG Hardware/Software maintenance cost pool. The pool also includes outside purchases for various vouchered expenses for leasing, maintenance contracts, and other overhead expenses, that are initially booked in NJNG. The allocation process uses a three factor weighted calculation to arrive at the allocation to affiliates and business units. The three factors and their specific bases are:
 - Central Processing Unit (AS400 – CPU) costs are allocated based on prior year CPU usage statistics
 - Personal Computer (PV) costs are allocated based on the proportion of PC computers in the control of the affiliate or business unit
 - Field Order Dispatch System (FODS) computer costs are based on the proportion of FODS computers in the control of the affiliate or business unit

The three allocations above are blended into a weighted average rate for allocation to each affiliate or business unit.

6. **Application Development**

- a. **Description of Services**
 - i. Analysis of computer system needs
 - ii. Coordination with affiliate or business unit management in developing best approach
 - iii. System prototype, development, testing and training of users and implementation of new and modified computer systems
 - iv. Troubleshooting and correction of software problems
 - v. Maintenance of a help desk for user support
 - vi. Periodic training of users for all systems
 - vii. Research and development of new systems
- b. **Direct Charges** – Whenever possible, service expenses are directly charged to other affiliates
- c. **Allocation of Expenses** – All expenses of the Application Development pool including labor, fringes, payroll taxes and overheads are allocated to affiliates and business units based on current month actual timesheets.

7. **Communications Equipment Cost Pool**

- a. **Description of Services**
 - i. Data communications line fees – local and long distance
 - ii. Maintenance and support for PC & network, related communications equipment
- b. **Direct Charges** – Whenever possible, service expenses are directly charged to affiliate accounts.
- c. **Allocation of Expenses** – Expenses are made up of outside service fees for PC and network computers. Costs are allocated based on the proportion of PCs in the control of the affiliate or business unit.

8. Energy Services (Department 410)

- a. **Description of Services**
 - i. Senior Vice President executive leadership, control, tactical and strategic planning.
 - ii. Nomination and scheduling
 - iii. Volumetric accounting
 - iv. Invoice preparation and customer payment processing
 - v. Review of interstate pipeline tariffs and associated filings
 - vi. Track deal confirmations and provide administrative support
- b. **Direct Charges** – Whenever possible, service expenses are directly charged. Labor is initially charged to specific affiliate object accounts based on a predetermined allocation for each individual. Labor is subsequently trued up quarterly from employee monthly timesheets submitted by department personnel.
- c. **Allocation of Expenses** – A predetermined overhead and fringe rate applies these costs on the basis of labor dollar transfers. The predetermined overhead rate is calculated by dividing the department overhead cost by the base direct labor dollars. This predetermined rate and the resulting allocation is trued up on an annual basis.

III. TRANSFER OF SERVICES

To the extent that there is any transfer of services between NJNG and a retail affiliate, the transfer will be priced in accordance with the Affiliate Rules. Current transactions primarily fall under either a tariffed service, which is automatically deemed to be priced at Fair Market Value, or a shared corporate support service, which would not be available for sale on the open market and is accordingly priced at a fully allocated cost.

IV. INTERCOMPANY BILLING AND PAYMENT

Direct charges to other affiliates and allocations to other affiliates are charged to specific affiliate inter-company accounts on the books of the affiliate experiencing the initial accumulation of cost. Period end balances in the specific affiliate inter-company

account are communicated to the specific affiliate. The charged affiliate posts the payable to a corresponding, specific affiliate inter-company account on their books. Net funds due between affiliates are transferred on a monthly basis. Where estimates are used for initial billing/charging, periodic true-ups adjust all provisional amounts to actual.

V. FEDERAL INCOME TAX ALLOCATION

The following tax allocation procedures outline the inter-company Federal Income Tax Calculation of NJNG with NJR as the parent holding company.

As in prior years, NJR intends to file a consolidated Federal income tax return for itself and its subsidiaries. NJNG consents to be included in the consolidated return. NJR and NJNG therefore agree to the following method of allocating the consolidated Federal tax liability and for compensating NJNG for the use of its net operating losses and/or tax credits, if any, in arriving at such tax liability. The agreement also applies to claims, alternate minimum tax prepayments, and the carryback of net operating and/or tax credits.

The primary goal of this method is, to the maximum extent possible, to allocate to NJNG the tax liability or savings for the consolidate group which are generated by NJNG. Therefore, the parties hereto agree as follows:

1. NJNG shall compute its liability on a stand alone basis solely by reference to its respective items of income, gain, loss, deduction and credit.
2. If NJNG generates a net tax liability on a stand alone basis, it shall pay the amount of such separate return liability to NJR.
3. If NJNG incurs a net operating loss, alternative minimum tax prepayments, and/or tax credits, on a stand along basis, NJNG shall receive the tax savings to the extent such savings can be utilized by NJR.
4. The tax allocation procedures shall be administered by the Tax Department of NJR Service Corporation.
5. All Federal tax payments or refunds, including estimated tax payments, as calculated by the Tax Department, shall be paid by NJR to NJNG or by NJNG to NJR no later than the day payments are made or received by a taxing authority. The amounts due each company may be paid either by the actual remittance of cash or via inter-company accounts, as determined from time to time the NJR.
6. Adjustments to consolidated Federal income tax liability or refunds made by the Internal Revenue Service on audit of the consolidated return shall be

determined in accordance with paragraphs 1 through 3.

7. This agreement shall apply to all tax years beginning with the year 1999 unless NJR and NJNG agree in writing to terminate this agreement.

**NEW JERSEY NATURAL GAS COMPANY
SERVICE REQUEST
EXHIBIT 2**

The undersigned requests from New Jersey Natural Gas Company, the services selected below:

<u>Service</u>	<u>Yes</u>	<u>No</u>
Building Expense Pool	_____	_____
Vehicle Transportation	_____	_____
Radio Tie-Line Expense Pool	_____	_____
Insertor Room Expense Pool	_____	_____
Hardware/Software Maintenance Expense Pool	_____	_____
Application Development	_____	_____
Communications Equipment Cost Pool	_____	_____
Energy Services	_____	_____

**NJR HOME SERVICES
COMPANY**

**NEW JERSEY NATURAL GAS COMPANY
ADDITIONAL AFFILIATE ALLOCATION AND BILLING PROCEDURES
FOR NJR HOME SERVICES COMPANY
EXHIBIT 3**

I. INTRODUCTION

New Jersey Natural Gas Company ("NJNG") was reorganized, effective January 1982, as a subsidiary of a new holding company called New Jersey Resources Corporation ("NJR"). The purpose of this document is to describe the additional services provided by NJNG to NJR Home Services Company ("NJRHS") and the cost assignment/allocation methodologies utilized by NJNG to allocate and bill the costs of such services.

II. DESCRIPTION OF SERVICES AND COST ASSIGNMENT/ALLOCATION METHODOLOGIES

Whenever possible, services are directly charged. Where direct charging is not possible, allocation methods are used as described below.

1. Customer Inquiry Cost Pool

a. Description of Services

- i. Expenses of the NJNG department 860, the call center, excluding costs related to billing.
- ii. Customer service representative call center operations including labor, fringes and overheads together with normal service allocations to the department
- iii. Certain costs are regarded as billing cost and not related to the call center activity. These costs are removed from department 860 and use another allocation, the billing allocation. These costs include billing labor, postage, the inserter room allocation and the application development allocation

b. **Direct Charges** - Whenever possible, service expenses are directly charged to affiliate accounts.

c. **Allocation of Expenses** - Allocation of all costs are the product of a predetermined (provisional) customer inquiry rate per call, multiplied by the number of actual period calls related to the beneficiary's operation. The predetermined rate is determined by dividing current budgeted pool costs by budgeted pool base units. The provisional rate and the resulting allocations are trued up to actual after eleven months.

2. **Billing Cost Pool**

- a. **Description of Services** - Billing activity costs include: labor, fringes, overhead, postage, allocated costs of the inserter function and the application development activity related to billing.
- b. **Direct Charges** - Whenever possible, service expenses are directly charged to affiliate accounts
- c. **Allocation of Expenses** - Allocation of all costs are the result of the product of a predetermined (provisional) billing rate per equivalent billing, multiplied by the number of actual equivalent billings. The predetermined rate is determined by dividing current budgeted pool costs by budgeted pool base units. Billings include service contract as well as service type chargeable billings and utility billings. Since the billing invoice document for a NJRHS billing always includes the customer's monthly utility billing, the one common invoice form equates to two "equivalent" bills for the purpose of calculating the rate and for determining the number of ("equivalent") billings. The provisional rate and the resulting allocations are trued up to actual after eleven months.

3. **Remittance Processing Pool (Dept 890)**

- a. **Description of Services**
 - i. Labor, fringes and overheads related to the remittance processing function
 - ii. Processing of NJNG and NJRHS billing receipts (check payments) for residential and commercial customers
Maintaining the on-line payment function
 - iii. Maintaining the walk-in cash payment facility.
- b. **Direct Charges** - Whenever possible, service expenses are directly charged to affiliate accounts
- c. **Allocation of Expenses** - Allocation of all costs are the result of the product of a predetermined (provisional) remittance rate per equivalent "billing" multiplied by the number of actual equivalent billings. The predetermined rate is determined by dividing current budgeted pool costs by budgeted pool base units. Billings and remittances represent service contracts, chargeable services and utility remittances. The equivalent bill count is used as the equivalent remittance count. The provisional rate and the resulting allocations are trued up after eleven months.

4. **Payroll Processing**

- a. **Description of Services** — Costs include: labor, fringes and overhead of

clerical support providing the services.

- b. **Direct Charges** — The labor and fringes are directly charged and originate from actual monthly timesheets.
- c. **Allocation of Expenses** — Department overheads are applied using a predetermined (provisional) overhead rate. This rate is trued up after eleven months.

5. **Transportation Cost Pool (Dept 980)**

- a. **Description of Services**
 - i. Labor, fringes and overhead of mechanic staff and related management
 - ii. Mechanic repair services for cars, light trucks and medium trucks and other motor trailer and related tool equipment
 - iii. Coordinate outside service repair on all vehicles for services not handled by the internal repair facility. These may include: transmission, painting, collision and major engine repair.
 - iv. Coordinate vehicle fueling for gasoline and diesel vehicles
 - v. On the road pickup and repair services for fleet vehicles
 - vi. Coordinate the purchase, leasing, replacement and salvage of fleet vehicles and equipment.
- b. **Direct Charges** - Whenever possible, service expenses are directly charged to affiliate accounts. The vehicle repair facility management tracks and reports to accounting the actual direct monthly charges for parts and outside services that are used on NJRHS vehicles. These costs are journalized and transferred to NJRHS monthly. Mechanic repair hours on NJRHS are also tracked and reported on these vehicles.
- c. **Allocation of Indirects** - Indirect costs such as fringes, supplies and other overheads of the transportation cost pool are allocated to NJRHS using a predetermined (provisional) rate based on the actual (direct) monthly mechanic repair hours that are used on the NJRHS vehicles. The predetermined rate is determined by dividing current budgeted pool costs by budgeted pool base units. This rate and the resulting cost allocation are trued up to actual after eleven months.

6. **Credit and Collection Cost Pool (Dept 840)**

- a. **Description of Services**
 - i. Provides credit review and collection activity on residential and commercial customer's outstanding account balances
 - ii. Coordinate a system of verbal and written communications and dunning notices to obtain payment
 - iii. The labor, fringes and overhead of credit and collection function

- b. **Direct Charges** - Whenever possible service expenses are directly charged to other affiliates
- c. **Allocation of Indirects** - Allocation of all department service costs are the product of a predetermined (provisional) credit and collection rate per on-account revenue dollars, multiplied by the on-account revenue dollars for the accounting period. The predetermined rate is determined by dividing current budgeted pool costs by budgeted pool base units. Allocation of written off receivable dollars for bad debts, is the result of applying the company wide bad debt experience factor to the on account revenue dollars of NJRHS for the accounting period. The predetermined rate is trueed up after eleven months.

III. TRANSFER OF SERVICES

To the extent that there is any transfer of services between NJNG and a retail affiliate, the transfer will be priced in accordance with the Affiliate Rules. Current transactions primarily fall under either a tariffed service, which is automatically deemed to be priced at Fair Market Value, or a shared corporate support service, which would not be available for sale on the open market and are accordingly priced at a fully allocated cost.

IV. INTERCOMPANY BILLING AND PAYMENT

Direct charges to other affiliates and allocations to other affiliates are charged to specific affiliate inter-company accounts on the books of the affiliate experiencing the initial accumulation of cost. Period end balances in the specific affiliate inter-company account are communicated to the specific affiliate. The charged affiliate posts the payable to a corresponding, specific affiliate inter-company account on their books. Net funds due between affiliates are transferred on a monthly basis. Where estimates are used for initial billing/charging, periodic true-ups adjust all provisional amounts to actual.

**NEW JERSEY NATURAL GAS COMPANY
EMERGENCY SERVICES AGREEMENT**

THIS AGREEMENT is made effective this ____ day of ____ 2008 by and between **NEW JERSEY NATURAL GAS COMPANY**, a New Jersey corporation with principal offices at 1415 Wyckoff Road, Wall, New Jersey 07719 (“**NJNG**”) and **NJR HOME SERVICES COMPANY** (“**NJRHS**”) a New Jersey corporation with principal offices at 1415 Wyckoff Road, Wall, New Jersey 07719.

WITNESSETH:

WHEREAS, NJRHS has a work force trained to perform a range of tasks that pertains to the curtailment and restoration of gas services and includes, without limitations, gas appliances light-ups, gas service turn-ons and turn-offs, gas appliance diagnostics and repair and other tasks that require knowledge and experience working with natural gas in a safe manner, and is willing to make its employees available to NJNG in times of emergency situations (“**Services**”) and is willing to provide the **Services** to NJNG in accordance with the Affiliate Relations, Fair Compensation and Accounting Standards and Related Reporting Requirements (“**Affiliate Rules**”);

WHEREAS, NJRHS is an affiliate of NJNG and NJNG desires to retain NJRHS to provide the **Services**;

NOW THEREFORE, in consideration of the mutual covenants and agreements contained in this Agreement, the parties agree as follows:

1. SCOPE

1.1 In the event of an emergency or in a situation wherein customer safety could be compromised, NJRHS shall provide NJNG with employees and equipment to assist NJNG in the restoration of natural gas service and/or repair of natural gas equipment to its customers. The term “emergency” is defined as any event constituting a threat to the public health, safety and welfare of the customers of NJNG and the surrounding community, including any event affecting NJNG’s provision of safe, adequate and proper utility service. The scheduling of the tasks and the employees will be made mutually between the parties. NJRHS warrants that the **Services** shall be performed in full conformity with the Agreement with the skill and care which would be exercised by those who perform similar services at the time the **Services** are performed, and in accordance with accepted industry practice.

1.2 Training

(a) NJRHS is responsible for the training, testing and qualifying of its personnel, if any are necessary to provide or perform the **Services** under this Agreement. The training shall include, among other things, basic knowledge and awareness of the

properties and hazards of natural gas, ignition sources for natural gas, and the transportation of natural gas through a pipeline system. In performing the Services under this agreement, NJRHS shall further ensure that its personnel comply with all state and federal laws, regulations and codes, including standards of the International Fuel Gas Code.

(b) Every three (3) years, at no cost to NJRHS, NJNG shall provide not more than thirty-two (32) hours of emergency response training to no more than one hundred (100) NJRHS operational employees to enable NJRHS to perform the Services under this Agreement. NJNG will compensate NJRHS for the time its employees spend in the classroom while training for NJNG.

1.3 Drug and Alcohol Testing. NJRHS operational employees performing the Services under this Agreement shall be subject to the drug and alcohol testing requirements specified by the United States Department of Transportation (“DOT”) in 49 CFR Part 199. NJRHS shall comply with these requirements and be able to document such compliance to the satisfaction of NJNG.

1.4 Licenses and Permits. NJRHS shall secure all licenses or permits required by law and shall comply with all ordinances, laws, orders, rules and regulations pertaining to the Services to be provided under this Agreement made by any governmental authority or public regulatory body.

1.5 Changes in Scope. NJNG shall have the right from time to time to change or rescind any activity, project, program or work order provided that (a) such change, which results in a material change in the scope of the Services, is agreed to by NJRHS; (b) the cost of the Services covered by any activity, project, program, or work order shall include any expense incurred by NJRHS as a direct result of such change or rescission of the activity, project, program or work order; and (c) no change or rescission of an activity, project, program, or work order shall release NJNG from liability for all costs already incurred by or contracted for by NJRHS pursuant to the activity, project, program or work order, regardless of whether the Services are associated with such costs have been completed. Any request made by NJNG pursuant to this Section 1.5 shall be in writing to NJRHS and shall take effect on the first day of the first calendar month which is at least thirty (30) days after the day that NJNG sent the written notice to NJRHS.

2. TERM AND TERMINATION

This Agreement shall become effective on the date first set forth above and shall continue unless and until it is terminated upon thirty (30) days prior written notice by either party. This Agreement shall also be subject to termination or modification at any time, without notice, if and to the extent performance under this Agreement may conflict with any rule, regulation or order of the New Jersey Board of Public Utilities adopted before or after the date of this Agreement, or if it is not approved by the New Jersey Board of Public Utilities subsequent to the effective date.

3. FEES

3.1 NJNG shall compensate NJRHS at no more than the fully allocated current pay rate for each responding NJRHS employee. Payroll taxes, all employee benefits, and an allowance for transportation expenses will be included.

3.2 Invoices.

(a) NJNG may review fees charged by NJRHS monthly through the designated NJRHS inter-company account in J.D. Edwards Enterprise System during the monthly closing process, by no later than the 25th day of the month following the month in which Services were provided. NJRHS will charge all fees to the appropriate billing accounts set-up in the UCIS system by the 25th day of the month following the month in which Services were provided. Where estimates are used for initial billing, periodic true-ups will adjust all provisional amounts to actual.

(b) Payment shall be made through an inter-company transfer of cash to or from the NJRHS designated account by the 25th of each month.

3.3 Audit. NJRHS shall keep complete and accurate accounting records, in Accordance with generally accepted accounting principles, to substantiate NJRHS's charges and expenses under this Agreement. NJRHS's records shall be open to examination during regular business hours by NJNG.

4. FORCE MAJEURE

Neither party shall be liable to the other party for any loss, damage, delay or failure of performance resulting directly or indirectly from any cause which is beyond its reasonable control, including, but not limited to acts of God, riots, civil disturbances, wars, acts of public enemy, strikes, work stoppages, or the laws, regulations, acts or failures to act of any governmental authority. Under such circumstances, the parties shall engage in good faith negotiations to arrange achievement of this Agreement's purposes through alternative methods.

5. DISPUTE RESOLUTION

NJNG and NJRHS commit to take specific steps to prevent and settle all disputes that may arise in relation to this Agreement as follows:

5.1 Prevention of Claims. It is in the best interest of both Parties to this Agreement to prevent any misunderstandings or differences. Both Parties shall make a good faith effort to identify in advance and discuss potential causes of disputes. The Parties agree that each shall make a good faith effort to jointly and regularly review compliance with this Agreement. The Parties further agree to promptly resolve any issues as described below in Section 5.2 and Section 5.3.

5.2 Voluntary Settlement - Direct and Mediated Negotiations. The Parties agree that, should differences of interpretation or any other disagreement or claim arise out of this Agreement, they shall immediately make a good faith effort to negotiate and document a voluntary resolution of the matter. If the matter remains unsettled for thirty days after formal notification that a dispute exists, the Parties shall immediately enlist the aid of a mutually-agreed upon neutral mediator who is a member of senior management.

5.3 Arbitration of Disputes. The Parties agree that if the dispute remains unsettled for an additional thirty days, then they shall submit the dispute to three neutral members of management for discussion and resolution. Such resolution shall be documented and the necessary changes, if any, made to this Agreement.

6. MISCELLANEOUS

6.1 Amendments. No amendment or waiver of any provision of this Agreement shall be effective unless the same shall be in writing and signed by authorized representatives of both parties. In addition, no course of dealing or failure of a party to strictly enforce any term, right or condition of this Agreement shall be construed as a waiver of such term, right or condition.

6.2 No Assignment. Neither party may assign this Agreement without the other party's prior written consent.

6.3 Independent Contractor Status. NJRHS acknowledges that it is an independent contractor and nothing herein constitutes a joint venture or partnership. Neither party has the right to bind or act for the other as agent or in any other capacity.

6.4 Third Party Beneficiaries. Nothing in this Agreement is intended to confer upon any other person except the parties any rights or remedies hereunder or shall create any third party beneficiary rights in any person.

6.5 Severability. Should any provision of this Agreement be held to be void or unenforceable, the remaining provisions shall remain in full force and effect, to be read and construed as if the void or unenforceable provisions were originally deleted.

6.6 Waiver. The waiver or failure of either party to exercise any right in any respect provided for herein shall not be deemed a waiver of any further right hereunder.

6.7 Headings. The headings used in this Agreement are for convenience of reference only and are not intended to affect the meaning or interpretation of this Agreement.

6.8 Applicable Law. This Agreement and performance under this Agreement shall be governed by the laws of the State of New Jersey, excluding any conflicts of law principles that would make applicable the laws of another state.

6.9 Survival. Termination of this Agreement shall be without prejudice to the rights and obligations of the parties accrued prior to the date of termination. All provisions, which by their terms should survive termination of this Agreement, shall survive termination.

6.10 Termination of Existing Service Agreement. NJRHS currently provides Emergency services to NJNG pursuant to the terms and conditions of the Service Agreement dated October 20, 2006, on file with the New Jersey Board of Public Utilities. That agreement shall automatically terminate upon the execution of this Agreement.

7. ENTIRE AGREEMENT. This Agreement embodies the entire understanding between NJRHS and NJNG for the subject matter of this Agreement and any prior or contemporaneous representations, either oral or written, are hereby superseded and canceled.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement by their duly authorized officers, whose signatures are conclusive evidence of such authority.

**NJR HOME SERVICES
COMPANY**

**NEW JERSEY
NATURAL GAS COMPANY**

(Signature)

(Signature)

(Print Name)

(Print Name)

(Print Title)

(Print Title)

**NJR SERVICE CORPORATION
SERVICE AGREEMENT**

THIS AGREEMENT is made effective this ____ day of ____ 2008 by and between **NJR SERVICE CORPORATION (“NJRS”)**, a New Jersey corporation with principal offices at 1415 Wyckoff Road, Wall, New Jersey 07719 (**“NJNG”**) and **NEW JERSEY NATURAL GAS COMPANY**, a New Jersey corporation with principal offices at 1415 Wyckoff Road, Wall, New Jersey 07719 (**“NJNG”**).

WITNESSETH:

WHEREAS, NJRS has a staff of employees competent to perform certain services (“Services”) for the subsidiaries of New Jersey Resources Corporation, including “Shared Services” as that term is defined in section 2(1) of the Affiliate Relations, Fair Competition and Accounting Standards and Related Reporting Requirements, N.J.A.C. 14:4-5.1 seq. (“Affiliate Rules”) and the Shared Services Guidelines of New Jersey Natural Gas Company’s Compliance Plan on file with the New Jersey Board of Public Utilities and is willing to provide the Services to NJNG in accordance with the Affiliate Rules;

WHEREAS, NJNG is an affiliate of NJRS and NJNG desires to retain NJRS to provide the Services;

NOW THEREFORE, in consideration of the mutual covenants and agreements contained in this Agreement, the parties agree as follows:

1. SCOPE

1.1 NJRS shall provide the Services described in the NJR Service Corporation Affiliate Allocation and Billing Procedures (“Allocation and Billing Procedures”) attached to and made a part of this Agreement as Exhibit 1. In addition to the services described in Exhibit 1, NJRS may also provide NJNG with additional services, which NJRS concludes it is able to perform and which are permitted under law and regulation to be provided. In supplying such services, NJRS may arrange, where it deems appropriate, for the services of such experts, consultants, advisers and other persons with necessary qualifications as are required for or pertinent to the performance of such services. NJRS warrants that all Services shall be performed in full conformity with the Agreement with the skill and care which would be exercised by those who perform similar services at the time the Services are performed, and in accordance with accepted industry practice.

1.2 Services Selected. NJNG shall make its selection of the Services described in Section 1.1 above that it agrees to receive from NJRS by providing NJRS an executed service request in the form set forth in Exhibit 2-Service Request, which is

attached to and made a part of this Agreement. NJRS shall provide the selected services on a fiscal year basis beginning October 1 through September 30.

1.3 Changes in Scope. NJNG shall have the right from time to time to change or rescind any activity, project, program or work order provided that (a) such change, which results in a material change in the scope of the Services, is agreed to by NJRS; (b) the cost of the Services covered by any activity, project, program or work order shall include any expense incurred by NJRS as a direct result of such change or rescission of the activity, project, program or work order; and (c) no change or rescission of an activity, project, program or work order shall release NJNG from liability for all costs already incurred by or contracted for by NJRS pursuant to the activity, project, program or work order, regardless of whether the Services associated with such costs have been completed. Any request made by NJNG pursuant to this Section 1.3 shall be in writing to NJRS and shall take effect on the first day of the first calendar month which is at least thirty (30) days after the day that NJNG sent the written notice to NJRS.

2. TERM AND TERMINATION

This Agreement shall become effective on the date first set forth above and shall continue unless and until it is terminated upon thirty (30) days prior written notice by either party. This Agreement shall also be subject to termination or modification at any time, without notice, if and to the extent performance under this Agreement may conflict with any rule, regulation or order of the New Jersey Board of Public Utilities adopted before or after the date of this Agreement, or if it is disapproved by the New Jersey Board of Public Utilities subsequent to the effective date.

3. FEES

3.1 NJRS shall be paid in accordance with the Allocation and Billing Procedures.

3.2 It is the intent of the parties that the fees for the Services rendered by NRJS will cover all costs of doing business. All of the Services rendered under this Agreement will be charged using a fully allocated cost methodology in compliance with the Affiliate Rules. Direct charges will be made where possible. The cost allocation/assignment methodology associated with each of the Services to be provided under this Agreement is set forth on the Allocation and Billing Procedures. The cost allocation/assignment methodology will be reviewed periodically as deemed appropriate by the parties and in compliance with all applicable laws and regulations. Such cost allocations/assignment methodology may be modified by NJRS provided that, in each instance, all services rendered under this Agreement will be charged and allocated in conformance with all applicable laws and regulations. NJRS shall advise NJNG of any changes to such cost allocation/assignment methodology.

3.3 Invoices.

a. NJNG may review fees charged by NJRS monthly through the designated NJNG inter-company account in the J.D. Edwards Enterprise System during the monthly closing process, by no later than the 25th day of each month. NJRS shall issue an itemized statement on a quarterly basis by the 25th day of the month following the end of the quarter. Where estimates are used for initial billing, periodic true-ups will adjust all provisional amounts to actual.

b. Payment shall be made through an inter-company transfer of cash to or from the NJNG designated account by the 25th day of the month following the date of the monthly invoice.

3.4 Audit. NJRS shall keep complete and accurate accounting records, in accordance with generally accepted accounting principles, to substantiate NJNG's charges and expenses under this Agreement. NJRS' records shall be open to examination during regular business hours by NJNG.

4. FORCE MAJEURE

Neither party shall be liable to the other party for any loss, damage, delay or failure of performance resulting directly or indirectly from any cause which is beyond its reasonable control, including, but not limited to acts of God, riots, civil disturbances, wars, acts of public enemy, strikes, work stoppages, or the laws, regulations, acts or failures to act of any governmental authority. Under such circumstances, the parties shall engage in good faith negotiations to arrange achievement of this Agreement's purposes through alternative methods.

5. DISPUTE RESOLUTION

NJRS and NJNG commit to take specific steps to prevent and settle all disputes that may arise in relation to this Agreement as follows:

5.1 Prevention of Claims. It is in the best interest of both Parties to this Agreement to prevent any misunderstandings or differences. Both Parties shall make a good faith effort to identify in advance and discuss potential causes of disputes. The Parties agree that each shall make a good faith effort to jointly and regularly review compliance with this Agreement. The Parties further agree to promptly resolve any issues as described below under Section 5.2 and Section 5.3.

5.2 Voluntary Settlement - Direct and Mediated Negotiations. The Parties agree that, should differences of interpretation or any other disagreement or claim arise out of this Agreement, they shall immediately make a good faith effort to negotiate and document a voluntary resolution of the matter. If the matter remains unsettled for thirty days after formal notification that a dispute exists, the Parties shall immediately enlist the aid of a mutually-agreed upon neutral mediator who is a member of senior management.

5.3 Arbitration of Disputes. The Parties agree that if the dispute remains unsettled for an additional thirty days, then they shall submit the dispute to three neutral members of senior management for discussion and resolution. Such resolution shall be documented and the necessary changes, if any, made to this Agreement.

6. MISCELLANEOUS

6.1 Amendments. No amendment or waiver of any provision of this Agreement shall be effective unless the same shall be in writing and signed by authorized representatives of both parties. In addition, no course of dealing or failure of a party to strictly enforce any term, right or condition of this Agreement shall be construed as a waiver of such term, right or condition.

6.2 No Assignment. Neither party may assign this Agreement without the other party's prior written consent.

6.3 Independent Contractor Status. NJRS acknowledges that it is an independent contractor and nothing herein constitutes a joint venture or partnership. Neither party has the right to bind or act for the other as agent or in any other capacity.

6.4 Third Party Beneficiaries. Nothing in this Agreement is intended to confer upon any other person except the parties any rights or remedies hereunder or shall create any third party beneficiary rights in any person.

6.5 Severability. Should any provision of this Agreement be held to be void or unenforceable, the remaining provisions shall remain in full force and effect, to be read and construed as if the void or unenforceable provisions were originally deleted.

6.6 Waiver. The waiver or failure of either party to exercise any right in any respect provided for herein shall not be deemed a waiver of any further right hereunder.

6.7 Headings. The headings used in this Agreement are for convenience of reference only and are not intended to affect the meaning or interpretation of this Agreement.

6.8 Applicable Law. This Agreement and performance under this Agreement shall be governed by the laws of the State of New Jersey, excluding any conflicts of law principles that would make applicable the laws of another state.

6.9 Survival. Termination of this Agreement shall be without prejudice to the rights and obligations of the parties accrued prior to the date of termination. All provisions, which by their terms should survive termination of this Agreement, shall survive termination.

6.10 Termination of Existing Service Agreement. NJRS currently provides services to NJNG pursuant to the terms and conditions of the Service Agreement dated

September 15, 2006, on file with the New Jersey Board of Public Utilities. That agreement shall automatically terminate upon receipt of any required regulatory approvals of this Agreement and the subsequent execution of this Agreement.

7 ENTIRE AGREEMENT

This Agreement (including Exhibit 1-Affiliate Allocation and Billing Procedures; and Exhibit 2-Service Request) embodies the entire understanding between NJRS and NJNG for the subject matter of this Agreement and any prior or contemporaneous representations, either oral or written, are hereby superseded and canceled.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement by their duly authorized officers, whose signatures are conclusive evidence of such authority.

NJR SERVICE CORPORATION

**NEW JERSEY
NATURAL GAS COMPANY**

(Signature)

(Signature)

(Print Name)

(Print Name)

(Print Title)

(Print Title)

**NJR SERVICE CORPORATION
AFFILIATE ALLOCATION AND BILLING PROCEDURES
EXHIBIT 1**

I. INTRODUCTION

NJR Service Corporation (“NJRS”) was organized as a subsidiary of New Jersey Resources Corporation (“NJR”). NJRS exists to provide Shared Services to NJR and its subsidiaries listed in Exhibit A of New Jersey Natural Gas Company’s Affiliate Rules Compliance Plan. Services performed on behalf of any retail Affiliates will be limited to services that are permissible under the Affiliate Relations, Fair Competition and Accounting Standards and Related Reporting Requirements (“Affiliate Rules”), pursuant to N.J.A.C. 14:4-5.1 et seq. The purpose of this document is to describe the services provided by NJRS and the cost assignment/allocation methodologies utilized by NJRS to allocate and bill the costs of such services.

**II. DESCRIPTION OF SERVICES AND
COST ASSIGNMENT/ALLOCATION METHODOLOGIES**

Whenever possible, services are directly charged. Where direct charging is not possible, allocation methods are used as described below.

1. Accounting Services (Dept. 7540)

a. Description of Services

- i. Accounts payable administration
- ii. General account ledger maintenance, control and internal reporting
- iii. Capital work order administration
- iv. Fixed asset management and control
- v. Production data analysis and reporting
- vi. Statistical analysis of data and information surveys
- vii. Revenue planning and budget tracking
- viii. External reporting
- ix. Budget preparation and analysis
- x. Account variance analysis
- xi. Tax analysis, return preparation and planning
- xii. Research and analysis of accounting practices
- xiii. Accounting system design, analysis and implementation

- b. Direct Charges** – Whenever possible, service expenses are directly charged. Labor is initially charged to specific affiliate object accounts on a predetermined basis for each individual. Labor is subsequently trued up quarterly, from actual employee timesheets submitted by all NJR Service Corporation personnel. For A/P employees who are

working in the batch environment, timesheet allocations to affiliate accounts are made on a basis of recent historical document counts.

- c. **Allocations of Indirects** – Residual department labor, primarily resulting from sick days, holidays, vacation, training, company meetings of a general nature, as well as labor accruals payroll taxes, fringes, overheads and allocation of residual New Jersey Resources Corporation and NJRS labor is allocated to affiliates on the basis of department labor that is directly charged. Staff, involved with coordinating capital projects, have direct and related allocated expenses directed to another allocation pool that distributes this expense on the basis of period work order project charges.

2. Auditing, Internal (Dept 7115)

a. Description of Services

- i. Perform periodic and random audits of records and procedures
- ii. Coordinate accounting process documentation
- iii. Support Board of Director audit committee guidelines and analysis requirements
- iv. Support and augment external auditors
- v. Report and submit recommendations to management
- vi. Assist in the research and interpretation of new accounting regulations and pronouncements.

- b. **Direct Charges** – Whenever possible, service expenses are directly charged. Labor is initially charged to specific affiliate object accounts based on the predetermined basis for each individual. Labor is subsequently trued up quarterly from employee monthly timesheets submitted by all NJRS personnel.

- c. **Allocation of Indirects** – Residual department labor, primarily resulting from sick days, holidays, vacation, training, company meetings of a general nature, labor accruals, payroll taxes, fringes, overheads and residual New Jersey Resources Corporation and NJRS labor is allocated to affiliates on the basis of the department labor that is directly charged.

3. Communications (Dept 7110)

a. Description of Services

- i. Advertising planning, layout and design
- ii. Coordination of outside artwork vendors
- iii. Graphic design
- iv. Written communications internally and externally

v. Coordination of outside media such as TV, Radio, Newspaper and other media except the internal website

b. Direct charges – Whenever possible, service expenses are directly charged. Labor is initially charged to specific affiliate object accounts based on the predetermined basis for each individual. Labor is subsequently trued up quarterly from employee monthly timesheets submitted by all NJRS personnel.

c. Allocations of Indirects – Residual department labor, primarily resulting from sick days, holidays, vacation, training, company meetings of a general nature, labor accruals, payroll taxes, fringes, overheads and residual New Jersey Resources Corporation and NJRS labor is allocated to affiliates on the basis of the department labor that is directly charged.

4. Communications, Website (Dept 7111)

a. Description of Services

- i. Website advertising, planning, layout and design
- ii. Coordination of outside artwork and software vendors for website
- iii. Graphic design and layout coordination
- iv. Maintenance of text inputs on website
- v. Company communications on the website

b. Direct Charges – Whenever possible, service expenses are directly charged. Labor is initially charged to specific affiliate object accounts based on the predetermined basis for each individual. Labor is subsequently trued up quarterly from employee monthly timesheets submitted by all NJRS personnel.

c. Allocation of Indirects – Residual department labor, primarily resulting from sick days, holidays, vacation, training, company meetings of a general nature, labor accruals, payroll taxes, fringes, overheads and residual New Jersey Resources Corporation and NJRS labor is allocated to affiliates on the basis of the department labor that is directly charged.

5. Facilities (Dept 7290)

a. Description of Services

- i. Determination of rent and utility allocations to various building occupants (New Jersey Resources Corporation affiliates and other tenants)
- ii. Coordination of internal and external building and grounds maintenance and repairs from external service vendors

- iii. Maintenance by internal repair staff
- iv. Coordination with various utility suppliers for services provided
- v. Coordination with contractors for facilities improvement and construction.

b. Direct Charges – All Service expenses are directly charged individual building pools, or directly to the related affiliate whenever possible.

c. Allocation of Indirects – Staff labor and other facilities expenses are transferred to a facilities cost pool where it is allocated to benefiting affiliates on the basis of square footage controlled by the affiliates.

6. Human Resources (Dept 7210)

a. Description of Services

- i. Provide centralized administrative duties for all employee hiring, staffing and status changes
- ii. Maintain the payroll function
- iii. Provide administration for employee benefits, pension, saving plans, labor and employee relations and “NJR University” training.
- iv. Research and coordinate all matters relating to employee benefits and activities
- v. Serve as administrators for medical, health and retirement benefits
- vi. Assist management in formulating staffing and employment policies
- vii. Ensure compliance of company employment policies with all State and Federal laws and regulations
- viii. Monitor skill set needs of employees through review of development plans and surveys
- ix. Work closely with management, human resources, Information Technology operations and quality areas to develop ongoing staff training curriculum
- x. Research and coordinate the use of inside and outside training services
- xi. Monitor and track employee training
- xii. Monitor and implement state and local training opportunities when available

b. Direct Charges – Whenever possible, service expenses are directly charged to other affiliates. Human Resources staff labor is generally allocated to affiliate accounts based on affiliate headcount. Two administrators who are dedicated to specific affiliates are charged to those affiliate accounts.

- c. **Allocation of Indirects** – Payroll taxes, fringes, residual labor charges to New Jersey Resources Corporation and NJRS by Human Resources staff are allocated to benefiting affiliate accounts on the basis of labor that is distributed by headcount.

7. Information Technology (Dept 7520)

- a. **Description of Services**
 - i. Application development/programming
 - ii. Computer hardware maintenance and control
 - iii. Computer software maintenance and control
 - iv. Training of users
 - v. Network maintenance
 - vi. Research and development of new systems
 - vii. Help desk activities
 - viii. Centralized and user personal computer support
 - ix. Centralized computer operations
 - x. Systems security
 - xi. Communications hardware and software maintenance and control, including computer, radio and telephone operations
 - xii. Support business units on: project management, facilitation and analysis via “Excellence in Operations” teaming and business transformation activities, business continuity planning, homeland security coordination and field emergency support planning (FESP).
- b. **Direct Charges** – Whenever possible, services expenses are directly charged to other affiliates.
- c. **Allocation of Indirects** – All labor is initially categorized into two major sub pool categories: Application Development or Hardware/Software Maintenance. Most employees of the IT department are classed as one or the other category. One hundred percent of their labor cost is assigned to their respective pool: Application Development or Hardware/Software Maintenance. Management employees split their time between the two groups. Indirect expenses such as payroll taxes, fringes and overheads are allocated to these two pools on the basis of labor assigned and charged to them.

The Application Development pool expense is allocated to affiliate accounts and department is based as in actual monthly timesheets.

The Hardware/Software Maintenance pool expense is allocated to affiliate accounts and departments based on the weighted average rate

of three factors:

- Centralized computer expenses (IBM AS400) are allocated based on recent actual historical usage by benefiting areas.
- Personal computer expenses are allocated based on the numbers of personal computers in the affiliates/department control.
- Field Orders Dispatched System (FODS) computer expenses are allocated based on the number of computers in the affiliate department control.

8. Legal (Dept 7200)

a. Description of Services

- i. Represent New Jersey Resources Corporation and its subsidiaries in various state and federal regulatory proceedings
- ii. Prepare, review and submit contracts and departmental procedures for various company functions
- iii. Assist in training of employees in areas such as EEO, Affiliate Rules and Code of Conduct
- iv. Conduct Code of Conduct investigations

b. Direct Charges - Whenever possible, service expenses are directly charged. Labor is initially charged to specific affiliate object accounts based on the predetermined basis for each individual. Labor is subsequently trued up quarterly from employee monthly timesheets submitted by all NJRS personnel.

c. Allocation of Indirects – Residual department labor, primarily resulting from sick days, holidays, vacation, training, company meetings of a general nature, labor accruals, payroll taxes, fringes, overheads and residual New Jersey Resources Corporation and NJRS labor is allocated to affiliates on the basis of the department labor that is directly charged.

9. Office Services (Dept 7570)

a. Description of Services

- i. Administration of inter-office mail services
- ii. Administration of external mail and messenger services
- iii. Management of print shop activities
- iv. Provide maintenance and supplies for office equipment, printers, copiers and fax machines
- v. Maintain stationery inventory

- b. **Direct Charges** – Whenever possible, service expenses are directly charged. Labor is initially charged to specific affiliate object accounts based on the predetermined basis for each individual. Labor is subsequently trued up quarterly from employee monthly timesheets submitted by all NJRS personnel.
- c. **Allocations of Indirects** – Residual department labor, primarily resulting from sick days, holidays, vacation, training, company meetings of a general nature, labor accruals, payroll taxes, fringes, overheads and residual New Jersey Resources Corporation and NJRS labor is allocated to affiliates on the basis of the department labor that is directly charged.

10. Purchasing (Dept 7300)

- a. **Description of Services**
 - i. Formulate, implement and maintain purchasing policies
 - ii. Disseminate and coordinate supply policies with vendors
 - iii. Perform source evaluation on vendors
 - iv. Administer purchasing activities for company supplies, parts, inventory and outside services
 - v. Control purchase approval system
- b. **Direct charges** - Whenever possible, service expenses are directly charged. Labor is initially charged to specific affiliate object accounts based on the predetermined basis for each individual. Labor is subsequently trued up quarterly from employee monthly timesheets submitted by all NJRS personnel.
- c. **Allocations of Indirects** - Residual department labor, primarily resulting from sick days, holidays, vacation, training, company meetings of a general nature, labor accruals, payroll taxes, fringes, overheads and residual New Jersey Resources Corporation and NJRS labor is allocated to affiliates on the basis of the department labor that is directly charged.

11. Treasury (Dept 7530)

- a. **Description of Services**
 - i. Cash flow management and reporting
 - ii. Investor relations
 - iii. Financial services and loans
 - iv. Wire transfers
 - v. Stock analyst relations and communications
 - vi. Monitor and analyze stock price movements and trends

- vii. Monitor and analyze industry and peer group stock prices and trends
- viii. Manage the Dividend Reinvestment Plan for all investors.

- b. Direct charges** – Whenever possible, service expenses are directly charged to affiliate accounts.
- c. Allocations of Indirects** – All labor, payroll taxes, fringes and overheads are allocated to affiliate accounts on the basis of total NJRS labor charges from actual employee time sheets.

III. TRANSFER OF SERVICES

To the extent that there is any transfer of services between NJRS and a retail affiliate, the transfer will be priced in accordance with the Affiliate Rules. Current transactions primarily fall under either a tariffed service, which is automatically deemed to be priced at Fair Market Value, or a shared corporate support service, which would not be available for sale on the open market and is accordingly priced at a fully allocated cost.

IV. INTERCOMPANY BILLING AND PAYMENT

Direct charges to other affiliates and allocations to other affiliates are charged to specific affiliate inter-company accounts on the books of the affiliate experiencing the initial accumulation of cost. Period end balances in the specific affiliate inter-company account are communicated to the specific affiliate. The charged affiliate posts the payable to a corresponding, specific affiliate inter-company account on their books. Net funds due between affiliates are transferred on a monthly basis. Where estimates are used for initial billing/charging, periodic true-ups adjust all provisional amounts to actual.

**NEW JERSEY RESOURCES SERVICE CORPORATION
SERVICE REQUEST
EXHIBIT 2**

The undersigned requests from New Jersey Resources Service Corporation the services selected below:

<u>Service</u>	<u>Yes</u>	<u>No</u>
Accounting Services	_____	_____
Internal Auditing	_____	_____
Communications	_____	_____
Communications, Web site	_____	_____
Facilities	_____	_____
Human Resources	_____	_____
Information Technology	_____	_____
Legal	_____	_____
Office Services	_____	_____
Purchasing	_____	_____
Treasury	_____	_____

**NEW JERSEY NATURAL GAS
COMPANY**

**NEW JERSEY NATURAL GAS COMPANY
SERVICE AGREEMENT**

THIS AGREEMENT is made effective this ____ day of ____ 2008 by and between **NEW JERSEY NATURAL GAS COMPANY (“NJNG”)**, a New Jersey corporation with principal offices at 1415 Wyckoff Road, Wall, New Jersey 07719 (“NJNG”) and **NJR ENERGY SERVICES**, a New Jersey corporation with principal offices at 1415 Wyckoff Road, Wall, New Jersey 07719 (“NJRES”).

WITNESSETH:

WHEREAS, NJNG has a staff of employees competent to perform certain services (“Services”) for the subsidiaries of New Jersey Resources Corporation, including “Shared Services” as that term is defined in section 2(1) of the Affiliate Relations, Fair Competition and Accounting Standards and Related Reporting Requirements, N.J.A.C. 14:4-5.1 seq. (“Affiliate Rules”) and the Shared Services Guidelines of New Jersey Natural Gas Company’s Compliance Plan on file with the New Jersey Board of Public Utilities and is willing to provide the Services to NJRES in accordance with the Affiliate Rules;

WHEREAS, NJRES is an affiliate of NJNG and NJRES desires to retain NJNG to provide the Services;

WHEREAS, NJRES has a staff of employees competent to perform certain Services for NJNG and is willing to provide such services to NJNG; and

WHEREAS, NJNG desires to retain NJRES to provide Services;

NOW THEREFORE, in consideration of the mutual covenants and agreements contained in this Agreement, the parties agree as follows:

1. SCOPE

1.1 NJNG shall provide the Services described in the New Jersey Natural Gas Company Affiliate Allocation and Billing Procedures (“Allocation and Billing Procedures”) attached to and made a part of this Agreement. In addition to the services described in the Allocation and Billing Procedures, NJNG may also provide NJRES with additional services, which NJNG concludes it is able to perform and which are permitted under law and regulation to be provided. In supplying such services, NJNG may arrange, where it deems appropriate, for the services of such experts, consultants, advisers and other persons with necessary qualifications as are required for or pertinent to the performance of such services. NJNG warrants that all services shall be performed in full conformity with the Agreement with the skill and care which would be exercised by those who perform similar services at the time the Services are performed, and in accordance with accepted industry practice.

1.2 Services Selected. NJRES shall make its selection of the Services described in Section 1.1 above that it agrees to receive from NJNG by providing NJNG an executed service request in the form set forth in Exhibit 2-Service Request, which is attached to and made a part of this Agreement. NJNG shall provide the selected Services on a fiscal year basis beginning October 1 through September 30.

1.3 Changes in Scope. NJRES shall have the right from time to time to change or rescind any activity, project, program or work order provided that (a) such change, which results in a material change in the scope of the Services, is agreed to by NJNG; (b) the cost of the Services covered by any activity, project, program or work order shall include any expense incurred by NJNG as a direct result of such change or rescission of the activity, project, program or work order; and (c) no change or rescission of an activity, project, program or work order shall release NJRES from liability for all costs already incurred by or contracted for by NJNG pursuant to the activity, project, program or work order, regardless of whether the Services associated with such costs have been completed. Any request made by NJRES pursuant to this Section 1.3 shall be in writing to NJNG and shall take effect on the first day of the first calendar month which is at least thirty (30) days after the day that NJRES sent the written notice to NJNG.

1.4 Services provided by NJRES. NJRES shall provide the Services described in the NJR Energy Services Company Affiliate Allocation and Billing Procedures (“Allocation and Billing Procedures”) attached to and made a part of this Agreement as Exhibit 3. In addition to the services described in the Allocation and Billing Procedures, NJRES may also provide NJNG with additional services, which NJRES concludes it is able to perform and which are permitted under law and regulation to be provided. In supplying such services, NJRES may arrange, where it deems appropriate, for the services of such experts, consultants, advisers and other persons with necessary qualifications as are required for or pertinent to the performance of such services. NJRES warrants that all services shall be performed in full conformity with the Agreement with the skill and care which would be exercised by those who perform similar services at the time the Services are performed, and in accordance with accepted industry practice. NJRES shall provide such services to NJNG pursuant to the same terms and conditions of this Agreement pursuant to which NJNG provides Services, except that NJRES shall provide the services described in, and NJRES shall be paid in accordance with Article 3 of this Agreement and the NJR Energy Services Company Billing and Allocation Procedures attached as Exhibit 3 to, and made a part of, this Agreement.

2. TERM AND TERMINATION

This Agreement shall become effective on the date first set forth above and shall continue unless and until it is terminated upon thirty (30) days prior written notice by either party. This Agreement shall also be subject to termination or modification at any time, without notice, if and to the extent performance under this Agreement may conflict with any rule, regulation or order of the New Jersey Board of Public Utilities adopted

before or after the date of this Agreement, or if it is not approved by the New Jersey Board of Public Utilities subsequent to the effective date.

3. FEES

3.1 NJNG shall be paid in accordance with the New Jersey Natural Gas Company Allocation and Billing Procedures attached hereto as Exhibit 1. NJRES shall be paid in accordance with the NJR Energy Services Company Billing and Allocation Procedures attached hereto as Exhibit 3

3.2 It is the intent of the parties that the fees for the Services will cover all costs of doing business. All of the Services rendered by NJNG or NJRES under this Agreement will be charged using a fully allocated cost methodology in compliance with the Affiliate Rules. Direct charges will be made where possible. The cost allocation/assignment methodology associated with each of the Services to be provided under this Agreement is set forth on Exhibit 1 and Exhibit 3, as applicable. The cost allocation/assignment methodology will be reviewed periodically as deemed appropriate by the parties and in compliance with all applicable laws and regulations. Such cost allocations/assignment methodology may be modified by NJNG or NJRES, as applicable, provided that, in each instance, all services rendered under this Agreement will be charged and allocated in conformance with all applicable laws and regulations. NJNG or NJRES, when the billing party for Services, shall advise the other party of any changes to such cost allocation/assignment methodology, as applicable.

3.3 Invoices.

(a) The parties may review fees charged monthly through the designated inter-company account in J.D. Edwards Enterprise System during the monthly closing process, by no later than the 25th day of each month. NJNG and NJRES shall issue an itemized statement on a quarterly basis by the 25th day of the month following the end of the quarter. Where estimates are used for initial billing, periodic true-ups will adjust all provisional amounts to actual.

(b) Payment shall be made to NJNG or NJRES through an inter-company transfer of cash to or from the NJNG designated account by the 25th day of the month following the date of the monthly invoice.

3.4 Audit. NJNG and NJRES shall keep complete and accurate accounting records, in accordance with generally accepted accounting principles, to substantiate NJNG's charges and expenses under this Agreement. NJNG's records shall be open to examination during regular business hours by NJRES and NJRES' records shall be open to examination during regular business hours by NJNG.

4. FORCE MAJEURE

Neither party shall be liable to the other party for any loss, damage, delay or failure of performance resulting directly or indirectly from any cause which is beyond its

reasonable control, including, but not limited to acts of God, riots, civil disturbances, wars, acts of public enemy, strikes, work stoppages, or the laws, regulations, acts or failures to act of any governmental authority. Under such circumstances, the parties shall engage in good faith negotiations to arrange achievement of this Agreement's purposes through alternative methods.

5. DISPUTE RESOLUTION

NJNG and NJRES commit to take specific steps to prevent and settle all disputes that may arise in relation to this Agreement as follows:

5.1 Prevention of Claims. It is in the best interest of both Parties to this Agreement to prevent any misunderstandings or differences. Both Parties shall make a good faith effort to identify in advance and discuss potential causes of disputes. The Parties agree that each shall make a good faith effort to jointly and regularly review compliance with this Agreement. The Parties further agree to promptly resolve any issues as follows.

5.2 Voluntary Settlement - Direct and Mediated Negotiations. The Parties agree that, should differences of interpretation or any other disagreement or claim arise out of this Agreement, they shall immediately make a good faith effort to negotiate and document a voluntary resolution of the matter. If the matter remains unsettled for thirty days after formal notification that a dispute exists, the Parties shall immediately enlist the aid of a mutually-agreed upon neutral mediator who is a member of senior management.

5.3 Arbitration of Disputes. The Parties agree that if the dispute remains unsettled for an additional thirty days, then they shall submit the dispute to three neutral members of senior management for discussion and resolution. Such resolution shall be documented and the necessary changes, if any, made to this Agreement.

6. MISCELLANEOUS

6.1 Amendments. No amendment or waiver of any provision of this Agreement shall be effective unless the same shall be in writing and signed by authorized representatives of both parties. In addition, no course of dealing or failure of a party to strictly enforce any term, right or condition of this Agreement shall be construed as a waiver of such term, right or condition.

6.2 No Assignment. Neither party may assign this Agreement without the other party's prior written consent.

6.3 Independent Contractor Status. NJNG and NJRES acknowledges that each is an independent contractor and nothing herein constitutes a joint venture or partnership. Neither party has the right to bind or act for the other as agent or in any other capacity.

6.4 Third Party Beneficiaries. Nothing in this Agreement is intended to confer upon any other person except the parties any rights or remedies hereunder or shall create any third party beneficiary rights in any person.

6.5 Severability. Should any provision of this Agreement be held to be void or unenforceable, the remaining provisions shall remain in full force and effect, to be read and construed as if the void or unenforceable provisions were originally deleted.

6.6 Waiver. The waiver or failure of either party to exercise any right in any respect provided for herein shall not be deemed a waiver of any further right hereunder.

6.7 Headings. The headings used in this Agreement are for convenience of reference only and are not intended to affect the meaning or interpretation of this Agreement.

6.8 Applicable Law. This Agreement and performance under this Agreement shall be governed by the laws of the State of New Jersey, excluding any conflicts of law principles that would make applicable the laws of another state.

6.9 Survival. Termination of this Agreement shall be without prejudice to the rights and obligations of the parties accrued prior to the date of termination. All provisions, which by their terms should survive termination of this Agreement, shall survive termination.

6.10 Termination of Existing Service Agreement. NJNG currently provides services to NJRES and NJRES currently provides services to NJNG pursuant to the terms and conditions of the Service Agreement dated October 20, 2006 on file with the New Jersey Board of Public Utilities. That agreement shall automatically terminate upon receipt of any required regulatory approvals of this Agreement and upon the subsequent execution of this Agreement.

7. ENTIRE AGREEMENT

This Agreement (including Exhibit 1-Affiliate Allocation and Billing Procedures; Exhibit 2-Service Request; and Exhibit 3- NJR Energy Service Company Affiliate Allocation and Billing Procedures) embodies the entire understanding between NJNG and NJRES for the subject matter of this Agreement and any prior or contemporaneous representations, either oral or written, are hereby superseded and canceled.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement by their duly authorized officers, whose signatures are conclusive evidence of such authority.

**NEW JERSEY
NATURAL GAS COMPANY**

**NJR ENERGY SERVICES
COMPANY**

(Signature)

(Signature)

(Print Name)

(Print Name)

(Print Title)

(Print Title)

**NEW JERSEY NATURAL GAS COMPANY
AFFILIATE ALLOCATION AND BILLING PROCEDURES
EXHIBIT 1**

I. INTRODUCTION

New Jersey Natural Gas Company (“NJNG”), as of January 1982, is a subsidiary of New Jersey Resources Corporation (“NJRC”). The purpose of this document is to describe the services provided by NJNG to NJRC and other affiliates and the cost assignment/allocation methodologies utilized by NJNG to allocate and bill the costs of such services.

**II. DESCRIPTION OF SERVICES AND
COST ASSIGNMENT/ALLOCATION METHODOLOGIES**

Whenever possible, services are directly charged. Where direct charging is not possible, allocation methods are used as described below.

1. Building Expense Pool

a. Description of Services

- i. Provide internal maintenance services
- ii. Provide external maintenance services
- iii. Arrange and monitor improvements and replacement of facilities and systems.
- iv. Coordinate services such as: janitorial, landscaping, snow removal, security, utilities and refuse
- v. Administration of facility rental and leasing agreements

b. Direct Charges – Whenever possible, services expenses are directly charged to affiliate accounts.

c. Allocation of Expenses – All labor, payroll taxes, fringes and overheads are allocated to affiliates and departments on the basis of square footage utilized by the affiliate or business unit.

2. Vehicles and Transportation

a. Description of Services

- i. Mechanic repair services for cars, light trucks, medium trucks and other motor, trailer and related equipment
- ii. Coordination of outside service repairs on all vehicles for services not handled by the internal repair facilities. These may include: transmission, painting, collision and major engine repair.
- iii. Coordination of vehicle fueling for gasoline, diesel and natural gas powered vehicles

- iv. Installation of natural gas powered capabilities into gasoline powered vehicles
- v. On the road pickup and repair services for fleet vehicles
- vi. Coordination of the purchase or leasing replacement and salvage of fleet vehicles and equipment
- b. **Direct Charges** – Whenever possible, service expenses are charged directly to affiliate accounts.
- c. **Allocation of Expenses** – All vehicle expenses, except those allocated to the NJR Home Services affiliate, are allocated to other affiliates and business units based on the proportion of vehicles and related services utilized by the affiliate or business unit. The sub pools used for vehicles are: cars, light trucks and medium trucks.

3. **Radio Tie-line Expense Pool**

- a. **Description of Services**
 - i. Radio tower rental fees
 - ii. Radio tie line communication charges
 - iii. Radio maintenance – time and materials
 - iv. Radio equipment communication charges
- b. **Direct Charges** – Whenever possible, services parts and repairs are charged directly to affiliate accounts.
- c. **Allocation of Expenses** – Expenses consist of outside, vouchers, communications, installations, and repair charges. Expenses are allocated to affiliates and business units based on the number of radios in the control of the affiliate or business unit.

4. **Inserter Room Expense Pool**

- a. **Description of Services**
 - i. Labor and expenses for operation of the inserter room
- b. **Direct Charges** – Whenever possible, service expenses are directly charged to affiliate or business unit accounts.
- c. **Allocation of Expenses** – Allocations of all expenses are based on prior year actual operation usage, modified for known significant future differences in levels of support.

5. **Hardware/Software Maintenance Expense Pool**

- a. **Description of Services**
 - i. Maintain operation and control of centralized main network computer hardware & software
 - ii. Maintain security and licensing for users
 - iii. Arrange and maintain periodic leasing controls for hardware and software

- iv. Maintain hardware & software, licensing, leasing for all PC users and commercial equipment
- v. Maintain hardware & software, licensing, and maintenance for field order dispatch system (FODS) computers in field vehicles
- b. **Direct Charges** – Whenever possible, service expenses are directly charged to affiliate accounts.
- c. **Allocation of Expenses** – Expenses include labor, fringes, and overheads allocated from the NJR Service Company into the NJNG Hardware/Software maintenance cost pool. The pool also includes outside purchases for various vouchered expenses for leasing, maintenance contracts, and other overhead expenses, that are initially booked in NJNG. The allocation process uses a three factor weighted calculation to arrive at the allocation to affiliates and business units. The three factors and their specific bases are:
 - Central Processing Unit (AS400 – CPU) costs are allocated based on prior year CPU usage statistics
 - Personal Computer (PV) costs are allocated based on the proportion of PC computers in the control of the affiliate or business unit
 - Field Order Dispatch System (FODS) computer costs are based on the proportion of FODS computers in the control of the affiliate or business unit

The three allocations above are blended into a weighted average rate for allocation to each affiliate or business unit.

6. **Application Development**

- a. **Description of Services**
 - i. Analysis of computer system needs
 - ii. Coordination with affiliate or business unit management in developing best approach
 - iii. System prototype, development, testing and training of users and implementation of new and modified computer systems
 - iv. Troubleshooting and correction of software problems
 - v. Maintenance of a help desk for user support
 - vi. Periodic training of users for all systems
 - vii. Research and development of new systems
- b. **Direct Charges** – Whenever possible, service expenses are directly charged to other affiliates
- c. **Allocation of Expenses** – All expenses of the Application Development pool including labor, fringes, payroll taxes and overheads are allocated to affiliates and business units based on current month actual timesheets.

7. **Communications Equipment Cost Pool**

- a. **Description of Services**
 - i. Date communications line fees – local and long distance
 - ii. Maintenance and support for PC & network, related communications equipment
 - b. **Direct Charges** – Whenever possible, service expenses are directly charged to affiliate accounts.
 - c. **Allocation of Expenses** – Expenses are made up of outside service fees for PC and network computers. Costs are allocated based on the proportion of PCs in the control of the affiliate or business unit.
8. **Energy Services (Department 410)**

- a. **Description of Services**
 - i. Senior Vice President executive leadership, control, tactical and strategic planning.
 - ii. Nomination and scheduling
 - iii. Volumetric accounting
 - iv. Invoice preparation and customer payment processing
 - v. Review of interstate pipeline tariffs and associated filings
 - vi. Track deal confirmations and provide administrative support
- b. **Direct Charges** – Whenever possible, service expenses are directly charged. Labor is initially charged to specific affiliate object accounts based on a predetermined allocation for each individual. Labor is subsequently trued up quarterly from employee monthly timesheets submitted by department personnel.
- c. **Allocation of Expenses** – A predetermined overhead and fringe rate applies these costs on the basis of labor dollar transfers. The predetermined overhead rate is calculated by dividing the department overhead cost by the base direct labor dollars. This predetermined rate and the resulting allocation is trued up on an annual basis.

III. TRANSFER OF SERVICES

To the extent that there is any transfer of services between NJNG and a retail affiliate, the transfer will be priced in accordance with the Affiliate Rules. Current transactions primarily fall under either a tariffed service, which is automatically deemed to be priced at Fair Market Value, or a shared corporate support service, which would not be available for sale on the open market and is accordingly priced at a fully allocated cost.

IV. INTERCOMPANY BILLING AND PAYMENT

Direct charges to other affiliates and allocations to other affiliates are charged to specific affiliate inter-company accounts on the books of the affiliate experiencing the initial accumulation of cost. Period end balances in the specific affiliate inter-company account are communicated to the specific affiliate. The charged affiliate posts the payable

to a corresponding, specific affiliate inter-company account on their books. Net funds due between affiliates are transferred on a monthly basis. Where estimates are used for initial billing/charging, periodic true-ups adjust all provisional amounts to actual.

V. FEDERAL INCOME TAX ALLOCATION

The following tax allocation procedures outline the inter-company Federal Income Tax Calculation of NJNG with NJR as the parent holding company.

As in prior years, NJR intends to file a consolidated Federal income tax return for itself and its subsidiaries. NJNG consents to be included in the consolidated return. NJR and NJNG therefore agree to the following method of allocating the consolidated Federal tax liability and for compensating NJNG for the use of its net operating losses and/or tax credits, if any, in arriving at such tax liability. The agreement also applies to claims, alternate minimum tax prepayments, and the carryback of net operating and/or tax credits.

The primary goal of this method is, to the maximum extent possible, to allocate to NJNG the tax liability or savings for the consolidate group which are generated by NJNG. Therefore, the parties hereto agree as follows:

1. NJNG shall compute its liability on a stand alone basis solely by reference to its respective items of income, gain, loss, deduction and credit.
2. If NJNG generates a net tax liability on a stand alone basis, it shall pay the amount of such separate return liability to NJR.
3. If NJNG incurs a net operating loss, alternative minimum tax prepayments, and/or tax credits, on a stand along basis, NJNG shall receive the tax savings to the extent such savings can be utilized by NJR.
4. The tax allocation procedures shall be administered by the Tax Department of NJR Service Corporation.
5. All Federal tax payments or refunds, including estimated tax payments, as calculated by the Tax Department, shall be paid by NJR to NJNG or by NJNG to NJR no later than the day payments are made or received by a taxing authority. The amounts due each company may be paid either by the actual remittance of cash or via inter-company accounts, as determined from time to time the NJR.
6. Adjustments to consolidated Federal income tax liability or refunds made by the Internal Revenue Service on audit of the consolidated return shall be determined in accordance with paragraphs 1 through 3.
7. This agreement shall apply to all tax years beginning with the year 1999 unless

NJR and NJNG agree in writing to terminate this agreement.

**NEW JERSEY NATURAL GAS COMPANY
SERVICE REQUEST
EXHIBIT 2**

The undersigned requests from New Jersey Natural Gas Company, the services selected below:

<u>Service</u>	<u>Yes</u>	<u>No</u>
Building Expense Pool	_____	_____
Vehicle Transportation	_____	_____
Radio Tie-Line Expense Pool	_____	_____
Inserter Room Expense Pool	_____	_____
Hardware/Software Maintenance Expense Pool	_____	_____
Application Development	_____	_____
Communications Equipment Cost Pool	_____	_____
Energy Services	_____	_____

NJR ENERGY SERVICES

**NJR ENERGY SERVICES COMPANY
AFFILIATE ALLOCATION AND BILLING PROCEDURES
EXHIBIT 3**

NJR Energy Services Company (NJRES) will periodically charge New Jersey Natural Gas Company (NJNG) for expenses incurred by NJRES, which were incurred on behalf of NJNG. These expenses usually consist of labor related to NJRES employees that perform work for NJNG. These functions include credit, market intelligence, contracts, administrative support and occasional coverage for absences.

Labor charges are billed to NJNG for actual time spent, via timesheets. A factor is added to labor charges to reflect fringe benefit costs.

**NEW JERSEY NATURAL GAS COMPANY
SERVICE AGREEMENT**

THIS AGREEMENT is made effective this ____ day of ____ 2009 by and between **NEW JERSEY NATURAL GAS COMPANY**, a New Jersey corporation with principal offices at 1415 Wyckoff Road, Wall, New Jersey 07719 (“**NJNG**”) and **NEW JERSEY RESOURCES CORPORATION**, a New Jersey corporation with principal offices at 1415 Wyckoff Road, Wall, New Jersey 07719 (“**NJR**”). **NJNG** and **NJR** are referred to herein collectively as the “**Parties.**”

WITNESSETH:

WHEREAS, **NJNG** and **NJR** each has a staff of employees competent to perform certain services (“**Services**”) for the subsidiaries of **NJR**, including “**Shared Services**” as that term is defined in section 2(1) of the Affiliate Relations, Fair Competition and Accounting Standards and Related Reporting Requirements, N.J.A.C. 14:4-5.1 seq. (“**Affiliate Rules**”) and the Shared Services Guidelines of New Jersey Natural Gas Company’s Compliance Plan on file with the New Jersey Board of Public Utilities and is willing to provide the **Services** to the other Party to this Agreement in accordance with the **Affiliate Rules**; and further

WHEREAS, **NJR** is the parent company of **NJNG** and **NJR** desires to retain **NJNG** to provide certain **Services** and **NJNG** desires to retain **NJR** to provide certain **Services**;

NOW THEREFORE, in consideration of the mutual covenants and agreements contained in this Agreement, the Parties agree as follows:

1. SCOPE

1.1 **NJNG** shall provide the **Services** described in the New Jersey Natural Gas Company Affiliate Allocation and Billing Procedures (“**Allocation and Billing Procedures**”) attached to and made a part of this Agreement as Exhibit 1. In addition to the services described in the **Allocation and Billing Procedures**, **NJNG** may also provide **NJR** with additional services, which **NJNG** concludes it is able to perform and which are permitted under law and regulation to be provided. In supplying such services, **NJNG** may arrange, where it deems appropriate, for the services of such experts, consultants, advisers and other persons with necessary qualifications as are required for or pertinent to the performance of such services. **NJNG** warrants that all services shall be performed in full conformity with the Agreement with the skill and care which would be exercised by those who perform similar services at the time the **Services** are performed, and in accordance with accepted industry practice.

1.2 Services Selected. **NJR** shall make its selection of the **Services** described in Section 1.1 above that it agrees to receive from **NJNG** by providing **NJNG** an executed

service request in the form set forth in Exhibit 2-Service Request, which is attached to and made a part of this Agreement. NJNG shall provide the selected Services on a fiscal year basis beginning October 1 through September 30.

1.3 Changes in Scope. NJR shall have the right from time to time to change or rescind any activity, project, program or work order provided that (a) such change, which results in a material change in the scope of the Services, is agreed to by NJNG; (b) the cost of the Services covered by any activity, project, program or work order shall include any expense incurred by NJNG as a direct result of such change or rescission of the activity, project, program or work order; and (c) no change or rescission of an activity, project, program or work order shall release NJR from liability for all costs already incurred by or contracted for by NJNG pursuant to the activity, project, program or work order, regardless of whether the Services associated with such costs have been completed. Any request made by NJR pursuant to this Section 1.3 shall be in writing to NJNG and shall take effect on the first day of the first calendar month which is at least thirty (30) days after the day that NJR sent the written notice to NJNG.

1.4 NJR shall provide the Services described in the New Jersey Resources Corporation Affiliate Allocation and Billing Procedures (“Allocation and Billing Procedures”) attached to and made a part of this Agreement as Exhibit 3. In addition to the services described in the Allocation and Billing Procedures, NJR may also provide NJNG with additional services, which NJR concludes it is able to perform and which are permitted under law and regulation to be provided. In supplying such services, NJR may arrange, where it deems appropriate, for the services of such experts, consultants, advisers and other persons with necessary qualifications as are required for or pertinent to the performance of such services. NJR warrants that all services shall be performed in full conformity with the Agreement with the skill and care which would be exercised by those who perform similar services at the time the Services are performed, and in accordance with accepted industry practice. NJR shall provide such services to NJNG pursuant to the same terms and conditions of this Agreement that apply to NJNG’s provision of services to NJR, including those outlined in this Article 1.

2. TERM AND TERMINATION

This Agreement shall become effective on the date first set forth above and shall continue unless and until it is terminated upon thirty (30) days prior written notice by either Party. This Agreement shall also be subject to termination or modification at any time, without notice, if and to the extent performance under this Agreement may conflict with any rule, regulation or order of the New Jersey Board of Public Utilities adopted before or after the date of this Agreement, or if it is disapproved by the New Jersey Board of Public Utilities subsequent to the effective date.

3. FEES

3.1 NJNG shall be paid in accordance with Exhibit 1 — New Jersey Natural Gas Company Affiliate Allocation and Billing Procedures and NJR shall be paid in accordance with Exhibit 3 — New Jersey Resources Corporation Affiliate Allocation and Billing Procedures.

3.2 It is the intent of the Parties that the fees for the Services rendered by NJNG and NJR will cover all costs of doing business. All of the Services rendered under this Agreement will be charged using a fully allocated cost methodology in compliance with the Affiliate Rules. Direct charges will be made where possible. The cost allocation/assignment methodology associated with each of the Services to be provided under this Agreement is set forth on the Allocation and Billing Procedures. The cost allocation/assignment methodology will be reviewed periodically as deemed appropriate by the Parties and in compliance with all applicable laws and regulations. Such cost allocations/assignment methodology may be modified by NJNG or NJR, as applicable, provided that, in each instance, all services rendered under this Agreement will be charged and allocated in conformance with all applicable laws and regulations. NJNG or NJR, when the billing party for Services, shall advise the other party of any changes to such cost allocation/assignment methodology, as applicable.

3.3 Invoices.

(a) NJR or NJNG may review fees charged by the billing Party monthly through the designated NJNG inter-company account in the J.D. Edwards Enterprise System during the monthly closing process, by no later than the 25th day of each month. NJNG shall issue an itemized statement on a quarterly basis by the 25th day of the month following the end of the quarter. Where estimates are used for initial billing, periodic true-ups will adjust all provisional amounts to actual.

(b) Payment shall be made through an inter-company transfer of cash to or from the NJNG designated account by the 25th day of the month following the date of the monthly invoice.

3.4 Audit. NJNG and NJR shall keep complete and accurate accounting records, in accordance with generally accepted accounting principles, to substantiate their charges and expenses under this Agreement. NJNG and NJR shall open their respective records to examination during regular business hours by the other Party.

4. FORCE MAJEURE

Neither Party shall be liable to the other Party for any loss, damage, delay or failure of performance resulting directly or indirectly from any cause which is beyond its reasonable control, including, but not limited to acts of God, riots, civil disturbances, wars, acts of public enemy, strikes, work stoppages, or the laws, regulations, acts or failures to act of any governmental authority. Under such circumstances, the Parties shall

engage in good faith negotiations to arrange achievement of this Agreement's purposes through alternative methods.

5. DISPUTE RESOLUTION

NJNG and NJR commit to take specific steps to prevent and settle all disputes that may arise in relation to this Agreement as follows:

5.1 Prevention of Claims. It is in the best interest of both Parties to this Agreement to prevent any misunderstandings or differences. Both Parties shall make a good faith effort to identify in advance and discuss potential causes of disputes. The Parties agree that each shall make a good faith effort to jointly and regularly review compliance with this Agreement. The Parties further agree to promptly resolve any issues as provided in Section 5.2 and Section 5.3 below.

5.2 Voluntary Settlement - Direct and Mediated Negotiations. The Parties agree that, should differences of interpretation or any other disagreement or claim arise out of this Agreement, they shall immediately make a good faith effort to negotiate and document a voluntary resolution of the matter. If the matter remains unsettled for thirty days after formal notification that a dispute exists, the Parties shall immediately enlist the aid of a mutually-agreed upon neutral mediator who is a member of senior management.

5.3 Arbitration of Disputes. The Parties agree that if the dispute remains unsettled for an additional thirty days, then they shall submit the dispute to three neutral members of senior management for discussion and resolution. Such resolution shall be documented and the necessary changes, if any, made to this Agreement.

6. MISCELLANEOUS

6.1 Amendments. No amendment or waiver of any provision of this Agreement shall be effective unless the same shall be in writing and signed by authorized representatives of both Parties. In addition, no course of dealing or failure of a Party to strictly enforce any term, right or condition of this Agreement shall be construed as a waiver of such term, right or condition.

6.2 No Assignment. Neither Party may assign this Agreement without the other Party's prior written consent.

6.3 Independent Contractor Status. NJNG acknowledges that it is an independent contractor and nothing herein constitutes a joint venture or partnership. Neither Party has the right to bind or act for the other as agent or in any other capacity.

6.4 Third Party Beneficiaries. Nothing in this Agreement is intended to confer upon any other person except the Parties any rights or remedies hereunder or shall create any third party beneficiary rights in any person.

6.5 Severability. Should any provision of this Agreement be held to be void or unenforceable, the remaining provisions shall remain in full force and effect, to be read and construed as if the void or unenforceable provisions were originally deleted.

6.6 Waiver. The waiver or failure of either Party to exercise any right in any respect provided for herein shall not be deemed a waiver of any further right hereunder.

6.7 Headings. The headings used in this Agreement are for convenience of reference only and are not intended to affect the meaning or interpretation of this Agreement.

6.8 Applicable Law. This Agreement and performance under this Agreement shall be governed by the laws of the State of New Jersey, excluding any conflicts of law principles that would make applicable the laws of another state.

6.9 Survival. Termination of this Agreement shall be without prejudice to the rights and obligations of the Parties accrued prior to the date of termination. All provisions, which by their terms should survive termination of this Agreement, shall survive termination.

6.10 Termination of Existing Service Agreement. NJNG currently provides services to NJR pursuant to the terms and conditions of the Service Agreement dated September 15, 2006, on file with the New Jersey Board of Public Utilities. That agreement shall automatically terminate upon the receipt of any required regulatory approvals of this Agreement and the subsequent execution of this Agreement.

7. ENTIRE AGREEMENT

This Agreement (including Exhibit 1-Affiliate Allocation and Billing Procedures; and Exhibit 2-Service Request; and Exhibit 3-New Jersey Resources Corporation Affiliate Allocation and Billing Procedures) embodies the entire understanding between NJNG and NJR for the subject matter of this Agreement and any prior or contemporaneous representations, either oral or written, are hereby superseded and canceled.

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement by their duly authorized officers, whose signatures are conclusive evidence of such authority.

**NEW JERSEY
NATURAL GAS COMPANY**

**NEW JERSEY RESOURCES
CORPORATION**

(Signature)

(Signature)

(Print Name)

(Print Name)

(Print Title)

(Print Title)

**NEW JERSEY NATURAL GAS COMPANY
AFFILIATE ALLOCATION AND BILLING PROCEDURES
EXHIBIT 1**

I. INTRODUCTION

New Jersey Natural Gas Company (“NJNG”), as of January 1982, is a subsidiary of New Jersey Resources Corporation (“NJR”). The purpose of this document is to describe the services provided by NJNG to NJR and other affiliates and the cost assignment/allocation methodologies utilized by NJNG to allocate and bill the costs of such services.

**II. DESCRIPTION OF SERVICES AND
COST ASSIGNMENT/ALLOCATION METHODOLOGIES**

Whenever possible, services are directly charged. Where direct charging is not possible, allocation methods are used as described below.

1. Building Expense Pool

a. Description of Services

- i. Provide internal maintenance services
- ii. Provide external maintenance services
- iii. Arrange and monitor improvements and replacement of facilities and systems.
- iv. Coordinate services such as: janitorial, landscaping, snow removal, security, utilities and refuse
- v. Administration of facility rental and leasing agreements

b. Direct Charges – Whenever possible, services expenses are directly charged to affiliate accounts.

c. Allocation of Expenses – All labor, payroll taxes, fringes and overheads are allocated to affiliates and departments on the basis of square footage utilized by the affiliate or business unit.

2. Vehicles and Transportation

a. Description of Services

- i. Mechanic repair services for cars, light trucks, medium trucks and other motor, trailer and related equipment
- ii. Coordination of outside service repairs on all vehicles for services not handled by the internal repair facilities. These may include: transmission, painting, collision and major engine repair.
- iii. Coordination of vehicle fueling for gasoline, diesel and natural gas powered vehicles

- iv. Installation of natural gas powered capabilities into gasoline powered vehicles
 - v. On the road pickup and repair services for fleet vehicles
 - vi. Coordination of the purchase or leasing replacement and salvage of fleet vehicles and equipment
- b. **Direct Charges** – Whenever possible, service expenses are charged directly to affiliate accounts.
- c. **Allocation of Expenses** – All vehicle expenses, except those allocated to the NJR Home Services affiliate, are allocated to other affiliates and business units based on the proportion of vehicles and related services utilized by the affiliate or business unit. The sub pools used for vehicles are: cars, light trucks and medium trucks.

3. **Radio Tie-line Expense Pool**

- a. **Description of Services**
- i. Radio tower rental fees
 - ii. Radio tie line communication charges
 - iii. Radio maintenance – time and materials
 - iv. Radio equipment communication charges
- b. **Direct Charges** – Whenever possible, services parts and repairs are charged directly to affiliate accounts.
- c. **Allocation of Expenses** – Expenses consist of outside, vouchers, communications, installations, and repair charges. Expenses are allocated to affiliates and business units based on the number of radios in the control of the affiliate or business unit.

4. **Inserter Room Expense Pool**

- a. **Description of Services**
- i. Labor and expenses for operation of the inserter room
- b. **Direct Charges** – Whenever possible, service expenses are directly charged to affiliate or business unit accounts.
- c. **Allocation of Expenses** – Allocations of all expenses are based on prior year actual operation usage, modified for known significant future differences in levels of support.

5. **Hardware/Software Maintenance Expense Pool**

- a. **Description of Services**
- i. Maintain operation and control of centralized main network computer hardware & software
 - ii. Maintain security and licensing for users
 - iii. Arrange and maintain periodic leasing controls for hardware and software

- iv. Maintain hardware & software, licensing, leasing for all PC users and commercial equipment
- v. Maintain hardware & software, licensing, and maintenance for field order dispatch system (FODS) computers in field vehicles
- b. **Direct Charges** – Whenever possible, service expenses are directly charged to affiliate accounts.
- c. **Allocation of Expenses** – Expenses include labor, fringes, and overheads allocated from the NJR Service Company into the NJNG Hardware/Software maintenance cost pool. The pool also includes outside purchases for various vouchered expenses for leasing, maintenance contracts, and other overhead expenses, that are initially booked in NJNG. The allocation process uses a three factor weighted calculation to arrive at the allocation to affiliates and business units. The three factors and their specific bases are:
 - Central Processing Unit (AS400 – CPU) costs are allocated based on prior year CPU usage statistics
 - Personal Computer (PV) costs are allocated based on the proportion of PC computers in the control of the affiliate or business unit
 - Field Order Dispatch System (FODS) computer costs are based on the proportion of FODS computers in the control of the affiliate or business unit

The three allocations above are blended into a weighted average rate for allocation to each affiliate or business unit.

6. **Application Development**

- a. **Description of Services**
 - i. Analysis of computer system needs
 - ii. Coordination with affiliate or business unit management in developing best approach
 - iii. System prototype, development, testing and training of users and implementation of new and modified computer systems
 - iv. Troubleshooting and correction of software problems
 - v. Maintenance of a help desk for user support
 - vi. Periodic training of users for all systems
 - vii. Research and development of new systems
- b. **Direct Charges** – Whenever possible, service expenses are directly charged to other affiliates
- c. **Allocation of Expenses** – All expenses of the Application Development pool including labor, fringes, payroll taxes and overheads are allocated to affiliates and business units based on current month actual timesheets.

7. **Communications Equipment Cost Pool**

- a. **Description of Services**

- i. Date communications line fees – local and long distance
- ii. Maintenance and support for PC & network, related communications equipment
- b. **Direct Charges** – Whenever possible, service expenses are directly charged to affiliate accounts.
- c. **Allocation of Expenses** – Expenses are made up of outside service fees for PC and network computers. Costs are allocated based on the proportion of PCs in the control of the affiliate or business unit.

8. Energy Services (Department 410)

- a. **Description of Services**
 - i. Senior Vice President executive leadership, control, tactical and strategic planning.
 - ii. Nomination and scheduling
 - iii. Volumetric accounting
 - iv. Invoice preparation and customer payment processing
 - v. Review of interstate pipeline tariffs and associated filings
 - vi. Track deal confirmations and provide administrative support
- b. **Direct Charges** – Whenever possible, service expenses are directly charged. Labor is initially charged to specific affiliate object accounts based on a predetermined allocation for each individual. Labor is subsequently trued up quarterly from employee monthly timesheets submitted by department personnel.
- c. **Allocation of Expenses** – A predetermined overhead and fringe rate applies these costs on the basis of labor dollar transfers. The predetermined overhead rate is calculated by dividing the department overhead cost by the base direct labor dollars. This predetermined rate and the resulting allocation is trued up on an annual basis.

III. TRANSFER OF SERVICES

To the extent that there is any transfer of services between NJNG and a retail affiliate, the transfer will be priced in accordance with the Affiliate Rules. Current transactions primarily fall under either a tariffed service, which is automatically deemed to be priced at Fair Market Value, or a shared corporate support service, which would not be available for sale on the open market and is accordingly priced at a fully allocated cost.

IV. INTERCOMPANY BILLING AND PAYMENT

Direct charges to other affiliates and allocations to other affiliates are charged to specific affiliate inter-company accounts on the books of the affiliate experiencing the initial accumulation of cost. Period end balances in the specific affiliate inter-company account are communicated to the specific affiliate. The charged affiliate posts the payable to a corresponding, specific affiliate inter-company account on their books. Net funds

due between affiliates are transferred on a monthly basis. Where estimates are used for initial billing/charging, periodic true-ups adjust all provisional amounts to actual.

V. FEDERAL INCOME TAX ALLOCATION

The following tax allocation procedures outline the inter-company Federal Income Tax Calculation of NJNG with NJR as the parent holding company.

As in prior years, NJR intends to file a consolidated Federal income tax return for itself and its subsidiaries. NJNG consents to be included in the consolidated return. NJR and NJNG therefore agree to the following method of allocating the consolidated Federal tax liability and for compensating NJNG for the use of its net operating losses and/or tax credits, if any, in arriving at such tax liability. The agreement also applies to claims, alternate minimum tax prepayments, and the carryback of net operating and/or tax credits.

The primary goal of this method is, to the maximum extent possible, to allocate to NJNG the tax liability or savings for the consolidate group which are generated by NJNG. Therefore, the Parties hereto agree as follows:

1. NJNG shall compute its liability on a stand alone basis solely by reference to its respective items of income, gain, loss, deduction and credit.
2. If NJNG generates a net tax liability on a stand alone basis, it shall pay the amount of such separate return liability to NJR.
3. If NJNG incurs a net operating loss, alternative minimum tax prepayments, and/or tax credits, on a stand along basis, NJNG shall receive the tax savings to the extent such savings can be utilized by NJR.
4. The tax allocation procedures shall be administered by the Tax Department of NJR Service Corporation.
5. All tax payments or refunds, including estimated tax payments, as calculated by the Tax Department, shall be paid by NJR to NJNG or by NJNG to NJR no later than the day payments are made or received by a taxing authority. The amounts due each company may be paid either by the actual remittance of cash or via inter-company accounts, as determined from time to time the NJR.
6. Adjustments to consolidated Federal income tax liability or refunds made by the Internal Revenue Service on audit of the consolidated return shall be determined in accordance with paragraphs 1 through 3.
7. This agreement shall apply to all tax years beginning with the year 1999 unless NJR and NJNG agree in writing to terminate this agreement.

**NEW JERSEY NATURAL GAS COMPANY
SERVICE REQUEST
EXHIBIT 2**

The undersigned requests from New Jersey Natural Gas Company, the services selected below:

<u>Service</u>	<u>Yes</u>	<u>No</u>
Building Expense Pool	_____	_____
Vehicle Transportation	_____	_____
Radio Tie-Line Expense Pool	_____	_____
Insertor Room Expense Pool	_____	_____
Hardware/Software Maintenance Expense Pool	_____	_____
Application Development	_____	_____
Communications Equipment Cost Pool	_____	_____
Energy Services	_____	_____

**NEW JERSEY RESOURCES
CORPORATION**

**NEW JERSEY RESOURCES CORPORATION
AFFILIATE ALLOCATION AND BILLING PROCEDURES
EXHIBIT 3**

I. INTRODUCTION

New Jersey Resources Corporation (“NJR”) provides corporate support services to its subsidiaries as listed in Exhibit A of New Jersey Natural Gas Company’s Affiliate Rules Compliance Plan. Services performed on behalf of any Retail Affiliates of New Jersey Natural Gas Company (“NJNG”) will be limited to services that are permissible under the Affiliate Relations, Fair Competition and Accounting Standards and Related Reporting Requirements (“Affiliate Rules”). The purpose of this document is to describe the services provided by NJR and the cost assignment/allocation methodologies utilized by NJR to allocate and bill the costs of such services provided.

**II. DESCRIPTION OF SERVICES AND
COST ASSIGNMENT/ALLOCATION METHODOLOGIES**

Whenever possible, services are directly charged. Where direct charging is not possible, allocation methods are used as described below.

1. General and Administrative Expenses Pool

- a. Description of Services**
 - i. Provide overall corporate executive leadership, control, tactical and strategic planning
 - ii. Provide corporate financial executive leadership, control, tactical and strategic planning
 - iii. Provide general and administrative corporate executive support service leadership, control, tactical and strategic planning
 - iv. Provide corporate legal executive leadership, control, tactical and strategic planning
 - v. Provide Corporate Governance via Board of Director leadership, control, tactical and strategic planning
- b. Direct Charges** – Whenever possible, services expenses are directly charged to affiliate accounts.
- c. Allocation of Indirects** – Allocation of all indirect expenses are based on actual employee timesheets and calendars.
- d. Cost Retained at the Corporate Level** -When applicable, new business development costs that are not specifically identified for a particular subsidiary company will be retained by NJR at the corporate level or charged to a non-utility affiliate. If such costs are specifically identifiable to a subsidiary, those costs will be directly charged to the benefiting affiliate.

III. FEDERAL INCOME TAX ALLOCATION

The following tax allocation procedures outline the inter-company Federal Income tax Calculation of NJNG with NJR as the parent holding company.

As in prior years, NJR intends to file a consolidated Federal income tax return for itself and its subsidiaries. NJNG consents to be included in the consolidated return. NJR and NJNG therefore agree to the following method of allocating the consolidated Federal tax liability and for compensating NJNG for the use of its net operating losses and/or tax credits, if any, in arriving at such tax liability. The agreement also applies to claims, alternate minimum tax prepayments, and the carryback of net operating and/or tax credits.

The primary goal of this method is, to the maximum extent possible, to allocate to NNG the tax liability or savings for the consolidated group which are generated by NJNG. There, the Parties hereto agree as follows:

1. NJNG shall compute its liability on a stand alone basis solely by reference to its respective items of income, gain, loss, deduction and credit.
2. If NJNG generates a net tax liability on a stand alone basis, it shall pay the amount of such separate return liability to NJR.
3. If NJNG incurs a net operating loss, alternative minimum tax prepayments, and/or tax credits, on a stand along basis, NJNG shall receive the tax savings to the extent such savings can be utilized by NJR.
4. The tax allocation procedures shall be administered by the Tax Department of NJR Service Corporation.
5. All Federal tax payments or refunds, including estimated tax payments, as calculated by the Tax Department, shall be paid by NJR to NJNG or by NJNG to NJR no later than the day payments are made or received by a taxing authority. The amounts due each company may be paid either by the actual remittance of cash or via inter-company accounts, as determined from time to time by NJR.
6. Adjustments to consolidated Federal income tax liability or refunds made by the Internal Revenue Service on audit of the consolidated return shall be determined in accordance with paragraphs 1 through 3.
7. This agreement shall apply to all tax years beginning with the year 1999 unless NJR and NJNG agree in writing to terminate this agreement.

**NEW JERSEY RESOURCES CORPORATION
AFFILIATE RULES COMPLIANCE PLAN
SHARED SERVICES GUIDELINES**

The following is a list of the Shared Services New Jersey Natural Gas Company (NJNG) and NJR Service Corporation (“NJRSC”) may perform for the benefit of New Jersey Resources Corporation (“NJR”) or a Retail Affiliate¹ or that NJR and NJRSC may perform on behalf of NJNG under the Affiliate Rules. This list is meant to be illustrative and not exhaustive. Therefore, if you have a question about whether or not a service not listed is a Shared Service under the Affiliate Rules, please contact the General Counsel at ext. 1489 or Regulatory Affairs at ext. 1487.

A. Remember the following:

- 1) Any NJNG, NJR or NJRSC employee performing a shared service for one Affiliate shall not discuss Confidential Information with employees of another Affiliate.
- 2) Before you invite Affiliate employees to NJNG meetings, consider if such attendance is appropriate. Attendance is not appropriate if the meeting will involve discussions of Confidential Information that is not necessary to the performance of the Shared Service. Either schedule a separate meeting with the Affiliate employee or ask the Affiliate employee to leave the room after issues involving the Shared Service have been discussed.
- 3) NJNG shall not share office space, office equipment, services and systems with an Affiliate except to the extent appropriate to perform Shared Services.
- 4) All employees performing a Shared Service must complete a time sheet as explained in the Time Sheet Policy and Procedure, which has been distributed to all employees and is available online in the Administrative Procedures folder on the “G” drive.

B. Shared Services

- 1) use of financial and cash management and payroll systems software
- 2) payroll advice and services, including printing and distribution of paychecks
- 3) corporate budget preparation and monitoring
- 4) corporate communications and public relations
- 5) tax advice and services
- 6) treasury functions
- 7) shareholder services
- 8) consolidated business planning (other than market analyses)
- 9) financial services such as:
 - a) accounts payable
 - b) accounting

¹“Retail Affiliate(s)” means NJR Home Services Company and/or any other retail affiliate of NJNG as determined by the Legal Department in accordance with the Affiliate Rules.

EXHIBIT J

- c) banking services not including customer transactions
- d) cash management
- e) interest rate hedging activities
- f) risk management
- g) reporting
- h) pension management
- 10) internal auditing
- 11) insurance advice, services, and procurement
- 12) state, federal, and local lobbying and regulatory affairs
- 13) analysis of regulatory or legislative actions
- 14) legal services and support
- 15) legal and regulatory compliance, including affiliate transactions rules compliance
- 16) computer, telecommunications, and technical systems software, support and maintenance (Affiliate employees will only be allowed to provide support and maintenance for the utility if they will not have access to any non-public utility information contained in a computer or information system, *e.g.* limited hardware maintenance or software development.)
- 17) human resources functions, including training, compensation, benefit services, plan procurement and management, development, interpretation, and application of employment policies, and creation and maintenance of employee records
- 18) office services, printing of documents for permitted shared services and corporate support functions and record retention
- 19) facilities management and maintenance
- 20) purchasing
- 21) customer account services, including dispatch, customer inquiry, billing and remittance processing
- 22) gas transportation

A copy of this policy is available on-line in the Financial Procedures Manual on the “G” drive.

ADMINISTRATIVE PROCEDURES

TIME SHEET POLICY AND PROCEDURE

Administrative Procedure 93

Approved By: Senior Vice President & CFO

Approved On:

Revised / Effective On: 9/03/10

Rescinded On:

Policy

The Affiliate Relations, Fair Competition and Accounting Standards and Related Reporting Requirements ("Affiliate Rules") require that employees of New Jersey Resources ("NJR") and all NJR affiliates accurately allocate their time when working for affiliates outside of their own. If the periodic time charged to other affiliates is significant and occurs on a regular basis, employees must use the "On-line" timesheet system to record all of their paid time working for their own affiliate and the time working for other affiliates. If the employee's time charged to other affiliates is minor and occasional, the employee may use the paper timesheet form #800. The time sheet shall serve as the basis for inter-company and inter-business unit billing. The Financial Department is responsible for developing the proper billing of payroll, fringe benefits and overhead costs.

Procedure

Each employee who performs work outside of their home affiliate must report that time. Most employees will use Form # 800 for reporting hours worked in those activities. Employees with access to FODS II report time and job codes on the FODS system. Employees of NJR Service Corporation who perform work for other affiliates will use the On-line timesheet system or the paper Form # 800, if appropriate, for reporting that time. Information Technology (IT), Customer Services, and Central Dispatch use specialized computer programs to report time. Non-working hours for lunch (unless the employee works during lunch), holidays, vacations, sick time are charged to the employee's home company on Form # 800. Form #800 is available and can be filled out online at [g: /public/Co-forms](g:/public/Co-forms). The appropriate Payroll Time Sheets must continue to be used to report any and all absences.

Immediately following the month in which there is an occurrence of time worked outside of an employee's home affiliate, employees must submit a monthly time sheet (On-line timesheet or Form #800 whichever is appropriate) to the Financial Department. Each employee shall keep a copy of his or her timesheet through the entire fiscal year. If necessary, it is used to prepare a time distribution estimates for the next fiscal year. Customer Service Representatives allocate their time electronically between the utility and NJR Home Services Company by using the Customer Contact Tracking Screen of the Customer Information System.

IBS programmers and application developers shall allocate their time to the appropriate NJNG department or affiliate on a project by project basis by entering their time into their automated time sheet program. This program is used for reporting to charge employee time to individual departments. Employees shall charge non-working hours such as lunch (unless the employee works during lunch), holidays, vacations and sick time to their home company. IBS shall submit reports to the individual NJNG departments, including the Financial Department, and affiliates on a monthly basis.

Each month the Financial & Cost Analyst sends a reminder notice of the date timesheets are due, including detailed instructions for data entry. If any employee has any questions about this policy, please call the Financial Department at ext. 1197.

Form No. 800 Rev. 07/01

NEW JERSEY RESOURCES CORPORATION

Name _____ Year _____
 Home Dept. Number _____ Month _____
 Home Company _____ Comments: _____

Week End Date	M							M							M							M							TOTAL
	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	
Company																													
New Jersey Resources Corp.																													0
New Jersey Natural Gas Company																													0
NJR Home Services																													0
NJR Service Corporation																													0
NJR Energy Corp																													0
Commercial Realty & Resources																													0
NJR Natural Energy																													0
Other:																													0
Paid Holiday																													0
Paid Vacation																													0
Paid Sick																													0
Total Hours Paid	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	

INSTRUCTIONS: This form helps charge your labor hours to the correct Company.
 Enter number of hours worked for each company which is **NOT YOUR HOME COMPANY**.
 Enter number of hours paid but not worked for Holiday, Sick, and Vacation. This does not replace the Payroll Exception Time Sheet.
 Enter **REMAINING HOURS** worked under your **HOME COMPANY**.
(In addition to this form, you must report all hours with correct pay codes for Vacation, Sick, or other absence on the Payroll Exception Time Sheet (Form 2 for S&P or E&E) Enter Total Hours Paid on the last line.

	Distribution This Month			End of Month Summary			Distribution Fiscal YTD		
	Hours	Percent of Total	Percent of Total	Hours	Percent of Total	Percent of Total	Hours	Percent of Total	Percent of Total
New Jersey Resources Corp.	0		#DIV/0!						
New Jersey Natural Gas Company	0		#DIV/0!						
NJR Home Services	0		#DIV/0!						
NJR Service Corporation	0		#DIV/0!						
NJR Energy Corp	0		#DIV/0!						
Commercial Realty & Resources	0		#DIV/0!						
NJR Natural Energy	0		#DIV/0!						
Other:	0		#DIV/0!						
Paid Holiday	0		#DIV/0!						
Paid vacation	0		#DIV/0!						
Paid Sick	0		#DIV/0!						
Total	0		#DIV/0!						

AFFIDAVIT
N.J.A.C. 14:4-5.5(j)

STATE OF NEW JERSEY)
COUNTY OF MONMOUTH)

KATHLEEN T. ELLIS, being duly sworn, deposes and says:

1. I am Chief Operating Officer of New Jersey Natural Gas Company (“NJNG” or the “Company”) at 1415 Wyckoff Road, Wall, New Jersey 07719. I make this Affidavit in support of the Company’s Affiliate Rules Compliance Plan (“Compliance Plan”) pursuant to N.J.A.C. 14:4-5.5(j), which provides that the provision of corporate support services shall not allow or provide a means for the transfer of confidential customer or market information from the Company to an affiliate in violation of the Affiliate Rules, create the opportunity for preferential treatment or unfair competitive advantage, lead to customer confusion, or create significant opportunities for cross subsidization of an affiliate.

2. The provision of corporate support services, which includes services provided by the service company (“NJR Service Corporation”), will not violate N.J.A.C. 14:4-5.5(j). The Compliance Plan prohibits disclosure of Company market sensitive or proprietary information to third parties, including Retail Affiliates, except of course as is necessary to perform corporate support functions. (See Exhibits B through F and H).^{*} It also prohibits the disclosure of individual customer information to any third party without customer authorization, subject to the regulations established by the New Jersey Board of Public Utilities. (See Exhibits B through F and H). The Compliance Plan provides that all market participants shall be treated equally with regard to the provision of information (utility, customer, competitor); the provision of products

^{*}All Exhibits referenced herein are part of the Compliance Plan of New Jersey Natural Gas Company to which this Affidavit pertains and such Exhibits are incorporated herein by reference.

or services, including the processing of requests for utility services and the application and interpretation of tariff provisions; and customer contact or interaction. (See Exhibits B through F and H).

3. The Compliance Plan denotes how corporate communications and public relations are shared and the procedures that are in place to prevent any abuse of these services in violation of the Affiliate Rules. (See Exhibit O). The Compliance Plan also provides that the Company may continue to provide a link from its Web site to that of its parent New Jersey Resources Corporation (“NJR”), which provides financial and investor relation information about the Company. (See Exhibit Q). The Compliance Plan further provides that there are no links from the Company Web site to Retail Affiliate Web sites, except as permitted for all suppliers. (See Exhibit Q).

4. The Compliance Plan provides that the Company shall charge NJR and/or affiliates their allocated share of the costs of services provided by the Company. (See Exhibits B, G, J and I). In addition, the Compliance Plan provides that Company employees shall charge time spent directly on NJR or affiliate matters to NJR or affiliates by reporting the time spent on these matters. (See Exhibits B, J and K). Finally, the Compliance Plan provides that NJR and NJR Service Corporation shall be entitled to charge the Company for corporate support services they provide to the Company. (See Exhibits G, J and I). Also attached as Exhibit L to the Compliance Plan is a copy of the time sheet to be used by the relevant employees of the Company, NJR and NJR Service Corporation to allocate their time to the appropriate affiliates.

5. The Compliance Plan contains an employee transfer policy that restricts employee transfers between the Company and a retail affiliate in accordance with the Affiliate Rules. (See Exhibit P). The Compliance Plan contains an external complaint procedure to facilitate the

EXHIBIT M

reporting of any alleged Company violation of the Affiliate Rules. (See Exhibit N). The Compliance Plan contains an inter-company asset transfer policy and procedure. (See Exhibit R). Finally, the Compliance Plan identifies the Company's affiliates. (See Exhibit A).

6. The Company will remind NJNG, NJR and affiliate employees of the requirements of the Affiliate Rules on an annual basis as part of its regular Code of Conduct training. (See Exhibit H).

Kathleen T. Ellis

Kathleen T. Ellis
Executive Vice President and Chief Operating Officer

Sworn to before me this *31st* day
of *August* 2011

Lisa Hamilton

Notary Public

LISA HAMILTON
NOTARY PUBLIC FOR NEW JERSEY
Commission Expires January 4, 2015



NEW JERSEY NATURAL GAS COMPANY

AFFILITE RULES EXTERNAL COMPLAINT PROCEDURE

I. Introduction

New Jersey Natural Gas Company (“NJNG” or the “Company”) is committed to the promotion of fair competition and a level playing field for all participants selling natural gas or a natural gas related service in our service territory. Therefore, any service provider or customer who has a complaint relating to the conduct of NJNG or its Retail Affiliates shall follow the procedures herein, pursuant to the provisions of N.J.A.C. 14: 4-5.1 et seq.

II. Procedure

1. All complaints, whether written or verbal, regarding the Affiliate Rules shall be referred to Mariellen Dugan, Senior Vice President and General Counsel on the Complaint Hotline at 732-938-1205. The complainant should provide as much information as possible relating to the complaint such as customer name, account number, date of such activity, individuals involved, copies of any related documents, specific nature of complaint and a reference to the provisions of the Affiliate Rules allegedly violated.
2. NJNG will send to the complainant a written acknowledgment of the complaint within ten (10) days of its receipt.
3. NJNG will conduct a thorough investigation of the complaint under the direct supervision of Mariellen Dugan. The investigation shall include, where applicable, interviews, review of applicable documents, telephone and computer records. NJNG shall respond in writing within thirty (30) days after the complaint is received with the result of the investigation, including a proposed course of action.
4. NJNG shall report any violation of the Affiliate Rules to the New Jersey Board of Public Utilities (“BPU”), with a copy to the New Jersey Division of Rate Counsel (“Rate Counsel”), within five (5) business days of becoming aware of any such violation.
5. NJNG shall maintain a log of all new, resolved and pending complaints. The log shall contain, at a minimum, the date the complaint was received by NJNG, the name of the complainant, a brief description of the complaint and the manner in which the complaint was resolved or the reason the complaint is still pending. The log shall be subject to review by the BPU and Rate Counsel.
6. NJNG shall file with the BPU and Rate Counsel a copy of the aforementioned complaint procedure for alleged violations of the Affiliate Rules in its annual Compliance Plan submission.

**CORPORATE COMMUNICATIONS AND PUBLIC RELATIONS GUIDELINES
and
CORPORATE IDENTIFICATION AND ADVERTISING GUIDELINES**

Corporate Communications and Public Relations

New Jersey Natural Gas Company (“NJNG” or the “Company”) has an obligation to provide Corporate Communications and Public Relations services in a manner consistent with the letter and spirit of the Affiliate Relations, Fair Competition and Accounting Standards and Related Reporting Requirements (the “Affiliate Rules”), pursuant to N.J.A.C. 14:4-5.1 et seq. Therefore, all employees must ensure that Corporate Communications and Public Relations services do not:

- 1) Facilitate the transfer of Confidential Information¹ from NJNG to any Retail Affiliate²;
- 2) Result in preferential treatment or any unfair competitive advantage provided to any Retail Affiliate;
- 3) Create customer confusion as to the services provided by NJNG and those of any Retail Affiliate; or,
- 4) Constitute joint marketing or advertising by NJNG and any Retail Affiliate.

The following actions have been taken to ensure full compliance with the Affiliate Rules and to prevent any abuse thereof:

- All employees, including those in the Corporate Communications and Public Relations Departments, must be continuously aware of the requirement to protect and restrict access to Confidential Information.
- All employees, especially those in Corporate Communications and Public Relations, are encouraged to regularly seek advice from the Legal Department or Regulatory Affairs when making business decisions which are governed by Affiliate Rules requirements.
- NJNG employees must avoid any actual or perceived sharing of corporate communications and public relations services by not allowing: 1) joint marketing or advertising by NJNG and any Retail Affiliate which targets specific customer needs, or highlights specific products or services; or, 2) any activity which would violate the Affiliate Rules regarding marketing affiliates.

¹ “Confidential Information” means any Company information which is not generally available to the public and which would be useful or helpful to the Company’s competitors, such as the Company’s customer list, customer usage, end use equipment information, market analysis, market forecasts, planning or strategic reports or other information designated as such by the Company.

² “Retail Affiliate” means any NJR Home Services Company and/or any other retail affiliate of NJNG as determined by the Legal Department in accordance with the Affiliate Rules.

- If certain shared advertising or public relations activities are allowed by the Affiliate Rules, all expenses related to those activities must be allocated in compliance with the existing Affiliate Allocation and Billing Procedures for shared services.
- All New Jersey Resources Corporation (“NJR”), NJNG and affiliate employees, including employees in the Corporate Communications and Public Relations Departments, will receive Affiliate Rules training, conducted annually, along with the Code of Conduct training.

The Fair Competition Guidelines (Exhibit B) provide further discussion and details concerning full compliance with the Affiliate Rules. NJNG has an obligation to ensure that all Corporate Identification and Advertising services are provided in a manner consistent with the letter and spirit of the Affiliate Rules.

Corporate Identification and Advertising

- 1) All NJR employees must be sure to maintain a clear and distinct separation in corporate identification and advertising materials.
- 2) A Retail Affiliate cannot trade upon, promote or advertise its relationship to NJNG and it cannot use NJNG’s name and/or logo in any publicly circulated materials in New Jersey without clear and conspicuous or audible language disclosing its independent status.
- 3) Such materials include, but are not limited to: hard copy, correspondence, business cards, faxes, electronic mail, electronic or hardcopy advertising or marketing materials. If possible, all promotional materials should contain such disclosure, either on the item itself or on a sheet of paper included with the item.
- 4) The disclosure will be in a font size no smaller than the smallest type on the document and will be stated in the following manner:

[Retail Affiliate name] is not the same company as New Jersey Natural Gas Company, the utility, and is not regulated by the New Jersey Board of Public Utilities. You do not have to buy products or services from [Retail Affiliate name] in order to continue receiving regulated services from New Jersey Natural Gas.

- 5) NJNG will not offer its Retail Affiliates any advertising space or participate in joint advertising or joint marketing with a Retail Affiliate except to the extent allowed in the Affiliate Rules.
- 6) NJNG will not participate with any Retail Affiliates in joint business activities, trade shows, conferences, or marketing events in New Jersey and will not subsidize the cost of research, development or advanced technology research to the benefit of any Retail Affiliate.

Media contact and communications

EXHIBIT O

- 1) Any representative of a Retail Affiliate interviewed by the press within New Jersey, or where the eventual article or interview will appear or be heard in New Jersey, must remind the media representative prior to the commencement of the interview or inquiry that the Retail Affiliate is a distinct and separate entity from NJNG, the regulated utility.
- 2) This notice may be provided orally or in writing and must include a caution that the full name of the Retail Affiliate should always be used, not the NJNG name.

All employees are expected to comply with these Guidelines and must ensure that no activities occur which may be in violation of these Guidelines. If you have any questions regarding these Guidelines, please check with the General Counsel at Ext. 1489 or Regulatory Affairs at Ext. 1487.

HUMAN RESOURCES POLICY AND PROCEDURE 20

Intercompany Employee Transfer

Originated On: 06/01/2000

Revised On: 03/31/2011

Approved By: Deborah Zilai, Vice President, Corporate Services

Rescinded On:

1.0 Policy

The following procedure prescribes specific rules for the transfer of employees between New Jersey Natural Gas Company (“NJNG”) and New Jersey Resources Corporation (“NJR” or the “Company”) or its Retail Affiliates.

2.0 Persons who should be familiar with this policy

Company personnel responsible for recruiting, hiring or filling open job positions and
Company personnel applying for open job positions

3.0 Definitions

For purposes of this Human Resources Policy and Procedure 20 only, “Retail Affiliate” means any subsidiary of the Company that offers to provide or provides competitive services at a retail level. For purposes of this Human Resources Policy and Procedure 20 only, “Retail Affiliate” shall include: NJR Home Services Company; NJR Plumbing Services, Inc.; NJR Clean Energy Ventures Corporation; or any other subsidiary of the Company that may be determined by the Legal Department to be a retail affiliate of the Company in accordance with the New Jersey Board of Public Utilities’ regulations concerning Affiliate Relations, N.J.A.C. 14:4-3.1 et seq.

4.0 Forms

Employee Status Change Form #11

Human Resources Change Notification Form #210-017

5.0 **Procedure**

The Hiring Supervisor must complete an Employee Status Change form and check box “Transfer between Qualifying Affiliate and NJNG” indicating employee is transferring between companies.

Human Resources shall contact transferring employee to meet with him/her to remind transferring employee of the rules regarding Confidential Information as explained in the New Jersey Resources Corporation Code of Conduct and the Fair Competition Guidelines of NJNG’s Affiliate Rules Compliance Plan any time an employee is transferred to or from NJNG.

Human Resources will send Human Resources Change Notification Form to all applicable parties, including the Regulatory Affairs and Information Technology Departments, as soon as the Employee Status Change form is received and processed. The notice will include the employee’s name, company employee is transferring from and to, effective date of transfer and a box indicating if it is a transfer between qualifying affiliates.

Human Resources also shall track and report annually to Regulatory Affairs all employee transfers between NJNG and a Retail Affiliate.

The Regulatory Affairs department will provide the necessary changes to the website and the Information Technology Department shall make a public posting on NJNG’s Internet web site (www.njng.com) within three (3) working days after the effective transfer date. The posting shall include the date of the transfer, the name of the employee, and the name of the transferee and transferor companies. The Information Technology Department also shall make any and all database and equipment access changes as appropriate.

6.0 **Standards**

An NJNG employee who transfers to a Retail Affiliate may not return to NJNG for a period of one year, unless the Retail Affiliate goes out of business or is acquired by a non-affiliated company during the one-year period.

In the event that a former NJNG employee returns to NJNG from a Retail Affiliate, the employee cannot transfer back to a Retail Affiliate for a period of one year.

NEW JERSEY RESOURCES CORPORATION

No NJNG employee may receive a temporary or intermittent assignment or rotation to a Retail Affiliate.

An employee who transfers from NJNG into a Retail Affiliate is prohibited from using information gained from the utility to the benefit of the Retail Affiliate or to the detriment of an unaffiliated service or product provider. Additionally, the transferred employee shall not provide information to the Retail Affiliate that the Retail Affiliate is precluded by the Affiliate Relations regulations from obtaining.

7.0 **Guidelines**

Hiring supervisors should call or email Recruiter or Recruiting Manager to alert them when there will be an intercompany transfer to ensure proper follow up.

INFORMATION SYSTEMS ACCESS GUIDELINES

The Affiliate Relations, Fair Competition and Accounting Standards and Related Reporting Requirements (“Affiliate Rules”) as codified in N.J.A.C. 14:4-5.1 et seq. prohibit the transfer of confidential New Jersey Natural Gas Company (“NJNG”) information¹ from NJNG to a Retail Affiliate². This restriction is in place so that actions between NJNG and a Retail Affiliate will not create the opportunity for preferential treatment to the affiliate or give the Retail Affiliate an unfair competitive advantage over other businesses providing similar services. It is also intended to avoid customer confusion.

The Affiliate Rules do allow certain corporate support services to be shared as long as that sharing does not violate the Affiliate Rules. Those shared services allow NJNG employees to access the computer or information systems of New Jersey Resources Corporation (“NJR”) or an affiliate in order to share computer hardware and software systems. Such access must always be done with the restrictions of the Affiliate Rules in mind. As mentioned above, no sharing of services is allowed if it would create the chance for preferential treatment or the establishment of an unfair competitive advantage to a Retail Affiliate. Listed below are some examples of what is and is not allowed. Any questions concerning these Guidelines and the impact on the Company’s computer and information systems should be directed to Regulatory Affairs at Ext. 1487 or the General Counsel at Ext. 1489

Overall Use of the Computer and Information Systems

- All customer data is confidential NJNG information.
- Only NJNG personnel may access confidential NJNG information.
- All NJNG personnel must safeguard confidential NJNG information and share such information only on a need to know basis.
- No NJNG confidential information may be posted on any public drives of the Company computer and information systems.
- Retail Affiliate employees sharing support systems, pursuant to the Shared Services Guidelines (See Exhibit J), will not be granted access to any confidential information contained within those systems. However, pursuant to the Affiliate Rules, employees of a Retail Affiliate can access information related only to the services they provide to their customers. The Company has implemented and will maintain adequate procedures to ensure that the Affiliate Rules are followed in relation to computer and information systems.

¹ “Confidential Information” means any Company information which is not generally available to the public and which would be useful or helpful to the Company’s competitors, including but not limited to the Company’s customer list, customer usage, end use equipment information, market analysis, market forecasts, planning or strategic reports or other information designated as such by the Company.

² “Retail Affiliate” means any NJR Home Services Company and/or any other retail affiliate of NJNG as determined by the Legal Department in accordance with the Affiliate Rules.

Web Site Development and Maintenance

- NJNG has a link from its Web site (www.njng.com) to that of NJR (www.njliving.com), but does not provide any links from its site to those of a Retail Affiliate, except for those links offered to currently eligible third party suppliers discussed below.
- The NJNG Tariff will continue to be provided on the NJNG Web site.
- An updated listing in alphabetical order of all third party suppliers will be available on the NJNG Web site and that listing will not highlight any NJR Retail Affiliate. Suppliers wishing to have a link from the NJNG Web site to their own will be able to make those arrangements.

Public Postings

Public posting of certain information is required by the Affiliate Rules. NJNG made initial postings on its Web site as of August 1, 2000 and updates the information as necessary. As listed below, these postings will permit the non-discriminatory provision of information to non-affiliated market participants within the necessary time frames. The business unit responsible for the transfer of such information is listed below in parentheses.

- Notice of supply, capacity, services or information provided to a Retail Affiliate will also be made to non-affiliated market participants within 24 hours. (Energy Services)
- Notice of an offer by NJNG to sell surplus energy on a short-term or long-term basis given to a Retail Affiliate will also be made to non-affiliated marketers by public posting within 24 hours. (Energy Services)
- Non-customer specific non-public information gained from the operation of the NJNG distribution system made available to a Retail Affiliate will be made available to all other service providers on a non-discriminatory basis by public posting within three (3) business days. That information must be kept open for public inspection. (Gas Transportation and Marketing)
- Notice of the transfer of an employee from NJNG to NJR or to a Retail Affiliate will be posted three (3) business days of the effective date of the transfer. (Human Resources)
- Any change to the existing list of Retail Affiliates will be updated with the New Jersey Board of Public Utilities (Board) within five (5) business days of the change and posted publicly on the NJNG Web site. (Corporate Secretary's Office)
- Notice of a new Retail Affiliate will immediately be provided to the Board and a public posting will be made on the NJNG Web site. (Corporate Secretary's Office)

NEW JERSEY RESOURCES CORPORATION

INTER COMPANY ASSET TRANSFERS

Financial Procedure 130

Approved by: Treasurer

Approved: 6/11/01

Reviewed: 2/29/08

Policy

All transfers, leases, rentals, licenses, easements or other encumbrance of New Jersey Natural Gas Company (NJNG) assets to New Jersey Resources Corporation or any related Affiliate not prohibited by the Affiliate Rules shall be subject to the following pricing provisions, consistent with all other applicable rules of the New Jersey Board of Public Utilities:

Transfers, leases, rental, licenses, easements or other encumbrances of NJNG assets from NJNG to NJR or any related Affiliate shall be recorded at the greater of book cost or fair market value.

Transfers, leases, rental, licenses, easements or other encumbrances of assets from NJR or any related Affiliate to NJNG shall be recorded at the lesser of book value or fair market value.

Procedure

The Supervisor of Construction and Capital Asset or the Manager of General Accounting will determine the relevant net book value and fair market value. An independent third party may be used to assist in determining the value of the asset being transferred.

They will prepare a memo documenting the assets and the method of determining fair market value, and book value. It should indicate which value is greater, and which method is to be used, depending whether the asset transfer is to be from the utility or to the utility.

The Controller of NJR Service Corporation must approve the method of valuation and the asset transfer.