New Jersey Natural Gas

December 17, 2024

VIA EMAIL

Honorable Sherri L. Golden, Secretary
New Jersey Board of Public Utilities
44 South Clinton Avenue, 1st Floor
P.O. Box 350
Trenton, NJ 08625-0350

Re: IN THE MATTER OF THE PETITION OF NEW JERSEY NATURAL GAS COMPANY FOR AUTHORIZATION FOR THREE (3) YEARS: (1) TO ISSUE AND SELL PURSUANT TO N.J.S.A. 48:3-9 MEDIUM TERM NOTES; (2) TO ENTER INTO INTEREST RATE RISK MANAGEMENT TRANSACTIONS RELATED TO ANY NEW ISSUANCES APPROVED HEREUNDER; (3) REDEEM, REFINANCE OR DEFEASE ANY OF THE COMPANY'S OUTSTANDING LONG-TERM DEBT SECURITIES; AND (4) PURSUANT TO N.J.S.A. 48:3-9, TO ENTER INTO A CREDIT FACILITY ALLOWING THE ISSUANCE OF BANK NOTE OBLIGATIONS
BPU DOCKET NO. GF24120871

Dear Secretary Golden:

Enclosed for filing please find a Petition in the above captioned matter on behalf of New Jersey Natural Gas Company.

Copies of the Petition, including the supporting Schedules, are also being emailed to the New Jersey Division of Rate Counsel and the Division of Law.

In accordance with the Order issued by the Board in connection with I/M/O the New Jersey Board of Public Utilities' Response to the COVID-19 Pandemic for a Temporary Waiver of Requirements for Certain Non-Essential Obligations, BPU Docket No. EO20030254, Order dated March 19, 2020, this document is being electronically filed. No paper copies will follow.

Kindly acknowledge receipt of this filing by return email acknowledgement.

Respectfully submitted,

Andrew K. Dembia

Andrew K. Dembia
Regulatory Affairs Counsel

Enclosures
c: Service List

In The Matter of The Petition of New Jersey Natural Gas Company for Authorization for Three (3) Years: (1) To Issue And Sell Pursuant To N.J.S.A. 48:3-9 Medium Term Notes; (2) To Enter Into Interest Rate Risk Management Transactions Related to Any New Issuances Approved Hereunder; (3) Redeem, Refinance or Defease Any of The Company's Outstanding Long-Term Debt Securities; And (4) Pursuant to N.J.S.A. 48: 3-9, To Enter Into A Credit Facility Allowing The Issuance of Bank Note Obligations

DOCKET NO. GF24120871

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STATE OF NEW JERSEY
BOARD OF PUBLIC UTILITIES

IN THE MATTER OF THE PETITION OF NEW JERSEY NATURAL GAS COMPANY FOR AUTHORIZATION FOR THREE (3) YEARS: (1) TO ISSUE AND SELL PURSUANT TO N.J.S.A. 48:3-9 MEDIUM TERM NOTES; (2) TO ENTER INTO INTEREST RATE RISK MANAGEMENT TRANSACTIONS RELATED TO ANY NEW ISSUANCES APPROVED HEREUNDER; (3) REDEEM, REFINANCE OR DEFEASE ANY OF THE COMPANY'S OUTSTANDING LONG-TERM DEBT SECURITIES; AND (4) PURSUANT TO N.J.S.A. 48: 3-9, TO ENTER INTO A CREDIT FACILITY ALLOWING THE ISSUANCE OF BANK NOTE OBLIGATIONS	PETITION BPU Docket No. GF24120871

TO: THE HONORABLE COMMISSIONERS OF THE BOARD OF PUBLIC UTILITIES:

1. By this Petition, New Jersey Natural Gas Company ("NJNG," the "Company" or "Petitioner") hereby requests of the New Jersey Board of Public Utilities ("Board") authorization for three (3) years from May 1, 2025 or the effective date of the Board's Order in this matter, whichever is later, to:

a. (i) issue and sell pursuant to N.J.S.A. 48:3-9 Medium-Term Notes ("MTNs") with a maturity of not more than forty (40) years in an aggregate principal amount of not more than $700,000,000; (ii) make, execute and deliver pursuant to N.J.S.A. 48:3-9 a trust indenture, trust indentures or supplements thereto or a note purchase agreement or note purchase agreements providing for the issuance of such MTNs; (iii) make, execute and deliver pursuant to N.J.S.A. 48:3-7, additional supplemental indentures providing for the issuance of MTNs in the form of a first mortgage bond or bonds with a maturity or maturities of not more than forty (40) years and in aggregate principal amount of not more than $700,000,000 or to secure MTNs issued as described in (i) above; and (iv) make execute and deliver pursuant to N.J.S.A. 48:3-7 such other supplemental indentures, and to issue such first mortgage bonds thereunder as shall be necessary to complete the transactions contemplated in this petition;

b. pursuant to N.J.S.A. 48:3-9, enter into one or more interest rate risk management transactions, including interest rate swaps and interest caps, floors and collars or other derivative agreements or arrangements with a duration of up to three years (collectively, "Interest Rate Swaps") in connection with the issuance and sale of the MTNs in amount up to $700,000,000;

c. redeem, refinance, or defease any of the Company's outstanding long-term debt securities, as long as the redemption, refinancing or defeasance is economically advantageous for the Company;

d. pursuant to N.J.S.A 48:3-9, to enter into a revolving credit facility with a duration for up to five (5) years and an option for up to two (2) additional one (1)-year extensions beyond the original five (5)-year duration, providing, among other things, for the issuance of promissory notes ("Bank Note Obligations") in an aggregate principal amount not to exceed $500,000,000 at any one time outstanding; and

e. make, execute and deliver purchase agreements and related agreements and instruments with financial institutions (including procuring credit enhancement instruments) and take such other actions the Petitioner determines may be necessary in connection therewith as shall be necessary to complete the transactions contemplated in this Petition without further order of the Board. In support of its Petition, NJNG states the following:

2. All communications with respect to this pleading and in this proceeding should be served on the following persons:

Mark G. Kahrer
Senior Vice President, Regulatory Affairs
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Richard Reich, Esq.
Senior Vice President and General Counsel
New Jersey Natural Gas Company
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Wall, New Jersey 07719
rreich@njresources.com

3. NJNG is a duly organized corporation and a local natural gas distribution utility regulated under the laws of the State of New Jersey and has its principal place of business at 1415

Wyckoff Road, Wall, NJ 07719. NJNG distributes natural gas and provides transportation service at retail to 583,000 residential, commercial and industrial customers in the State of New Jersey.

4. By this Petition, NJNG seeks authorization to engage in a transaction or series of transactions for three (3) years, the net result of which will be the issuance of up to $700,000,000 of new MTNs. The net proceeds of these transactions or series of transactions will be utilized to retire short-term debt through the issuance of long-term debt; to fund capital expenditure requirements, including, but not limited to, energy efficiency expenditures; environmental remediation expenditures; to fund pension and other post-employment benefit programs; and, potentially, to redeem, refinance or defease any of Petitioner's indebtedness or debt securities as long as such redemption, refinancing or defeasance would be economically advantageous for the Company. NJNG's construction program has been financed, and it is expected that it will be financed, in part, by short-term debt, and periodically NJNG will retire such debt. The financing program for which NJNG is seeking authorization of the Board in this Petition is comparable to the financing programs for which NJNG received approval of the Board under Docket Nos. GF22040269, GF19070817, GF17010072, GF14010067, GF12060491, GF09080702, GF07050343 and GF05060554.

5. NJNG requests authority to issue and sell, in one or more series, at any time for three (3) years from May 1, 2025 or the effective date of the Order, not more than $700,000,000 in aggregate principal amount of its MTNs.

6. The MTNs may be issued as part of one, or as part of several series, and may be issued on a secured or unsecured basis. MTNs will be issued with maturities from one to forty years and with various specified conditions, including redemption provisions. The MTNs will be limited to an aggregate principal amount of $700,000,000. The MTNs will be sold at 100% of principal amount, at a discount, or at a premium.

7. NJNG proposes to issue some or all of the MTNs under an indenture (a "Note Indenture") or under various Note Indentures between NJNG and U.S. Bank, N.A., or a similar financial institution, as trustee (the "Note Trustee"). MTNs may be issued under the Note Indentures in one or more series from time to time without limit within the parameters approved by the Board pursuant to this Petition. MTNs issued under the Note Indentures may be secured by the Pledged Bonds, discussed infra. Alternatively, NJNG may elect to issue the MTNs as unsecured debt pursuant to a separate indenture or indentures between NJNG and U.S. Bank, N.A.,

or similar financial institution, as trustee. NJNG may also issue the MTNs pursuant to a note purchase agreement or note purchase agreements. The MTNs may be issued at an interest rate to be determined via a negotiated sale or by way of a competitive bidding process.

8. The MTNs may be issued pursuant to the Amended and Restated Indenture of Mortgage, Deed of Trust and Security Agreement dated as of September 1, 2014, by and between NJNG and U.S. Bank National Association, as Trustee, as amended by sixteen supplemental indentures, or a successor mortgage indenture securing substantially all of the real property and equipment of NJNG (the "Mortgage Indenture"). MTNs issued under the Mortgage Indenture will be issued pursuant to one or more supplemental indentures under the Mortgage Indenture. As a result, it may be necessary for NJNG to make, execute and deliver additional Supplemental Indentures and supplemental Mortgage Indentures in addition thereto. NJNG will choose to issue MTNs under the Note Indenture (in the form of secured or unsecured notes) or the Mortgage Indenture, or under a different indenture or indentures or Note Purchase Agreement or Note Purchase Agreements or any of the foregoing depending upon which structure in NJNG's judgment allows it to issue MTNs in an economically advantageous manner.

9. Whether the MTNs are issued under the Note Indenture or Note Indentures or a Note Purchase Agreement or Note Purchase Agreements; or on a secured or unsecured basis under a separate indenture; or as mortgage bonds under the Mortgage Indenture; the total aggregate principal amount of MTNs to be issued pursuant to this Petition will not exceed $700,000,000.

10. In addition to being issued in various series, NJNG proposes that the MTNs may be issued at various times for three (3) years from May 1, 2025 or the effective date of the Order and have differing maturity dates and may bear interest at different rates and may contain other terms that vary from series to series. NJNG intends to sell the MTNs either to or through agents who will be "accredited investors," as defined in rules promulgated under the Securities Act of 1933, as amended (the "Securities Act"). The agent or agents, in turn, may resell the MTNs to "qualified institutional buyers" pursuant to Rule 144A under the Securities Act or to any eligible purchasers under an applicable exemption under the Securities Act. The sale will be made to or through the agent or agents whose bid or bids result is the most economically advantageous to the Company. Through the agent or agents, NJNG will conduct a competitive bidding process or negotiate sale terms directly (if market conditions dictate that a negotiated sale would be the best

option), designed to provide the Company with the most economically advantageous financing. The agents to be utilized by the Company may change from offering to offering.

11. NJNG proposes to issue MTNs within the following yield spreads over U.S. Treasury securities with comparable maturities:

Range of Maturities	Maximum Yield Spread (Basis Points)
1 year to less than 18 months	125
18 months to less than 2 years	150
2 years to less than 3 years	175
3 years to less than 4 years	200
4 years to less than 5 years	225
5 years to less than 7 years	250
7 years to less than 10 years	250
10 years to less than 15 years	275
15 years to less than 20 years	300
20 years to 30 years	325
30+ years	350

12. In order to provide it with the opportunity to take advantage of changing financial market conditions and advantageously manage its cost of capital and meet competitive conditions, NJNG requests authority, as appropriate market opportunities arise, to issue and sell MTNs in one or more offerings. The terms and the timing of the proposed MTN offerings cannot be determined at this time, as they will be dependent upon market and other conditions beyond NJNG's control. Such determinations will depend upon the market conditions at the time of issuance and sale. However, NJNG will select the form of instrument which in its sole judgment would allow the issuance and sale of MTNs in an economically advantageous manner. NJNG represents that after completion of the interest rate pricing of any MTN issuance, it will notify the Board of the rate of interest and other material terms and conditions of the MTNs in a timely manner.

13. The timing of each transaction with respect to each issuance of MTNs, the price to be paid to NJNG, the rate of interest (fixed or variable), maturity, redemption provisions and prices, and the type, terms and conditions of the MTNs have not yet been determined. Such determinations will depend upon the market conditions at the time of issuance and sale. Depending upon the then prevailing market conditions, the MTNs may have maturities of up to forty (40) years. MTNs may include conventional terms, floating rates, puts, calls, remarketed notes, swaps,

options or other terms and conditions. NJNG requests that all of the MTNs be sold without further approval by this Board in accordance with procedures set forth in this Petition.

14. MTNs issued under a Note Indenture or Note Indentures may be secured with a bond (a "Pledged Bond") or Pledged Bonds that will be one or a series of bonds issued under the Mortgage Indenture. The Pledged Bond or Pledged Bonds, if any, issued to secure MTNs, will be issued under the Mortgage Indenture, as supplemented and amended, and as to be supplemented by supplemental indentures providing for the issuance of the Pledged Bond or Pledged Bonds. Said Mortgage Indenture is a first lien upon virtually all of NJNG's real estate and personal property except certain items such as gas inventory, cash and transportation equipment. The terms and conditions for supplemental indentures will be determined prior to the issuance of the Pledged Bond or Pledged Bonds. NJNG may also execute additional supplemental indentures and issue additional mortgage bonds providing for the issuance of a Pledged Bond or Pledged Bonds or providing for the issuance of MTNs as mortgage bonds as provided in Paragraph 7 of this Petition. As of September 30, 2024, the principal amount outstanding under the Mortgage Indenture was $1.65 billion and the additional principal amount authorized to be issued under the Mortgage Indenture on the basis of property additions and on the basis of retired mortgage bonds was approximately $1.4 billion.

15. Each MTN shall bear interest from its date of issue at a rate to be determined prior to the issuance thereof; provided, however, that the interest rate on any Pledged Bond shall not exceed the interest rate on the corresponding secured MTN, if any.

16. The Pledged Bond or other Pledged Bonds may be issued in an aggregate principal amount up to $700,000,000. The Pledged Bond or Pledged Bonds may be issued and pledged by the Company and delivered to the Note Trustee or the Note Trustees in accordance with the Note Indenture or Note Indentures, the collateral agent for the MTN purchaser or purchasers in accordance with the Note Purchase Agreement or Note Purchase Agreements, as the case may be. The Pledged Bond or Pledged Bonds will secure the payment of the principal of, premium, if any, and interest on, secured MTNs. Prior to the release of any Pledged Bond or Pledged Bonds, the principal amount of Pledged Bond or Pledged Bonds deemed outstanding will at all times be equal to the outstanding principal amount of the secured MTNs issued and then outstanding under the Note Indenture or the Note Indentures, the Note Purchase Agreement or Note Purchase Agreements, as the case may be. No increase in the amount of long-term debt will be outstanding

due to the issuance of up to $700,000,000 of Pledged Bonds. The MTNs may simply be secured by the Pledged Bonds. Since the issuance of Pledged Bonds does not result in any additional long-term debt becoming outstanding, NJNG requests that the potential issuance of up to $700,000,000 principal amount of Pledged Bonds to secure MTNs not be treated as using any of the authority to issue debt otherwise approved by the Board.

17. Interest on the Pledged Bond or Pledged Bonds shall accrue at the same rate as the related MTN. The amount of interest due and payable on the Pledged Bonds from time to time will equal the amount of interest due under all outstanding secured MTNs. As a result, the Company shall be entitled to credit on the Pledged Bonds equal to the amount paid on the secured MTNs.

18. Given volatility in the financial markets, NJNG requests authority in connection with the issuance and sale of the MTNs to enter into one or more Interest Rate Swaps related to the aggregate principal amount of the MTNs. The purpose of these types of transactions is to better manage interest costs and provide protection in the event of significant changes in financial market conditions. NJNG also requests authority to enter into one or more forward rate agreements. The purpose of these types of transactions is to allow NJNG to take advantage of favorable interest rates by agreeing to an interest rate that would be effective sometime in the future.

19. Additionally, NJNG requests authority to engage in market opportunity redemptions, refinancings or defeasances of any of its outstanding debt securities, at any time for three (3) years from the effective date of the Order. Specifically, NJNG requests authority, if the Company believes it is in its best interest, to redeem, refinance or defease at its option, any of the outstanding principal balance of any of its remaining outstanding debt securities which are eligible to be redeemed at their previously established redemption prices, including any premium, plus interest thereon to the date of redemption. NJNG will not engage in any such redemption, refinancing or defeasance unless it is economically advantageous to the Company. NJNG requests authority to issue MTNs in order to, among other things, finance such redemption, refinancing or defeasance.

20. NJNG proposes to amortize the issuance cost of the MTNs by monthly charges to account number 428, Amortization of Debt Discount and Expense.

21. NJNG has increased its capital expenditures and has continued to: add new customers, meet the needs of its service territory, invest in the approved energy efficiency programs, and continue to replace facilities to meet the requirements of pipeline safety and provide safe and reliable service to customers.

22. For the fiscal years 2023 and 2024, capital expenditures for NJNG amounted to approximately \$390.4 million and \$419.5 million, respectively. The level of planned capital expenditures for fiscal year 2025, fiscal year 2026 and fiscal year 2027 will be approximately \$553.3 million, \$574.5 million and \$594.1 million, respectively. It is expected that a high level of capital expenditures will continue for the foreseeable future. A schedule of anticipated capital expenditures is attached hereto as Exhibit D.

23. It is NJNG's policy to initially finance its construction program with internally generated funds and short-term debt. Periodically, NJNG pays down its short-term debt to prevent balances from becoming too high using the proceeds from the sale of long-term debt or from equity contributions.

24. NJNG intends to use the net proceeds of these transactions or series of transactions to retire short-term debt through the issuance of long-term debt; to fund capital expenditure requirements, energy efficiency expenditures and environmental remediation expenditures; to fund pension and other post-employment benefit programs; and, potentially, to redeem, refinance or defease any of NJNG's indebtedness or debt securities as long as such redemption, refinancing or defeasance would be economically advantageous for the Company.

25. a) By this Petition, NJNG seeks authorization to issue Bank Note Obligations in an aggregate principal amount not to exceed \$500,000,000 at any one time outstanding under the terms of a credit facility with several banks and other financial institutions before the expiration of NJNG's current credit facility (which expires in August 2029). The proposed credit facility would initially be a \$250,000,000 committed credit facility, but in certain circumstances would provide NJNG with the ability to increase the size of the lenders' commitments under proposed credit facility to \$500,000,000. The maturity date of the proposed credit facility and the Bank Note Obligations to be issued in connection therewith would be up to five (5) years and an option for up to two (2) additional one (1)-year extensions beyond the original five (5)-year duration. Amounts borrowed under the proposed facility would be used for working capital and other general corporate purposes of NJNG, including to support the issuance by NJNG of short-term

notes in the commercial paper market. NJNG currently is a party to a $250,000,000 committed credit facility with several banks, with a five (5)-year term, expiring in August 2029. NJNG had short-term, commercial borrowings in the amount of $55,100,000, which were supported by the credit facility as of September 30, 2024.

b) The interest rate applicable to the Bank Note Obligations will be the best interest rates obtainable by NJNG for the type of transaction involved. In transactions of this type, such rates are based upon Daily Simple Secured Overnight Financing Rate ("SOFR"), the applicable prime commercial lending rate, or federal funds open rate, as the case may be.

c) The authority to enter into the proposed credit facility and to issue the Bank Note Obligations will provide NJNG with the flexibility it requires to meet continued cash needs and to manage cash flows during fiscal years 2025-2028 and beyond. Permanent financing and refinancing for NJNG's continuing infrastructure improvement programs are provided through the issuance of long-term debt and equity securities and by internally generated cash. However, in addition, NJNG needs to fund its utility obligations, purchases of natural gas, payment of state income and other taxes, capital expenditures (described more fully in Paragraph 4 of this Petition), environmental remediation expenses, temporary funding of maturing long-term debt and managing its cash receipts, including collections from customers, and its cash outflows, gas supply contract payments, as well as other working capital needs. In order to employ internally generated cash efficiently and to provide the flexibility necessary to effectively manage cash flows, NJNG needs to continue to support the issuance of its short-term notes in the commercial paper market with the availability of advances under the proposed credit facility, as well as to have the flexibility to obtain direct loans and other financial accommodations from the lenders under the proposed credit facility.

d) Proceeds of loans under the proposed credit facility will be added to NJNG's general funds, and will be used solely for regulated utility purposes, including (in addition to the purposes noted elsewhere in this Petition) temporary funding of maturing long-term debt, payment of other current utility transactions, and for working capital purposes.

e) NJNG will use its best efforts to negotiate the terms of the proposed credit facility to achieve the lowest reasonable cost available to NJNG.

26. In support of NJNG's Petition, attached are the following exhibits and appendices:

a) Exhibit A — Schedule of Indebtedness Issued under Mortgage Indenture and Other Indebtedness
b) Exhibit B — 2024 Annual Report of New Jersey Natural Gas Company
c) Exhibit C — Statement of Interest Charged to Income for the Twelve Months Ended September 30, 2024
d) Exhibit D — Schedule of Anticipated Capital Expenditures for Fiscal Years 2025 - 2028
e) Appendix A — Verification of Authorized Officer of NJNG
f) Appendix B — Certified Copy of Resolutions of the Board of Directors of NJNG

27. Information relating to the financial condition of NJNG as of September 30, 2024, provided pursuant to N.J.A.C. 14:1-5.9(a)(9) is contained in Exhibits B, C and D of this Petition. The amount authorized and the amount issued and outstanding of each class of capital stock is contained in Exhibit B to this Petition.

28. The amount of interest charged to income during the fiscal year ended September 30, 2024, on each kind of indebtedness and the applicable rate per annum are contained in Exhibit C to this Petition.

29. The amount of cash dividends paid by NJNG to New Jersey Resources Corporation ("NJR") during the fiscal year ended September 30, 2024 was $0. NJNG does not anticipate paying cash dividends to NJR during fiscal year 2025.

30. A detailed NJNG income statement and NJNG balance sheet for the fiscal year ended September 30, 2024 are contained in Exhibit B to this Petition.

31. The Transaction is in Accordance with the Law and is not Contrary to the Public Interest.

a) The Board's standard for approving financing arrangements is that such arrangement must be in accordance with the law and not contrary to the public interest (*New Jersey Natural Gas Co.*, Board Docket No. GF98030151, Order, (Sept. 23, 1998)). The transactions will allow NJNG to continue to fund its daily utility operations and to fund spending for utility construction and other corporate needs. The financing authority the Company is seeking should provide the financial flexibility needed to maintain adequate liquidity and to access the capital markets as needed over the next three years. The volatility and uncertainty in the financial markets is likely to continue for some time. As a result, the Company needs the flexibility afforded by a multi-year authorization to quickly take advantage of available capital market opportunities when they arise. Such reduced costs will be of benefit to NJNG's customers in the form of lower cost of capital. Thus, the Board should approve the transaction.

WHEREFORE, Petitioner respectfully requests that the Board grant NJNG authority for three (3) years from May 1, 2025 or the effective date of an Order to do the following and provide any other relief deemed just and equitable:

(a) (i) issue and sell pursuant to N.J.S.A. 48:3-9 MTNs with a maturity of not more than forty (40) years in an aggregate principal amount of not more than $700,000,000; (ii) make, execute and deliver pursuant to N.J.S.A 48:3-9 a trust indenture, trust indentures or supplements thereto or a note purchase agreement or note purchase agreements, as the case may be, providing for the issuance of such MTNs; (iii) make, execute and deliver pursuant to N.J.S.A. 48:3-7 additional supplemental indentures providing for the issuance of MTNs (A) in the form of a first mortgage bond or bonds with a maturity or maturities of not more than forty (40) years and in aggregate principal amount of not more than $700,000,000 or (B) to secure MTNs; and (iv) make execute and deliver pursuant to N.J.S.A. 48:3-7 such other supplemental indentures, and to issue such first mortgage bonds thereunder as shall be necessary to complete the transactions contemplated in this petition;

(b) enter into, pursuant to N.J.S.A. 48:3-9, one or more Interest Rate Swaps in connection with the MTNs;

(c) redeem, refinance, or defease any of the Company's outstanding long-term debt securities as long as the redemption, refinancing or defeasance is economically advantageous to the Company;

(d) enter into, pursuant to N.J.S.A. 48:3-9, a revolving credit facility with a duration for up to five (5) years and an option for up to two (2) additional one (1)-year extensions beyond the original five (5)-year duration providing, among other things, for the issuance of Bank Note Obligations in an aggregate principal amount not to exceed $500,000,000 at any one time outstanding; and

(e) make, execute and deliver purchase agreements and related agreements and instruments with financial institutions (including procuring credit enhancement instruments) and take such other actions the Petitioner determines may be necessary in connection therewith as shall be necessary to complete the transactions contemplated in this Petition without further order of the Board. To make, execute and deliver purchase agreements and related agreements and instruments with financial institutions (including procuring credit enhancement instruments) in connection therewith as shall be necessary to complete the transactions contemplated in this Petition without further order of the Board.

Respectfully submitted,

Richard Reich, Esq.
Senior Vice President and General Counsel
New Jersey Natural Gas Company
Attn: Legal Department
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(732) 938-7890
rreich@njresources.com

Dated: December 17, 2024

APPENDIX A

VERIFICATION

STATE OF NEW JERSEY)
)
COUNTY OF MONMOUTH)

MARK G. KAHRER being duly sworn deposes and says:

1. I am Senior Vice President, Regulatory Affairs for New Jersey Natural Gas Company ("NJNG"), 1415 Wyckoff Road, Wall, New Jersey 07719.

2. I have read the foregoing Petition, know the contents thereof, and the same is true to the best of my knowledge, information and belief.

3. Furthermore, it is the intention of NJNG in good faith to use the proceeds of the securities proposed to be issued for the purposes set forth in the Petition.

Mark G. Kahrer
Senior Vice President, Regulatory Affairs

Sworn to before me this 17th day
of December 2024

ANDREW K. DEMBIA, Esq.
ATTORNEY AT LAW
STATE OF NEW JERSEY

APPENDIX B

RESOLUTIONS OF THE BOARD OF DIRECTORS OF NEW JERSEY NATURAL GAS COMPANY

To be provided subsequent the NJNG Board of Directors meeting currently scheduled for January 22, 2025.

NEW JERSEY NATURAL GAS COMPANY
SCHEDULE OF INDEBTEDNESS ISSUED UNDER MORTGAGE INDENTURE AND OTHER INDEBTEDNESS

a. In April, 1952, the Petitioner sold $12,500,000 of Series A Bonds under said Indenture, the proceeds of which were used in connection with acquisition of gas properties of Jersey Central Power & Light Company.

b. In February, 1958, the Petitioner sold $2,500,000 of Series B Bonds which funds were used to satisfy short-term notes. See Docket No.10433, which is incorporated herein by reference.

c. In December, 1960, the Petitioner sold $4,000,000 of Series C Bonds which funds were used to satisfy short-term notes, reimbursement of treasury, and for construction purposes. See Docket No. 6010-742, which is incorporated herein by reference.

d. In September, 1962, the Petitioner sold $5,000,000 of Series D Bonds which funds were used to satisfy short-term notes. See Docket No.628-557, which is incorporated herein by reference.

e. In December, 1963, the Petitioner sold $4,500,000 of Series E Bonds which funds were used to satisfy short-term bank notes. See Docket No.6311-696, which is incorporated herein by reference.

f. In October, 1970, the Petitioner sold $15,000,000 of Series F Bonds, which funds were used to satisfy short-term bank borrowings and commercial paper. See Docket No. 703-136, which is incorporated herein by reference.

g. In May, 1975, the Petitioner sold $10,000,000 of Series G Bonds which funds were used to satisfy short-term bank borrowings and commercial paper. See Docket No. 754-451, which is incorporated herein by reference.

h. In February, 1977, the Petitioner sold $10,000,000 of Series H Bonds which funds were used to satisfy short-term bank borrowings and commercial paper. See Docket No.771-11 which is incorporated herein by reference.

i. In September, 1980, the Petitioner was authorized under Docket No. 807-450A (incorporated herein by reference) to issue and deliver from time to time up to $9,545,000 of Series J Bonds, which funds were used for the purpose of financing its capital construction program in Morris County.

j. In September, 1983, the Petitioner was authorized under Docket No.831-34A (incorporated herein by reference) to issue and deliver from time to time up to $10,500,000 of Series K Bonds, which funds were used for the purpose of financing its capital construction program in Morris County.

k. In August, 1984, the Petitioner was authorized under Docket No. 8441-190A to issue and deliver from time to time up to $10,500,000 of Series L Bonds, which funds were to be used for financing of the construction of certain natural gas transmission and related facilities for its Northern Division in Morris County.

l. In October, 1985, the Petitioner sold $12,000,000 of Series M Bonds which funds were used to refinance the Promissory Note issued pursuant to the Term Loan Agreement with Midlantic National Bank in the amount of $12,000,000, which was authorized under Docket No.826-556 which is incorporated herein by reference. See Docket No. GF-8507769, which is also incorporated herein by reference.

m. In May, 1986, the Petitioner sold $10,000,000 of Series N Bonds which funds were used to satisfy short-term bank borrowings and commercial paper. See Docket No. GF8602230, which is incorporated herein by reference.

n. In March, 1987, the Petitioner sold $15,000,000 of Series P Bonds which funds were used to satisfy short-term bank borrowings and commercial paper. See Docket No. GF870111, which is incorporated herein by reference.

o. In December, 1987, the Petitioner sold $13,500,000 of Series Q Bonds which funds were used for the financing of the construction of certain natural gas transmission and related facilities for its Northern Division in Morris County. See Docket No. GF 85121146, which is incorporated herein by reference.

p. In June, 1988, the Petitioner sold $25,000,000 of Series R Bonds which funds were used for the financing of the construction of certain natural gas transmission and related facilities for its Northern Division in Morris County. See Docket No. GF88040576, which is incorporated herein by reference.

q. In June, 1989, the Petitioner sold $20,000,000 of Series S Bonds which funds were used to repay short-term debt, which had been incurred in financing a portion of the Petitioner's ongoing construction program. See Docket No. GR89030290J which is incorporated herein by reference.

r. In March, 1991, the Petitioner sold $9,545,000 of Series T Bonds which funds were used to refund a like amount of the Petitioner's 9-1/8% Series J Bonds. See Docket No. GF90080822J, which is incorporated herein by reference.

s. In March, 1991, the Petitioner was authorized under Docket No. GF90080822J to issue and deliver from time to time up to $15,000,000 of Series U Bonds, which funds were used to finance the Petitioner's capital construction program in its Northern Division for the years 1992, 1993 and 1994.

t. In December, 1992, the Petitioner sold $25,000,000 of Series V Bonds which were used to repay short-term debt and refund the Petitioner's remaining balance of 9-1/4% Series F Bonds. See Docket No. GF92020111J, which is incorporated herein by reference.

u. In August, 1993, the Petitioner sold $10,300,000 of Series W Bonds which were used to refund the Petitioner's remaining balance of 10.38% Series K Bonds. See Docket No. GF93060218, which is incorporated herein by reference.

v. In October, 1993, the Petitioner sold $30,000,000 of Series X Bonds of an authorized $75,000,000 to finance a portion of the Petitioner's ongoing construction program. See Docket No. GF93060260, which is incorporated herein by reference.

w. In August, 1994, the Petitioner sold $10,500,000 of Series Y Bonds which were used to refund the Petitioner's remaining balance of 10 1/2% Series L Bonds. See Docket No. GF94070317, which is incorporated herein by reference.

x. In October, 1994, the Petitioner sold $25,000,000 of Series Z Bonds of an authorized $75,000,000 to finance a portion of the Petitioner's ongoing construction program. See Docket No. GF93060260, which is incorporated herein by reference.

y. In July, 1995, the Petitioner sold $25,000,000 of Series AA Bonds which were used to refund the Petitioner's remaining balance of 8.5% Series R Bonds. See Docket No. GF94070317, which is incorporated herein by reference.

z. In July, 1995, the Petitioner sold $16,000,000 of Series BB Bonds, which were used to finance the Petitioner's capital construction program in its Northern Division for the years 1995, 1996, and 1997. See Docket No. GF95030133, which is incorporated herein by reference.

aa. In October, 1995, the Petitioner sold $20,000,000 of Series CC Bonds of an authorized $75,000,000 to finance a portion of the Petitioner's ongoing construction program. See Docket No. GF93060260, which is incorporated herein by reference.

bb. In October, 1997, the Petitioner sold $13,500,000 of Series DD Bonds which were used to refund the Petitioner's remaining balance of 9% Series Q Bonds. See Docket No. GR97070504, which is incorporated herein by reference.

cc. In January, 1998, the Petitioner sold $9,545,000 of Series EE Bonds, which were used to refund the Petitioner's remaining balance of 7.05% Series T Bonds. See Docket No. GF97100763, which is incorporated herein by reference.

dd. In January, 1998, the Petitioner sold $15,000,000 of Series FF Bonds, which were used to refund the Petitioner's remaining balance of 7.50% Series U Bonds. See Docket No. GF97100763, which is incorporated herein by reference.

ee. In April, 1998, the Petitioner sold $18,000,000 of Series GG Bonds, which were used to finance Petitioner's capital construction program for facilities necessary to furnish natural gas in Petitioner’s Northern Division in Morris County. See Docket No. GF980020082, which is incorporated herein by reference.

ff. In December, 2001, the Petitioner entered into a $20,631,000 agreement with a bank for the sale and leaseback of a portion of its meters. See Docket No. GF01030184, which is incorporated herein by reference.

gg. In December, 2002, the Petitioner entered into a $5,300,000 agreement with a bank for the sale and leaseback of a portion of its meters. See Docket No. GF01030184, which is incorporated herein by reference.

hh. In December, 2003 the Petitioner entered into a $3,900,000 agreement with a bank for the sale and leaseback of a portion of its meters. See Docket No. GF01030184, which is incorporated herein by reference.

ii. In December, 2003, the Petitioner sold $12,000,000 of Series HH Bonds, which were used to finance Petitioner's capital construction program for facilities necessary to furnish natural gas in Petitioner's Northern Division in Morris County. See Docket No. GF03030223, which is incorporated herein by reference.

jj. In March, 2004, the Petitioner sold $60,000,000 of Unsecured Senior Notes to finance Petitioner's capital construction program and redeem Petitioner's $25,000,000 8.25% Series Z Bonds in October 2004. See Docket No. GF03030223, which is incorporated herein by reference.

kk. In December, 2004, the Petitioner entered into a $4,900,000 agreement with a bank for the sale and leaseback of a portion of its meters. See Docket No. GF01030184, which is incorporated herein by reference.

ll. In October, 2005, the Petitioner sold $10,300,000 of Series II Bonds which were used to refund the Petitioner's 5.375% Series W Bonds. See Docket No. GF05060544, which is incorporated herein by reference.

mm. In October, 2005, the Petitioner sold $10,500,000 of Series JJ Bonds which were used to refund the Petitioner's 6.25% Series Y Bonds. See Docket No. GF05060544, which is incorporated herein by reference.

nn. In October, 2005, the Petitioner sold $15,000,000 of Series KK Bonds, which were used to finance Petitioner's capital construction program for facilities necessary to furnish natural gas in Petitioner's Northern Division in Morris County. See Docket No. GF05060544, which is incorporated herein by reference.

oo. In December, 2005, the Petitioner entered into a $4,100,000 agreement with a bank for the sale and leaseback of a portion of its meters. See Docket No. GF01030184, which is incorporated herein by reference.

pp. In December, 2006, the Petitioner entered into a $5,500,000 agreement with a bank for the sale and leaseback of a portion of its meters. See Docket No. GF01030184, which is incorporated herein by reference.

qq. In December, 2007, the Petitioner entered into a $7,500,000 agreement with a bank for the sale and leaseback of a portion of its meters. See Docket No. GF01030184, which is incorporated by reference.

rr. In May, 2008, the Petitioner sold $125,000,000 of 5.60% Notes due 2018 secured by $125,000,000 Series LL Mortgage Bonds. The proceeds of the Notes were used to refinance short-term debt. See Docket No. GF07050343, which is incorporated by reference.

ss. In December, 2008, the Petitioner entered into a $6,300,000 agreement with a bank for the sale and leaseback of a portion of its meters. See Docket No. GF01030184, which is incorporated by reference.

tt. In December, 2009, the Petitioner entered into a $6,300,000 agreement with a bank for the sale and leaseback of a portion of its meters. See Docket Nos. GF01030184 and GF09080702, which are incorporated by reference.

uu. In December, 2010, the Petitioner entered into a $4,900,000 agreement with a bank for the sale and leaseback of a portion of its meters. See Docket Nos. GF01030184 and GF09080702, which are incorporated by reference.

vv. In August 2011, the Petitioner sold $9,545,000 of Series MM Bonds, the proceeds of which were used to refund the Petitioner's Series EE Bonds. See Docket No. GF09080702, which is incorporated by reference*.

ww. In August 2011, the Petitioner sold $41,000,000 of Series NN Bonds, the proceeds of which were used to refund the Petitioner's Series AA and BB Bonds. See Docket No. GF09080702, which is incorporated by reference*.

xx. In August 2011, the Petitioner sold $46,500,000 of Series OO Bonds, the proceeds of which were used to refund the Petitioner's Series DD, FF and GG Bonds. See Docket No. GF09080702, which is incorporated by reference*.

yy. In December 2011, the Petitioner entered into a $6,500,000 agreement with a bank for the sale and leaseback of a portion of its meters. See Docket Nos. GF01030184 and GF09080702, which are incorporated by reference.

zz. In December 2012, the Petitioner entered into a $7,100,000 agreement with a bank for the sale and leaseback of a portion of its meters. See Docket Nos. GF01030184, GF09080702 and GF12060491, which are incorporated by reference.

aaa. In April 2013, the Petitioner sold $50,000,000 of 3.15% Notes due April 15, 2028 secured by $50,000,000 Series PP Mortgage Bonds. The proceeds of the Notes were used to refinance short-term debt. See Docket No. GF12060491, which is incorporated by reference.

bbb. In December 2013, the Petitioner entered into a $7,575,981 agreement with a bank for the sale and leaseback of a portion of its meters. See Docket Nos. GF01030184, GF09080702 and GF12060491, which are incorporated by reference.

ccc. On March 13, 2014, the Petitioner issued $70 million of 3.58 percent senior notes due March 13, 2024, and $55 million of 4.61 percent senior notes due March 13, 2044, secured by an equal principal amount of the Company's First Mortgage Bonds ("FMB") in the private placement market pursuant to a note purchase agreement entered into on February 7, 2014. The proceeds were used to pay down short-term debt and redeem the Petitioner's $60 million, 4.77 percent private placement bonds on March 15, 2014. See Docket No. GF14010067, which is incorporated by reference.

ddd. On May 27, 2014, the Petitioner redeemed the $12 million, 5 percent Series HH bonds, which were callable as of December 1, 2013. See Docket No. GF14010067, which is incorporated by reference.

eee. The Petitioner received $7.2 million and $7.6 million for fiscal 2015 and 2014, respectively, in connection with the sale-leaseback of its natural gas meters. See Docket No. GF14010067, which is incorporated by reference.

fff. On April 15, 2015, the Petitioner issued $50 million of 2.82 percent senior notes due April 15, 2025, and $100 million of 3.66 percent senior notes due April 15, 2045, secured by an equal principal amount of the Company's FMB in the private placement market pursuant to a note purchase agreement entered into on February 12, 2015. The proceeds of the notes were used for general corporate purposes, to refinance or retire debt and to fund capital expenditure requirements. See Docket No. GF14010067, which is incorporated by reference.

ggg. On June 21, 2016, the Petitioner entered into a Note Purchase Agreement, under which the Petitioner issued $125 million of its 3.63 percent senior notes due June 21, 2046. The notes are secured by an equal principal amount of the Company's FMB (series UU) issued under the Company's Mortgage Indenture. The proceeds of the notes were used for general corporate purposes, including, but not limited to, refinancing or retiring short-term debt and funding capital expenditures. See Docket No. GF14010067, which is incorporated by reference.

hhh. On December 23, 2016, the Petitioner entered into a $9.6 million agreement with a bank for the sale and leaseback of a portion of its meters. See Docket No. GF14010067, which is incorporated by reference.

iii. On January 17, 2017, the Petitioner entered into an agreement to purchase, in lieu of redemption, its $10,300,000 New Jersey Economic Development Authority Natural Gas Facilities Refunding Revenue Bonds, Series 2005A (New Jersey Natural Gas Company Project), secured by the Petitioner's 4.5%, $10,300,00 First Mortgage Bonds, Series II; its $10,500,000 New Jersey Economic Development Authority Natural Gas Facilities Refunding Revenue Bonds, Series 2005B (New Jersey Natural Gas Company Project), secured by the Petitioner's 4.6%, $10,500,00 First Mortgage Bonds, Series JJ; and its

$15,000,000 New Jersey Economic Development Authority Natural Gas Facilities Revenue Bonds, Series 2005C (New Jersey Natural Gas Company Project), secured by the Petitioner's 4.9%, $15,0000,00 First Mortgage Bonds, Series KK (collectively referred to as the "2005 EDA Bonds"). The purchase, in lieu of redemption, allows NJNG to own the Bonds and pay interest to NJNG, while preserving its right to re-issue the bonds in the future when market conditions are favorable through either a fixed or floating rate financial instrument. See Docket No. GF14010067, which is incorporated by reference.

jjj. On December 13, 2017, the Petitioner entered into a $7.8 million agreement with a bank for the sale and leaseback of a portion of its meters. See Docket No. GF17010072, which is incorporated by reference.

kkk. On May 11, 2018, Petitioner entered into a note purchase agreement, under which Petitioner issued $125 million of 4.01 percent senior notes due May 11, 2048. The interest rate includes the quoted March 9, 2018 30-year treasury rate, plus a market-based credit spread. The notes are secured by an equal principal amount of Petitioner's FMB (series VV) issued under Petitioner's Mortgage Indenture. The proceeds of the notes will be used for general corporate purposes, including, but not limited to, refinancing or retiring short-term debt and funding capital expenditures. See Docket No. GF17010072, which is incorporated by reference.

lll. On December 19, 2018, the Petition entered into a $9.9M agreement with a bank for the sale and leaseback of a portion of its meters. See Docket No. GF17010072, which is incorporated by reference.

mmm. On April 18, 2019, the Petitioner reoffered and re-issued $10,300,000 aggregate principal amount of Natural Gas Facilities Refunding Revenue Bonds, Series 2005A, $10,500,000 aggregate principal amount of Natural Gas Facilities Refunding Revenue Bonds, Series 20005B and $15,000,000 aggregate principal amount of Natural Gas Facilities Refunding Revenue Bonds, Series 20005C. See Docket No. GF14010067, which is incorporated by reference. *

nnn. On July 17, 2019, Petitioner entered into a note purchase agreement, under which Petitioner will issue $100 million of 3.76 percent senior notes due July 17, 2049 and $85 million of 3.86 percent senior notes due July 17, 2059. The interest rate includes the quoted June 27, 2019 10-year and 30-year treasury rates respectively, plus a market-based credit spreads. The notes will be secured by an equal principal amount of Petitioner's FMB (series ZZ and series AAA, respectively) issued under Petitioner's Mortgage Indenture. The proceeds of the notes will be used for general corporate purposes, including, but not limited to, refinancing or retiring short-term debt and funding capital expenditures. See Docket No. GF17010072, which is incorporated by reference.

ooo. On December 18, 2019, the Petition entered into a $4M agreement with a bank for the sale and leaseback of a portion of its meters. See Docket No. GF17010072, which is incorporated by reference.

ppp. On June 30, 2020, Petitioner entered into a note purchase agreement, under which Petitioner issued $50 million of 3.13 percent senior notes due June 30, 2050, $50 million of 3.13 percent senior notes due July 23, 2050 and $25 million of 3.33 percent senior notes due July 23, 2060. The interest rate included the quoted June 30, 2020 30-year treasury rate, plus a market-based credit spread. The notes will be secured by an equal principal amount of Petitioner's FMB (series DDD, series EEE and series FFF, respectively) issued under Petitioner's Mortgage Indenture. The proceeds of the notes will be used for general corporate purposes, including, but not limited to, refinancing or retiring short-term debt and funding capital expenditures. See Docket No. GF19070817, which is incorporated by reference.

qqq. On September 1, 2020, Petitioner entered into a note purchase agreement, under which Petitioner issued $25 million of 2.87 percent senior notes due September 1, 2050 and $50 million of 2.97 percent senior notes due September, 2060. The interest rate included the quoted September 1, 2020 30-year treasury rate, plus a market-based credit spread. The notes will be secured by an equal principal amount of Petitioner's FMB (series GGG and series HHH, respectively) issued under Petitioner's Mortgage Indenture. The proceeds of the notes will be used for general corporate purposes, including, but not limited to, refinancing or retiring short-term debt and funding capital expenditures. See Docket No. GF19070817, which is incorporated by reference.

rrr. On October 28, 2021, Petitioner entered into a note purchase agreement, under which Petitioner issued $50 million of 2.97 percent senior notes due October 30, 2051 and $50 million of 3.07 percent senior notes due October 28, 2061. The interest rate included the quoted October 28, 2021 30-year treasury rate, plus a market-based credit spreads. The notes will be secured by an equal principal amount of Petitioner's FMB (series III and series JJJ, respectively) issued under Petitioner's Mortgage Indenture. The proceeds of the notes will be used for general corporate purposes, including, but not limited to, refinancing or retiring short-term debt and funding capital expenditures. See Docket No. GF19070817, which is incorporated by reference.

sss. On December 23, 2021, the Petition entered into a $8.8M agreement with a bank for the sale and leaseback of a portion of its meters. See Docket GF19070817, which is incorporated by reference

ttt. On December 29, 2021, the Petition entered into a $8.5M agreement with a bank for the sale and leaseback of a portion of its meters. See Docket GF19070817, which is incorporated by reference

uuu. On May 27, 2022, Petitioner entered into a note purchase agreement, under which Petitioner issued $50 million of 4.37 percent senior notes due May 27, 2037 and $50 million of 4.71 percent senior notes due May 27, 2052. The interest rate included the quoted May 27, 2022 15-year and 30-year treasury rates respectively, plus a market-based credit spreads. The notes will be secured by an equal principal amount of Petitioner's FMB (series LLL and series MMM, respectively) issued under Petitioner's Mortgage Indenture. The proceeds of the notes will be used for general corporate purposes, including, but not limited to, refinancing or retiring short-term debt and funding capital expenditures. See Docket No. GF22040269, which is incorporated by reference.

vvv. On October 24, 2022, Petitioner entered into a note purchase agreement, under which Petitioner issued $125 million of 5.47 percent senior notes due October 24, 2052. The interest rate included the quoted May 27, 2022 30-year treasury rate, plus a market-based credit spread. The notes will be secured by an equal principal amount of Petitioner's FMB (series NNN) issued under Petitioner's Mortgage Indenture. The proceeds of the notes will be used for general corporate purposes, including, but not limited to, refinancing or retiring short-term debt and funding capital expenditures. See Docket No. GF22040269, which is incorporated by reference.

www. On November 29, 2022, the Petition entered into a $8.4M agreement with a bank for the sale and leaseback of a portion of its meters. See Docket No. GF22040269, which is incorporated by reference

xxx. On September 28, 2023, Petitioner entered into a note purchase agreement, under which Petitioner issued $50 million of 5.56 percent senior notes due September 28, 2033 and $50 million of 5.85 percent senior notes due October 30, 2053. The interest rate included the quoted September 28, 2023 10-year and 30-year treasury rates respectively, plus a market-based credit spreads. The notes will be secured by an equal principal amount of Petitioner's FMB (series OOO and series PPP, respectively) issued under Petitioner's Mortgage Indenture. The proceeds of the notes will be used for general corporate purposes, including, but not limited to, refinancing or retiring short-term debt and funding capital expenditures. See Docket No. GF22040269, which is incorporated by reference.

yyy. On December 21, 2023, the Petition entered into a $8.8M agreement with a bank for the sale and leaseback of a portion of its meters. See Docket No. GF22040269, which is incorporated by reference.

zzz. On June 26, 2024, Petitioner entered into a note purchase agreement, under which Petitioner issued $125 million of 5.82 percent senior notes due June 26, 2054 and $75 million of 5.49 percent senior notes due September 30, 2034. The interest rates included the quoted June 26, 2024 30-year and 10-year treasury rates respectively, plus a market-based credit spreads. The notes will be secured by an equal principal amount of Petitioner's FMB (series QQQ and series RRR, respectively) issued under Petitioner's Mortgage Indenture. The proceeds of the notes will be used for general corporate purposes, including, but not limited to, refinancing or retiring short-term debt and funding capital expenditures. See Docket No. GF22040269, which is incorporated by reference.

* The bonds issued in these transactions are referred to in the Petition as "EDA Bonds."

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GLOSSARY OF KEY TERMS

Adelphia	Adelphia Gateway, LLC
AFUDC	Allowance for Funds Used During Construction
AMA	Asset Management Agreement
ARO	Asset Retirement Obligations
ASC	Accounting Standards Codification
ASU	Accounting Standards Update
Bcf	Billion Cubic Feet
BGSS	Basic Gas Supply Service
BPU	New Jersey Board of Public Utilities
CIP	Conservation Incentive Program
CME	Chicago Mercantile Exchange
The Company	New Jersey Natural Gas Company
Credit Facility	The $250M unsecured committed credit facility expiring in August 2029
Dths	Dekatherms
EDECA	Electric Discount and Energy Competition Act
EE	Energy Efficiency
FASB	Financial Accounting Standards Board
FCM	Futures Commission Merchant
FERC	Federal Energy Regulatory Commission
Fitch	Fitch Ratings Company
FMB	First Mortgage Bonds
GAAP	Generally Accepted Accounting Principles of the United States
HCCTR	Health Care Cost Trend Rate
ICE	Intercontinental Exchange
IIP	Infrastructure Investment Program
IRS	Internal Revenue Service
ISDA	The International Swaps and Derivatives Association
LNG	Liquefied Natural Gas
MGP	Manufactured Gas Plant
Moody's	Moody's Investors Service, Inc.
Mortgage Indenture	The Amended and Restated Indenture of Mortgage, Deed of Trust and Security Agreement between the Company and U.S. Bank National Association dated as of September 1, 2014
NAESB	The North American Energy Standards Board
NAV	Net Asset Value
NJCEP	New Jersey's Clean Energy Program
NJDEP	New Jersey Department of Environmental Protection
NJR	New Jersey Resources Corporation
NJR Service	NJR Service Corporation
NJRCEV	NJR Clean Energy Ventures Corporation
NJRES	NJR Energy Services Company
NJRHS	NJR Home Services Company
NPNS	Normal Purchase/Normal Sale
NYMEX	New York Mercantile Exchange
O&M	Operations and Maintenance Expense

GLOSSARY OF KEY TERMS (Continued)

OPEB	Other Postemployment Benefit Plans
PEP	Pension Equalization Plan
RAC	Remediation Adjustment Clause
S&P	Standard & Poor's Financial Services, LLC
SAVEGREEN	The SAVEGREEN Project®
Savings Plan	Employees' Retirement Savings Plan
SBC	Societal Benefits Charge
Steckman Ridge	Collectively, Steckman Ridge GP, LLC and Steckman Ridge, LP
The Tax Act	An Act to Provide for Reconciliation Pursuant to Titles II and V of the Concurrent Resolution on the Budget for Fiscal Year 2018, previously known as The Tax Cuts and Jobs Act of 2017
Trustee	U.S. Bank National Association
U.S.	The United States of America
USF	Universal Service Fund

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of New Jersey Natural Gas Company:

Opinion

We have audited the financial statements of New Jersey Natural Gas Company (the "Company"), which comprise the balance sheets as of September 30, 2024 and 2023, and the related statements of operations, common stock equity, and cash flows for the years then ended, and the related notes to the financial statements (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of September 30, 2024 and 2023, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company’s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Deloitte + Touche LLP

December 12, 2024

STATEMENTS OF OPERATIONS

(Thousands)		
Fiscal years ended September 30,	**2024**	2023
OPERATING REVENUES	**$1,019,832**	$1,012,633
OPERATING EXPENSES		
Natural gas purchases	**414,635**	425,457
Operation and maintenance	**225,260**	226,780
Regulatory rider expenses	**60,327**	50,542
Depreciation and amortization	**112,492**	102,326
Total operating expenses	**812,714**	805,105
OPERATING INCOME	**207,118**	207,528
Other income, net	**20,363**	13,546
Interest expense, net of capitalized interest	**62,288**	56,595
INCOME BEFORE INCOME TAXES	**165,193**	164,479
Income tax provision	**31,793**	33,065
NET INCOME	**$ 133,400**	$ 131,414

See Notes to Financial Statements

STATEMENTS OF CASH FLOWS

(Thousands)		
Fiscal years ended September 30,	**2024**	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	**$ 133,400**	$ 131,414
Adjustments to reconcile net income to cash flows from operating activities:		
Depreciation and amortization	**112,492**	102,326
Allowance for funds used during construction	**(6,761)**	(6,979)
Allowance for doubtful accounts	**147**	3,700
Deferred income taxes	**37,035**	27,899
Manufactured gas plant remediation costs	**(23,451)**	(9,571)
Cost of removal - asset retirement obligations	**(1,727)**	(1,526)
Contributions to postemployment benefit plans	**(2,184)**	(4,233)
Taxes related to stock-based compensation	**(325)**	(141)
Changes in:		
Components of working capital	**(11,452)**	(32,321)
Other noncurrent assets and liabilities	**(41,012)**	(30,018)
Cash flows from operating activities	**196,162**	180,550
CASH FLOWS USED IN INVESTING ACTIVITIES		
Expenditures for:		
Utility plant	**(372,019)**	(350,304)
Cost of removal	**(47,434)**	(40,090)
Cash flows used in investing activities	**(419,453)**	(390,394)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term debt	**250,000**	175,000
Payments of long-term debt	**(80,259)**	(8,272)
Proceeds from (payments of) short-term debt, net	**20,300**	(39,000)
Proceeds from sale-leaseback transaction	**8,814**	8,441
Contribution from Parent	**25,000**	75,000
Tax withholding payments related to net settled stock compensation	**(735)**	(613)
Cash flows from financing activities	**223,120**	210,556
Change in cash, cash equivalents and restricted cash	**(171)**	712
Cash, cash equivalents and restricted cash at beginning of period	**1,346**	634
Cash, cash equivalents and restricted cash at end of period	**$ 1,175**	$ 1,346
CHANGES IN COMPONENTS OF WORKING CAPITAL		
Receivables	**$ (805)**	$ 18,909
Inventories	**(13,761)**	9,459
Recovery of natural gas costs	**734**	(14,427)
Natural gas purchases payable	**7,032**	(71,429)
Accounts payable and other	**13,303**	17,914
Prepaid expenses	**(118)**	(787)
Prepaid taxes	**(1,870)**	(387)
Restricted broker margin accounts	**12,363**	(5,636)
Customers' credit balances and deposits	**(6,326)**	11,652
Other current assets and liabilities	**(22,004)**	2,411
Total	**$ (11,452)**	$ (32,321)
SUPPLEMENTAL DISCLOSURES OF CASH FLOWS INFORMATION		
Cash paid for:		
Interest (net of amounts capitalized)	**$ 59,904**	$ 48,265
Income taxes	**$ 7,592**	$ —
Accrued capital expenditures	**$ 11,518**	$ 7,441

See Notes to Financial Statements

BALANCE SHEETS

ASSETS

(Thousands) September 30,	2024	2023
PROPERTY, PLANT AND EQUIPMENT		
Utility plant, at cost	**$ 4,220,895**	$ 3,842,537
Construction work in progress	**233,295**	237,428
Nonutility plant and equipment, at cost	**500**	500
Total property, plant and equipment	**4,454,690**	4,080,465
Accumulated depreciation and amortization	**(786,594)**	(714,087)
Property, plant and equipment, net	**3,668,096**	3,366,378
CURRENT ASSETS		
Cash and cash equivalents	**580**	783
Customer accounts receivable:		
Billed	**51,613**	55,234
Unbilled	**11,839**	10,784
Allowance for doubtful accounts	**(4,378)**	(7,602)
Regulatory assets	**73,070**	73,587
Natural gas in storage, at average cost	**177,655**	175,026
Materials and supplies, at average cost	**33,405**	22,273
Prepaid expenses	**2,738**	2,620
Prepaid taxes	**28,014**	26,144
Derivatives, at fair value	**21**	6,153
Restricted broker margin account	**4,975**	5,915
Other current assets	**58,631**	36,990
Total current assets	**438,163**	407,907
NONCURRENT ASSETS		
Regulatory assets	**604,097**	579,599
Postemployment employee benefit assets	**59,645**	40,227
Other noncurrent assets	**57,295**	42,377
Total noncurrent assets	**721,037**	662,203
Total assets	**$ 4,827,296**	$ 4,436,488

See Notes to Financial Statements

BALANCE SHEETS (Continued)

CAPITALIZATION AND LIABILITIES

(Thousands, except for share data)

September 30,	**2024**	2023
CAPITALIZATION		
Common stock, $5 par value; authorized 4,750,000 shares; outstanding 3,214,923 shares	**$ 16,075**	$ 16,075
Premium on common stock	**11,269**	11,269
Contribution from Parent and other	**759,522**	734,522
Retained earnings	**1,186,370**	1,052,970
Common stock equity	**1,973,236**	1,814,836
Long-term debt	**1,609,871**	1,410,950
Total capitalization	**3,583,107**	3,225,786
CURRENT LIABILITIES		
Current maturities of long-term debt	**58,649**	78,477
Short-term debt	**55,100**	34,800
Natural gas purchases payable	**30,096**	23,064
Natural gas purchases payable related party	**775**	775
Accounts payable and other	**105,471**	88,091
Regulatory liabilities	**32,457**	30,637
New Jersey Clean Energy Program	**18,491**	15,804
Derivatives, at fair value	**581**	508
Customer credit balances and deposits	**38,572**	44,898
Total current liabilities	**340,192**	317,054
NONCURRENT LIABILITIES		
Deferred income taxes	**480,116**	436,856
Deferred investment tax credits	**2,156**	2,434
Manufactured gas plant remediation	**161,650**	169,390
Postemployment employee benefit liabilities	**21,722**	45,796
Regulatory liabilities	**175,847**	180,458
Asset retirement obligation	**59,674**	55,285
Other noncurrent liabilities	**2,832**	3,429
Total noncurrent liabilities	**903,997**	893,648
Total capitalization and liabilities	**$ 4,827,296**	$ 4,436,488

See Notes to Financial Statements

STATEMENTS OF COMMON STOCK EQUITY

(Thousands)	Number of Shares	Common Stock	Premium on Common Stock	Contribution from Parent and Other	Retained Earnings	Total
Balance as of September 30, 2022	3,215	$ 16,075	$ 11,269	$ 659,522	$ 921,556	$ 1,608,422
Net income	—	—	—	—	131,414	131,414
Contribution from Parent	—	—	—	75,000	—	75,000
Balance as of September 30, 2023	3,215	16,075	11,269	734,522	1,052,970	1,814,836
Net income	**—**	**—**	**—**	**—**	**133,400**	**133,400**
Contribution from Parent	**—**	**—**	**—**	**25,000**	**—**	**25,000**
Balance as of September 30, 2024	**3,215**	**$ 16,075**	**$ 11,269**	**$ 759,522**	**$1,186,370**	**$ 1,973,236**

See Notes to Financial Statements

NOTES TO THE FINANCIAL STATEMENTS

1. NATURE OF THE BUSINESS

New Jersey Natural Gas Company is a local natural gas distribution company that provides regulated retail natural gas service to residential and commercial customers in central and northern New Jersey, and participates in the off-system sales and capacity release markets. The Company's service territory includes Burlington, Middlesex, Monmouth, Morris, Ocean and Sussex counties in New Jersey. The Company is the regulated utility subsidiary of NJR and is subject to rate regulation by the BPU. The Company owns distribution mains, service mains, transmission mains and meters. Mains are primarily located under public roads. Where mains are located under private property, the Company has obtained easements from the owners of record.

Additionally, the Company owns and operates two LNG storage plants in Stafford Township, Ocean County and Howell Township, Monmouth County. The two LNG plants have an aggregate estimated maximum capacity of approximately 170,000 Dths per day and 1 Bcf of total capacity. These facilities are used for peaking natural gas supply and for emergencies. The Company's Liquefaction facility is also located on the Howell Township property and allows the Company to convert natural gas into LNG to fill the Company's existing LNG storage tanks. A Power-to-Gas System is also located at the LNG plant in Howell Township that uses solar power to produce hydrogen and then injects it into the natural gas system. It consists primarily of an electrolyzer unit, electrical and instrumentation building and small hydrogen storage tank, along with other supporting systems.

The Company owns five service centers located in Rockaway Township, Morris County; Atlantic Highlands and Wall Township, Monmouth County; and Lakewood and Stafford Township, Ocean County. These service centers house storerooms, garages, natural gas distribution and administrative offices. The Company leases a customer service office in Asbury Park, Monmouth County. These customer service offices support customer contact, marketing, economic development and other functions. The Company also owns its headquarters and customer service facilities in Wall Township, Monmouth County and a training facility in Howell Township, Monmouth County, to support the technical training of its employees.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

The preparation of financial statements in conformity with GAAP requires the Company to make estimates that affect the reported amounts of assets, liabilities, revenues, expenses and related disclosure of contingencies during the reporting period. On a quarterly basis, or more frequently whenever events or changes in circumstances indicate a need, the Company evaluates its estimates, including those related to the calculation of unbilled revenues, allowance for doubtful accounts, provisions for depreciation and amortization, long-lived assets, regulatory assets and liabilities, income taxes, pensions and other postemployment benefits, contingencies related to environmental matters and litigation, and the fair value of derivative instruments and debt. AROs are evaluated periodically as required. The Company's estimates are based on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources.

The Company has legal, regulatory and environmental proceedings during the normal course of business that can result in loss contingencies. When evaluating the potential for a loss, the Company will establish a reserve if a loss is probable and can be reasonably estimated, in which case it is the Company's policy to accrue the full amount of such estimates. Where the information is sufficient only to establish a range of probable liability, and no point within the range is more likely than any other, it is the Company's policy to accrue the lower end of the range. In the normal course of business, estimated amounts are subsequently adjusted to actual results that may differ from estimates.

Revenues

Revenues from the sale of natural gas to customers are recognized in the period that natural gas is delivered and consumed by customers, including an estimate for unbilled revenue. Natural gas sales to individual customers are based on meter readings, which are performed on a systematic basis throughout the month. At the end of each month, the amount of natural gas delivered to each customer after the last meter reading through the end of the respective accounting period is estimated, and the Company recognizes unbilled revenues related to these amounts. The unbilled revenue estimates are based on estimated customer usage by customer type, weather effects, unaccounted-for natural gas and the most current tariff rates.

Natural Gas Purchases

The Company's tariff includes a component for BGSS, which is designed to allow it to recover the cost of natural gas through rates charged to its customers and is typically revised on an annual basis. As part of computing its BGSS rate, the Company projects its cost of natural gas, net of supplier refunds, the impact of hedging activities and cost savings created by BGSS incentive programs. The Company subsequently recovers or credits the difference, if any, of actual costs compared with those included in current rates. Any underrecoveries or overrecoveries are either credited to customers or deferred and, subject to BPU approval, reflected in the BGSS rates in subsequent years.

Demand Fees

For the purpose of securing storage and pipeline capacity, the Company enters into storage and pipeline capacity contracts, which require the payment of associated demand fees and charges that allow access to a high priority of service in order to maintain the ability to access storage or pipeline capacity, during a fixed time period, which generally ranges from one to 10 years. Many of these demand fees and charges are based on tariff rates as established and regulated by FERC. These charges represent commitments to pay storage providers and pipeline companies for the priority right to transport and/or store natural gas utilizing their respective assets.

Demand fees of \$200.4M and \$183.4M for fiscal years ended September 30, 2024 and 2023, respectively, which are net of fees received for capacity release, are included in its weighted average cost of natural gas. The demand charges are expensed as a component of natural gas purchases in the Statements of Operations based on BGSS sales and recovered as part of the natural gas commodity component of its BGSS tariff.

Operations and Maintenance Expenses

O&M includes salaries and benefits, materials and supplies, usage of vehicles, tools and equipment, payments to contractors, utility plant maintenance, customer service, professional fees and other outside services, insurance expense and other administrative expenses, and are expensed as incurred.

Stock-Based Compensation

Stock based awards are granted to eligible employees through the NJR Stock Award and Incentive Plan. The Company measures compensation expense related to performance shares based on the fair value of these awards at their date of grant. In accordance with ASC 718, *Compensation - Stock Compensation*, compensation expense for market condition grants are recognized for awards granted, and are not adjusted based on actual achievement of the performance goals. The Company estimated the fair value of these grants on the date of grant using a lattice model. Performance condition grants are initially fair valued at NJR's stock price on grant date, and are subsequently adjusted for actual achievement of the performance goals. The Company recognized stock-based compensation expense of $1.5M and $1.3M for fiscal years ended September 30, 2024 and 2023, respectively, which is included in O&M on the Statements of Operations.

Income Taxes

The Company computes income taxes using the asset and liability method, whereby deferred income taxes are generally determined based on the difference between the financial statement and tax basis of assets and liabilities using enacted tax rates in effect in the years in which the differences are expected to reverse. See *Note 9. Income Taxes*. In addition, the Company evaluates its tax positions to determine the appropriate accounting and recognition of future obligations associated with unrecognized tax benefits.

The Company is included in the consolidated tax return of NJR. The Company calculates the provision for income taxes by using a separate return method. Under this method, the Company is assumed to file a separate return with the tax authority, thereby reporting its taxable income or loss and paying the applicable tax to or receiving the appropriate refund from NJR. The Company's current provision is the amount of tax payable or refundable on the basis of a hypothetical, current-year separate return. The Company provides deferred taxes on temporary differences and on any carryforwards that we could claim on our hypothetical return and assesses the need for a valuation allowance on the basis of our projected separate return results. Any difference between the tax provision or benefit computed by the Company under the separate return method and payments to be made to or received from NJR for tax expense are settled through intercompany payments.

The Company evaluates its tax positions to determine the appropriate accounting and recognition of potential future obligations associated with unrecognized tax benefits. Interest and penalties related to unrecognized tax benefits, if any, are recognized within income tax expense and accrued interest, and penalties are recognized within other noncurrent liabilities on the Balance Sheets. As of September 30, 2024 and 2023, based on its analysis, the Company determined there was no need to recognize any liabilities associated with uncertain tax positions.

Property, Plant and Equipment

Regulated property, plant and equipment is stated at original cost. Costs include direct labor, materials and third-party construction contractor costs, AFUDC and certain indirect costs related to equipment and employees engaged in construction. Upon retirement, the cost of depreciable regulated property, plus removal costs less salvage, is charged to accumulated depreciation with no gain or loss recorded.

Depreciation is computed on a straight-line basis over the useful life of the assets for financial statement purposes and using rates based on the estimated average lives of the various classes of depreciable property. The composite rate of depreciation used was 2.69% and 2.68% of average depreciable property during fiscal 2024 and 2023, respectively. The Company recorded depreciation expense of approximately $112.5M and $102.3M during fiscal 2024 and 2023, respectively.

Property, plant and equipment was comprised of the following as of September 30:

(Thousands)

Property Classifications	**Estimated Useful Lives**	**2024**	2023
Distribution facilities	11 to 54 years	**$ 3,436,308**	$ 3,063,111
Transmission facilities	28 to 42 years	**656,098**	650,817
Storage facilities	27 to 86 years	**86,329**	85,603
All other property	5 to 40 years	**42,660**	43,506
Construction work in progress		**233,295**	237,428
Total property, plant and equipment		**4,454,690**	4,080,465
Accumulated depreciation and amortization		**(786,594)**	(714,087)
Property, plant and equipment, net		**$ 3,668,096**	$ 3,366,378

Capitalized and Deferred Interest

The Company's base rates include the ability to recover AFUDC on its construction work in progress. For all of the construction projects, an incremental cost of equity is recoverable during periods when the Company's short-term debt balances are lower than its construction work in progress. For more information on AFUDC treatment with respect to certain accelerated infrastructure projects, see *Note 4. Regulation - Infrastructure Programs*.

Capitalized amounts associated with the debt and equity components of AFUDC are recorded in utility plant on the Balance Sheets. Corresponding amounts for the debt component are recognized in interest expense and in other income for the equity component on the Statements of Operations and include the following for the fiscal years ended September 30:

(Thousands)	**2024**	2023
AFUDC:		
Debt	**$ 4,729**	$ 3,546
Equity	**6,761**	6,979
Total	**$ 11,490**	$ 10,525
Weighted average interest rate	**6.48 %**	6.41 %

Pursuant to a BPU order, the Company is permitted to recover carrying costs on uncollected balances related to SBC program costs, which include NJCEP, RAC and USF expenditures. See *Note 4. Regulation*. The NJCEP and RAC interest rates change each September based on the August 31 seven-year constant maturity treasury rate plus 60 basis points. The SBC rate was 4.33% and 4.79% for the fiscal years ended September 30, 2024 and 2023, respectively. Accordingly, other income included $2.6M and $1.8M for the fiscal years ended September 30, 2024 and 2023, respectively.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on deposit and temporary investments with maturities of three months or less, and excludes restricted cash related to escrow balances for utility plant projects, which are recorded in other noncurrent assets on the Balance Sheets.

The following table provides a reconciliation of cash and cash equivalents and restricted cash reported in the Balance Sheets to the total amounts in the Statements of Cash Flows, as of September 30:

(Thousands)	**2024**	2023
Balance Sheet		
Cash and cash equivalents	**$ 580**	$ 783
Restricted cash in other noncurrent assets	**$ 595**	$ 563
Statements of Cash Flow		
Cash, cash equivalents and restricted cash	**$ 1,175**	$ 1,346

Allowance for Doubtful Accounts

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

Loans Receivable

The Company currently provides loans, with terms ranging from three to 10 years, to customers that elect to purchase and install certain energy efficient equipment in accordance with its BPU-approved SAVEGREEN program. The loans are recognized at fair value on the Balance Sheets. The Company has $18.1M and $15.1M in other current assets and $53.6M and $39.0M in other noncurrent assets as of September 30, 2024 and 2023, respectively, related to the loans. The Company regularly evaluates the credit quality and collection profile of its customers. If the Company determines a loan is impaired, the basis of the loan would be subject to regulatory review for recovery. As of September 30, 2024 and 2023, the Company has not recorded any impairments for SAVEGREEN loans.

Regulatory Assets & Liabilities

Under cost-based regulation, regulated utility enterprises generally are permitted to recover their operating expenses and earn a reasonable rate of return on their utility investment.

The Company is subject to accounting requirements resulting from the effects of rate regulation by the BPU. Accordingly, the Company capitalizes or defers certain costs that are expected to be recovered from its customers as regulatory assets and recognizes certain obligations representing probable future expenditures as regulatory liabilities on the Balance Sheets. See *Note 4*. *Regulation*, for a more detailed description of the Company's regulatory assets and liabilities.

Natural Gas in Storage

Natural gas in storage is reflected at average cost on the Balance Sheets, and represents natural gas and LNG that will be utilized in the ordinary course of business. The Company had 30.8 Bcf and 29.1 Bcf of gas in storage as of September 30, 2024 and 2023, respectively.

Derivative Instruments

Derivative instruments associated with natural gas commodity contracts are recorded in accordance with ASC 815, *Derivatives and Hedging*, under which the Company records the fair value of derivatives, held as assets and liabilities. Gains and/or losses on derivatives used to economically hedge its regulated natural gas supply obligations, as well as its exposure to interest rate variability, are recoverable through its BGSS, a component of its tariff. Accordingly, the offset to the change in fair value of these derivatives is recorded as a regulatory asset or liability on the Balance Sheets.

Fair values of exchange-traded instruments, including futures and swaps, are based on unadjusted, quoted prices in active markets. In establishing the fair value of contracts for which a quoted basis price is not available at the measurement date, management utilizes available market data and pricing models to estimate fair values. Fair values are subject to change in the near term and reflect management's best estimate based on a variety of factors. Estimating fair values of instruments that do not have quoted market prices requires management's judgment in determining amounts that could reasonably be expected to be received from, or paid to, a third party in settlement of the instruments. These amounts could be materially different from amounts realized in an actual sale transaction.

Software Costs

The Company capitalizes certain costs, such as software design and configuration, coding, testing and installation, that are incurred to purchase or create and implement computer software for internal use. Capitalized costs include external costs of materials and services utilized in developing or obtaining internal-use software and payroll and payroll-related costs for employees who are directly associated with and devote time to the internal-use software project. Maintenance costs are expensed as incurred. Upgrades and enhancements are capitalized if it is probable that such expenditures will result in additional functionality. Amortization is recorded on the straight-line basis over the estimated useful lives.

The following table presents the software costs included in the Financial Statements, as of September 30:

(Thousands)	**2024**	2023
Balance Sheets		
Utility plant, at cost	**$ 133,158**	$ 51,282
Construction work in progress	**$ 26,659**	$ 55,012
Accumulated depreciation and amortization, utility plant	**$ (13,632)**	$ (7,480)
Statements of Operations		
Operation and maintenance	**$ 11,937**	$ 13,369
Depreciation and amortization	**$ 6,152**	$ 4,119

Long-lived Assets

The Company reviews the recoverability of long-lived assets and finite-lived intangible assets whenever events or changes in circumstances indicate that the carrying value may not be recoverable, such as significant adverse changes in regulation, business climate or market conditions, including prolonged periods of adverse commodity and capacity prices. If there are changes indicating that the carrying value of such assets may not be recoverable, an undiscounted cash flows test is performed. If the sum of the expected future undiscounted cash flows is less than the carrying amount of the asset, an impairment loss is recognized by reducing the recorded value of the asset to its fair value. Factors that the Company analyzes in determining whether an impairment in its long-lived assets exists include: a significant decrease in the market price of a long-lived asset; a significant adverse change in the extent in which a long-lived asset is being used in its physical condition; legal proceedings or other contributing factors; significant business climate changes; accumulations of costs in significant excess of the amounts expected; a current-period operating or cash flow loss combined with a history of such events; and current expectations that more likely than not, a long-lived asset will be sold or otherwise disposed of significantly before the end of its estimated useful life. During fiscal 2024 and 2023, there were no events or circumstances that indicated that the carrying value of long-lived assets or finite-lived intangibles was not recoverable.

Debt Issuance Costs

Debt issuance costs are capitalized and amortized as interest expense on a basis which approximates the effective interest method over the term of the related debt. Debt issuance costs are presented as a direct deduction from the carrying amount of the related debt. See *Note 7. Debt* for the total unamortized debt issuance costs that are recorded as a reduction to long-term debt on the Balance Sheets.

Sale Leasebacks

The Company utilizes sale leaseback arrangements as a financing mechanism to fund certain of its capital expenditures related to natural gas meters, whereby the physical asset is sold concurrent with an agreement to lease the asset back. These agreements include options to renew the lease or repurchase the asset at the end of the term. As the Company retains control of the natural gas meters, these arrangements do not qualify as a sale. Proceeds from sale leaseback transactions are accounted for as financing arrangements and are included in long-term debt on the Balance Sheets.

Environmental Contingencies

Loss contingencies are recorded as liabilities when it is probable a liability has been incurred and the amount of the loss is reasonably estimable in accordance with accounting standards for contingencies. Estimating probable losses requires an analysis of uncertainties that often depend upon judgments about potential actions by third parties. Accruals for loss contingencies are recorded based on an analysis of potential results.

With respect to environmental liabilities and related costs, the Company periodically, and at least annually, performs an environmental review of the MGP sites, including a review of potential liability for investigation and remedial action. The Company's estimate of these liabilities is based upon known facts, existing technology and enacted laws and regulations in place when the review was completed. Where it is probable that costs will be incurred, and the information is sufficient to establish a range of possible liability, the Company accrues the most likely amount in the range. If no point within the range is more likely than the other, it is the Company's policy to accrue the lower end of the range. The actual costs to be incurred by the Company are dependent upon several factors, including final determination of remedial action, changing technologies and governmental regulations, the ultimate ability of other responsible parties to pay and any insurance recoveries. The Company will continue to seek recovery of MGP-related costs through the RAC. If any future regulatory position indicates that the recovery of such costs is not probable, the related non-recoverable costs would be charged to income in the period of such determination. See *Note 11. Commitments and Contingent Liabilities* for more details.

Pension and Postemployment Plans

The Company has two noncontributory defined pension plans covering eligible employees, including officers. Benefits are based on each employee's years of service and compensation. The Company's funding policy is to contribute annually to these plans at least the minimum amount required under the Employee Retirement Income Security Act, as amended, and not more than can be deducted for federal income tax purposes. Plan assets consist of equity securities, fixed-income securities and short-term investments.

The Company also provides two primarily noncontributory medical and life insurance plans for eligible retirees and dependents. Medical benefits, which make up the largest component of the plans, are based upon an age and years-of-service vesting schedule and other plan provisions. Funding of these benefits is made primarily into Voluntary Employee Beneficiary Association trust funds. See *Note 8. Employee Benefit Plans,* for a more detailed description of the Company's pension and postemployment plans.

Asset Retirement Obligations

The Company recognizes AROs related to the costs associated with cutting and capping mains and service natural gas distribution mains, which is required by New Jersey law when taking such natural gas distribution mains out of service.

AROs are initially recognized when the legal obligation to retire an asset has been incurred and a reasonable estimate of fair value can be made. The discounted fair value is recognized as an ARO liability with a corresponding amount capitalized as part of the carrying cost of the underlying asset. The obligation is subsequently accreted to the future value of the expected retirement cost and the corresponding asset retirement cost is depreciated over the life of the related asset. Accretion amounts are recognized as part of its depreciation expense and the corresponding liability and regulatory asset are shown gross on the Balance Sheets.

Estimating future removal costs requires management to make significant judgments because most of the removal obligations span long time frames and removal may be conditioned upon future events. Asset removal technologies are also constantly changing, which makes it difficult to estimate removal costs. Accordingly, inherent in the estimate of AROs are various assumptions including the ultimate settlement date, expected cash outflows, inflation rates, credit-adjusted risk-free rates and consideration of potential outcomes where settlement of the AROs can be conditioned upon events. In the latter case, the Company develops possible retirement scenarios and assigns probabilities based on management's reasonable judgment and knowledge of industry practice. Accordingly, AROs are subject to change.

The following is an analysis of the change in the Company's ARO for the fiscal years ended September 30:

(Thousands)	**Balance at October 1**	**Accretion**	**Additions**	**Change in assumptions**	**Retirements**	**Balance at period end**
2024	**$ 55,285**	**3,039**	**152**	**2,925**	**(1,727)**	**$ 59,674**
2023	$ 49,874	2,693	155	4,089	(1,526)	$ 55,285

Accretion for the next five years, for the fiscal years ended September 30, is estimated to be as follows:

(Thousands)	**2025**	**2026**	**2027**	**2028**	**2029**	**Total**
Estimated Accretion	**$ 3,157**	**3,318**	**3,487**	**3,674**	**3,882**	**$ 17,518**

Recently Adopted Updates to the Accounting Standards Codification

Derivatives and Hedging

In March 2022, the FASB issued *ASU No. 2022-01*, an amendment to ASC 815, *Derivatives and Hedging*, which addresses fair value hedge accounting of interest rate risk for portfolios of financial assets. This update further clarifies guidance previously released in *ASU No. 2017-12* which established the "last-of-layer" method and this update renames that method as the "portfolio layer" method. The guidance was effective for the Company beginning October 1, 2023. As the Company does not currently apply hedge accounting to any of its risk management activities, there was no impact on its financial position, results of operations, cash flows and disclosures upon adoption.

Financial Instruments

In March 2022, the FASB issued *ASU No. 2022-02*, an amendment to ASC 326, *Financial Instruments-Credit Losses*, which eliminates the accounting guidance for creditors in troubled debt restructuring. It also aligns conflicting disclosure requirement guidance in ASC 326 by requiring disclosure of current-period gross write-offs by year of origination. The amendment also adds new disclosures for creditors with loan refinancing and restructuring for borrowers experiencing financial difficulty. The guidance was effective for the Company beginning October 1, 2023. Since the Company has not experienced a troubled debt restructuring, there was no impact on its financial position, results of operations, cash flows and disclosures upon adoption.

Other Recent Updates to the Accounting Standards Codification

Fair Value Measurement

In June 2022, the FASB issued *ASU No. 2022-03*, an amendment to ASC 820, *Fair Value Measurement.* The amendment clarifies the fair value principles when measuring the fair value of an equity security subject to a contractual sale restriction. The guidance became effective for the Company on October 1, 2024, and the Company elected to apply it on a prospective basis. At this time, the Company does not have equity securities subject to contractual sale restrictions, and therefore this amendment would only impact the Company if, in the future, it entered into such transactions.

Leases

In March 2023, the FASB issued *ASU No. 2023-01*, an amendment to ASC 842, *Leases,* which applies to arrangements between related parties under common control. This update requires that all entities with common control arrangements classify and account for these leases on the same basis as an arrangement with an unrelated party. If the lessee in these types of arrangements continues to control the use of the underlying asset through a lease, the leasehold improvements are to be amortized over the improvements' useful life to the common control group, regardless of the lease term. The guidance became effective for the Company on October 1, 2024, and the Company elected to apply it on a prospective basis. At this time, the Company does not have leases that are impacted by this amendment, and therefore it would only impact the Company if, in the future, it entered into applicable transactions.

Income Taxes

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

Disaggregation of Income Statement Expenses

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

Subsequent Events

The Company evaluated subsequent events and transactions that occurred after the balance sheet date through December 12, 2024, the date the financial statements were available to be issued that require consideration as adjustments to or disclosures in the aforementioned financial statements, except as disclosed in *Note 4. Regulation.*

3. REVENUE

Revenue is recognized when a performance obligation is satisfied by transferring control of a product or service to a customer. Revenue is measured based on consideration specified in a contract with a customer using the output method of progress. The Company elected to apply the invoice practical expedient for recognizing revenue, whereby the amounts invoiced to customers represent the value to the customer and the Company’s performance completion as of the invoice date. Therefore the Company does not disclose related unsatisfied performance obligations. The Company also elected the practical expedient to exclude from the transaction price all sales taxes that are assessed by a governmental authority and therefore presents sales tax net in operating revenues on the Statements of Operations.

The Company's performance obligation is to provide natural gas to residential, commercial and industrial customers as demanded, based on regulated tariff rates, which are established by the BPU. Revenues from the sale of natural gas are recognized in the period that gas is delivered and consumed by customers, including an estimate for quantities consumed but not billed during the period. Payment is due each month for the previous month's deliveries. Natural gas sales to individual customers are based on meter readings, which are performed on a systematic basis throughout the billing period. The unbilled revenue estimates are based on estimated customer usage by customer type, weather effects and the most current tariff rates. The Company is entitled to be compensated for performance completed until service is terminated.

Customers may elect to purchase the natural gas commodity from the Company or may contract separately to purchase natural gas directly from third-party suppliers. As the Company is acting as an agent on behalf of the third-party supplier, revenue is recorded for the delivery of natural gas to the customer.

Disaggregated revenues from contracts with customers by product line during the fiscal years ended September 30, are as follows:

(Thousands)	**2024**	2023
Natural gas utility sales	**$ 861,882**	$ 845,392
Revenues from contracts with customers	**861,882**	845,392
Alternative revenue programs (1)	**1,087**	27,257
Derivative instruments	**156,863**	139,984
Revenues out of scope	**157,950**	167,241
Total operating revenues	**$ 1,019,832**	$ 1,012,633

(1) Includes CIP revenue.

Disaggregated revenues from contracts with customers by customer type during the fiscal years ended September 30, are as follows:

(Thousands)	**2024**	2023
Residential	**$ 641,606**	$ 621,663
Commercial and industrial	**123,727**	136,011
Firm transportation	**86,600**	77,722
Interruptible, off-tariff and other	**9,949**	9,996
Revenues out of scope	**157,950**	167,241
Total operating revenues	**$ 1,019,832**	$ 1,012,633

Customer Accounts Receivable/Credit Balances and Deposits

The timing of revenue recognition, customer billings and cash collections resulting in accounts receivables, billed and unbilled, and customers' credit balances and deposits on the Balance Sheets, are as follows:

	Customer Accounts Receivable		**Customers' Credit**
(Thousands)	**Billed**	**Unbilled**	**Balances and Deposits**
Balance as of September 30, 2022	$ 78,508	$ 10,814	$ 33,246
(Decrease) increase	(23,274)	(30)	11,652
Balance as of September 30, 2023	$ 55,234	$ 10,784	$ 44,898
(Decrease) increase	**(3,621)**	**1,055**	**(6,326)**
Balance as of September 30, 2024	**$ 51,613**	**$ 11,839**	**$ 38,572**

4. REGULATION

The EDECA is the legal framework for New Jersey's public utility and wholesale energy landscape. The Company is required, pursuant to a written order by the BPU under EDECA, to open its residential markets to competition from third-party natural gas suppliers. Customers can choose the supplier of their natural gas commodity in the Company's service territory.

As required by EDECA, the Company's rates are segregated into two primary components: the commodity portion, which represents the wholesale cost of natural gas, including the cost for interstate pipeline capacity to transport the natural gas to the Company's service territory, and the delivery portion, which represents the transportation of the commodity portion through the Company's natural gas distribution system to the end-use customer. The Company does not earn Utility Gross Margin on the commodity portion of its natural gas sales. The Company earns Utility Gross Margin through the delivery of natural gas to its customers, regardless of whether it or a third-party supplier provides the wholesale natural gas commodity.

Under EDECA, the BPU is required to audit the state's energy utilities every two years. The primary purpose of the audit is to ensure that utilities and their affiliates offering unregulated retail services do not have an unfair competitive advantage over nonaffiliated providers of similar retail services. A combined competitive services and management audit of the Company commenced in November 2022. The audit is still in progress.

The Company is subject to cost-based regulation, therefore, it is permitted to recover authorized operating expenses and earn a reasonable return on its utility capital investments based on the BPU's approval. The impact of the ratemaking process and decisions authorized by the BPU allows the Company to capitalize or defer certain costs that are expected to be recovered from its customers as regulatory assets, and to recognize certain obligations representing amounts that are probable future expenditures as regulatory liabilities in accordance with accounting guidance applicable to regulated operations.

The Company's recovery of costs is facilitated through its base rates, BGSS and other regulatory tariff riders. The Company is required to make filings to the BPU for review of its BGSS, CIP and other programs and related rates. Annual rate changes are typically requested to be effective at the beginning of the following fiscal year. The current base rates include a weighted average cost of capital of 6.84% and a return on common equity of 9.6%. All rate and program changes are subject to proper notification and BPU review and approval. In addition, the Company is permitted to implement certain BGSS rate changes on a provisional basis with proper notification to the BPU.

Regulatory assets and liabilities included on the Balance Sheets as of September 30, are comprised of the following:

(Thousands)	**2024**	2023
Regulatory assets-current		
New Jersey Clean Energy Program	**$ 18,491**	$ 15,804
Conservation Incentive Program	**51,442**	50,356
Derivatives at fair value, net	**1,363**	6,017
Other current regulatory assets	**1,774**	1,410
Total current regulatory assets	**$ 73,070**	$ 73,587
Regulatory assets-noncurrent		
Environmental remediation costs		
Expended, net of recoveries	**$ 77,475**	$ 66,298
Liability for future expenditures	**161,650**	169,390
Deferred income taxes	**42,595**	41,667
SAVEGREEN	**107,796**	83,589
Postemployment and other benefit costs	**23,772**	55,274
Cost of removal	**130,885**	112,362
Other noncurrent regulatory assets	**59,924**	51,019
Total noncurrent regulatory assets	**$ 604,097**	$ 579,599
Regulatory liabilities-current		
Overrecovered natural gas costs	**$ 32,457**	$ 30,637
Total current regulatory liabilities	**$ 32,457**	$ 30,637
Regulatory liabilities-noncurrent		
Tax Act impact (1)	**$ 175,328**	$ 180,347
Derivatives at fair value, net	**404**	—
Other noncurrent regulatory liabilities	**115**	111
Total noncurrent regulatory liabilities	**$ 175,847**	$ 180,458

(1) Reflects the re-measurement and subsequent amortization of net deferred tax liabilities as a result of the change in federal tax rates enacted in the Tax Act. The Tax Act is an Act to Provide for Reconciliation Pursuant to Titles II and V of the Concurrent Resolution on the Budget for Fiscal Year 2018, previously known as The Tax Cuts and Jobs Act of 2017.

Other noncurrent regulatory assets include deferred pandemic costs of approximately $3.9M as of both September 30, 2024 and 2023, primarily related to a portion of bad debt associated with customer accounts receivable resulting from the impacts of the novel coronavirus disease pandemic. These costs are eligible for future regulatory recovery and are included in the base rate case filed on January 31, 2024.

New Jersey Clean Energy Program

The NJCEP is a statewide program that encourages energy efficiency and renewable energy. Funding amounts are determined by the BPU's Office of Clean Energy and all New Jersey utilities are required to share in the annual funding obligation. The current NJCEP program is for the State of New Jersey's fiscal year ending June 2025. The Company recovers the costs associated with its portion of the NJCEP obligation through its NJCEP rider, with interest.

Conservation Incentive Program

The CIP permits the Company to recover Utility Gross Margin variations related to customer usage resulting from customer conservation efforts and mitigates the impact of weather on its margin. Such Utility Gross Margin variations are recovered in the year following the end of the CIP usage year, without interest, and are subject to additional conditions, including an earnings test, a revenue test and an evaluation of BGSS-related savings. This program has no expiration date.

Derivatives

Derivatives are utilized by the Company to manage the price risk associated with its natural gas purchasing activities and to participate in certain BGSS incentive programs. The gains and losses associated with the Company's derivatives are recoverable through its BGSS, as noted above, without interest. See *Note 5. Derivative Instruments*.

Environmental Remediation Costs

The Company is responsible for the cleanup of certain former gas manufacturing facilities. Actual expenditures are recovered from customers, with interest, over seven-year rolling periods, through a RAC rate rider. Recovery for the Company's estimated future liability will be requested and/or recovered when actual expenditures are incurred. See *Note 11. Commitments and Contingent Liabilities*.

Deferred Income Taxes

Upon adoption of a 1993 provision of ASC 740, *Income Taxes*, the Company recognized a transition adjustment and corresponding regulatory asset representing the difference between the Company's existing deferred tax amounts compared with the deferred tax amounts calculated in accordance with the change in method prescribed by ASC 740. The Company recovers the regulatory asset associated with these tax impacts through future base rates, without interest.

SAVEGREEN

The Company administers certain programs that supplement the state's NJCEP and that allow the Company to promote clean energy to its residential and commercial customers, as described further below. The Company will recover related expenditures and a weighted average cost of capital on the unamortized balance through a tariff rider, with interest, as approved by the BPU, over a three- to 10-year period depending upon the specific program incentive.

Postemployment and Other Benefit Costs

Postemployment and Other Benefit Costs represents the Company's underfunded postemployment benefit obligations, see *Note 8. Employee Benefit Plans*.

Cost of Removal

The Company accrues and collects for cost of removal in base rates on its utility property, without interest. These costs are recorded in accumulated depreciation for regulatory reporting purposes, and actual costs of removal, without interest, will be recovered in subsequent rates, pursuant to the BPU order. Consistent with GAAP, amounts recorded within accumulated depreciation for regulatory accounting purposes are reclassified out of accumulated depreciation to either a regulatory asset or a regulatory liability depending on whether actual cost of removal is still subject to collection or amounts overcollected will be refunded back to customers.

Other Regulatory Assets

Other regulatory assets consist primarily of deferred costs associated with certain components of the Company's SBC, as discussed further in the regulatory proceedings section. The Company's related costs to maintain the operational integrity of its distribution and transmission main are recoverable, without interest, subject to BPU review and approval.

Overrecovered Natural Gas Costs

The Company recovers its cost of natural gas through the BGSS rate component of its customers' bills. the Company's cost of natural gas includes the purchased cost of the natural gas commodity, fees paid to pipelines and storage facilities, adjustments as a result of BGSS incentive programs and hedging transactions. Overrecovered natural gas costs represent a regulatory liability that generally occurs when the Company's BGSS rates are higher than actual costs and result in returns to customers including interest, when applicable, in accordance with the Company's approved BGSS tariff. Conversely, underrecovered natural gas costs generally occur during periods when the Company's BGSS rates are lower than actual costs, in which case the Company records a regulatory asset and requests amounts to be recovered from customers in the future.

The following is a description of certain regulatory proceedings during fiscal 2023 and 2024:

On January 31, 2024, the Company filed a base rate case with the BPU requesting a natural gas revenue increase of approximately $222.6M including a recovery of infrastructure investments, a change in the Company's overall rate of return on rate base to 7.57% and a change in the return on common equity to 10.42%. On May 15, 2024, the filing was updated to reflect actual results through March 31, 2024, which reduced the requested increase to approximately $219.6M. On August 7, 2024, the filing was updated to reflect actual results through June 30, 2024, which modified the requested increase to approximately $219.9M. On November 21, 2024, the BPU issued an order adopting a stipulation of settlement approving a $157.0M increase to base rates, effective November 21, 2024. The increase includes an overall rate of return on rate base of 7.08%, return on common equity of 9.60%, a common equity ratio of 54.0% and a depreciation rate of 3.21%.

BGSS and CIP

BGSS rates are normally revised on an annual basis. In addition, to manage the fluctuations in wholesale natural gas costs, the Company has the ability to make two interim filings during each fiscal year to increase residential and small commercial customer BGSS rates on a self-implementing and provisional basis. The Company is also permitted to refund or credit back a portion of the commodity costs to customers at any time given five days' notice when the natural gas commodity costs decrease in comparison to amounts projected or to amounts previously collected from customers. Concurrent with the annual BGSS filing, the Company files for an annual review of its CIP.

The Company's annual BGSS and CIP filings are summarized as follows:

- In February 2023, the Company advised the BPU of a bill credit and a reduction to the BGSS rate for residential and small commercial customers, which reduced recoveries by approximately \$29.9M, effective March 1, 2023, and was approved on a final basis by the BPU on April 12, 2023. Bill credits provided to customers from March 2023 through May 2023, totaled approximately \$32.4M.

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

- 2024 BGSS/CIP filing — On May 31, 2024, the Company filed its annual petition to modify its BGSS rates for residential and small business customers, the balancing charge and CIP rates. On September 25, 2024, the BPU approved, on a provisional basis, a decrease of approximately \$31.0M to the annual revenues credited to BGSS, an annual increase of approximately \$40.3M related to its balancing charge and a decrease of approximately \$0.8M to CIP rates, effective October 1, 2024.

BGSS Incentive Programs

The Company is eligible to receive financial incentives for reducing BGSS costs through a series of Utility Gross Margin-sharing programs that include off-system sales, capacity release and storage incentive programs. The Company is permitted to annually propose a process to evaluate and discuss alternative incentive programs, should performance of the existing incentives or market conditions warrant re-evaluation.

Energy Efficiency Programs

SAVEGREEN conducts home energy audits and provides various grants, incentives and financing alternatives, which are designed to encourage the installation of high efficiency heating and cooling equipment and other upgrades to promote energy efficiency to its residential and commercial customers while stimulating state and local economies through the creation of jobs. Depending on the specific initiative or approval, the Company recovers costs associated with the programs over a three- to 10-year period through a tariff rider mechanism. In March 2021, the BPU approved a three-year SAVEGREEN program that included approximately \$126.1M of direct investment, approximately \$109.4M in financing options and approximately \$23.4M in O&M.

SAVEGREEN investments and costs are filed with the BPU on an annual basis. The Company's annual EE filings are summarized as follows:

- 2023 EE filing — In June 2023, the Company submitted its annual EE filing with the BPU for the recovery of SAVEGREEN costs, proposing an increase in annual recoveries of approximately \$10.7M. In September 2023, the BPU approved an increase to the EE rate increasing annual recoveries by \$9.0M based on updated information since the initial filing, effective October 1, 2023.

- On November 9, 2023, the Company filed a letter petition seeking BPU approval to extend its current SAVEGREEN program through December 31, 2024, with an additional \$76.9M in order to meet customer demand for this program, which was approved by the BPU on April 30, 2024.

- On December 1, 2023, the Company filed a petition seeking BPU approval of its 2024 SAVEGREEN program, which would support new energy efficiency, demand response and building decarbonization start-up programs from January 1, 2025 through June 30, 2027. The 2024 SAVEGREEN program includes approximately \$245.1M of direct investment, approximately \$217.2M in financing options and approximately \$20.1M in O&M. On October 30, 2024, the BPU approved a settlement consisting of \$205.0M of direct investment, \$160.5M in financing options and \$20.1M in O&M, which totals \$385.6M.

- 2024 EE filing — On May 31, 2024, the Company submitted its annual EE filing with the BPU for the recovery of SAVEGREEN costs, proposing an increase in annual recoveries of approximately \$5.6M, effective January 1, 2025, if approved.

Societal Benefits Charge

The SBC is comprised of three primary riders that allow the Company to recover costs associated with USF, which is a permanent statewide program for all natural gas and electric utilities for the benefit of income-eligible customers, MGP remediation and the NJCEP. The Company has submitted the following filings to the BPU, which include a report of program expenditures incurred each program year:

- 2023 USF filing — In June 2023, the Company submitted its annual USF filing to the BPU requesting an increase to the statewide USF rate, which will result in a \$0.7M increase to annual recoveries. The BPU approved this matter in September 2023, effective October 1, 2023.

- 2023 SBC filing — In September 2023, the Company submitted its annual SBC filing to the BPU requesting approval of RAC expenditures through June 2023, which included an increase to the RAC annual recoveries of \$2.4M and an increase to the NJCEP annual recoveries of \$5.5M, effective April 1, 2024. On March 20, 2024, the BPU approved NJNG's annual SBC filing.

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

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

Infrastructure Programs

The Company has significant annual capital expenditures associated with the management of its natural gas distribution and transmission system, including new utility plant for customer growth and its associated pipeline integrity management and infrastructure programs. The Company continues to implement BPU-approved infrastructure projects that are designed to enhance the reliability of the Company's natural gas distribution system.

Infrastructure Investment Program

In February 2019, the Company filed a petition with the BPU seeking authority to implement a five-year IIP. The IIP consists of two components, transmission and distribution investments and information technology replacement and enhancements. The total investment for the IIP is approximately $507.0M. Upon approval from the BPU, investments are being recovered through annual filings to adjust base rates. In October 2020, the BPU approved the Company's transmission and distribution component of the IIP for $150.0M over five years, effective November 1, 2020. The recovery of information technology replacement and enhancements that was included in the original IIP filing will be included as part of base rate filings as projects are placed in service.

- 2023 IIP filing — In March 2023, the Company submitted its annual IIP filing to the BPU requesting a rate increase for estimated capital expenditures of approximately $31.4M through June 30, 2023. This filing was updated in July 2023, with actual expenses of approximately $28.2M through June 30, 2023. The BPU approved this filing in September 2023, which resulted in an approximately $3.2M revenue increase, effective October 1, 2023.

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

5. DERIVATIVE INSTRUMENTS

The Company is subject primarily to commodity price risk due to fluctuations in the market price of natural gas. To manage this risk, the Company enters into a variety of derivative instruments including, but not limited to, futures contracts, physical forward contracts, financial options and swaps to economically hedge the commodity price risk associated with its existing and anticipated commitments to purchase and sell natural gas. Accordingly, all of the financial derivative instruments are recorded at fair value on the Balance Sheets. For a more detailed discussion of the Company's fair value measurement policies and level disclosures associated with derivative instruments, see *Note 6. Fair Value*.

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

Fair Value of Derivatives

The following table presents the fair value of the Company's derivative assets and liabilities recognized on the Balance Sheets as of September 30:

		Derivatives at Fair Value			
		2024		2023	
(Thousands)	Balance Sheet Location	**Derivative Assets**	**Derivative Liabilities**	Derivative Assets	Derivative Liabilities
Physical commodity contracts	Derivatives - current	**$ 21**	**$ 579**	$ 43	$ 488
Financial commodity contracts	Derivatives - current	**—**	**2**	6,110	20
Total fair value of derivatives		**$ 21**	**$ 581**	$ 6,153	$ 508

Offsetting of Derivatives

The Company transacts under master netting arrangements or equivalent agreements that allow it to offset derivative assets and liabilities with the same counterparty. However, the Company's policy is to present its derivative assets and liabilities on a gross basis at the contract level unit of account on the Balance Sheets.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

The following table summarizes the reported gross amounts, the amounts that the Company has the right to offset but elects not to, financial collateral and the net amounts the Company could present on the Balance Sheets but elects not to.

	Asset Derivatives				Liability Derivatives			
(Thousands)	**Fair Value** *(1)*	**Amounts Offset** *(2)*	**Collateral Received/ Pledged** *(3)*	**Net Value** *(4)*	**Fair Value** *(1)*	**Amounts Offset** *(2)*	**Collateral Received/ Pledged** *(3)*	**Net Value** *(4)*
As of September 30, 2024								
Physical commodity	**$ 21**	**(13)**	**—**	**$ 8**	**$ 579**	**(13)**	**—**	**$ 566**
Financial commodity	**—**	**—**	**—**	**—**	**2**	**—**	**(2)**	**—**
Total	**$ 21**	**(13)**	**—**	**$ 8**	**$ 581**	**(13)**	**(2)**	**$ 566**
As of September 30, 2023								
Physical commodity	$ 43	(3)	—	$ 40	$ 488	(3)	—	$ 485
Financial commodity	6,110	(20)	—	6,090	20	(20)	—	—
Total	$ 6,153	(23)	—	$ 6,130	$ 508	(23)	—	$ 485

(1) Derivative assets and liabilities are presented on a gross basis in the balance sheet as the Company does not elect balance sheet offsetting under ASC 210-20.

(2) Includes transactions with NAESB netting election, transactions held by FCMs with net margining and transactions with ISDA netting.

(3) Financial collateral includes cash balances at FCMs as well as cash received from or pledged to other counterparties.

(4) Net amounts represent presentation of derivative assets and liabilities if the Company were to elect balance sheet offsetting under ASC 210-20.

The Company's derivative contracts are part of its risk management activities that relate to its natural gas purchases and BGSS incentive programs. At settlement, the resulting gains and/or losses are payable to or recoverable from utility customers and are deferred in regulatory assets or liabilities resulting in no impact to earnings.

The following table reflects the gains and/or (losses) associated with the Company's derivative instruments as of September 30:

(Thousands)	**2024**	2023
Physical commodity contracts	**$ (5,215)**	$ (34,241)
Financial commodity contracts	**11,064**	(50,130)
Total unrealized and realized gain (loss)	**$ 5,849**	$ (84,371)

The Company had the following outstanding long derivatives as of September 30:

	Volume (Bcf)	
	2024	2023
Futures	**31.9**	32.1
Physical	**10.9**	12.1

Broker Margin

Generally, exchange-traded futures contracts require posted collateral, referred to as margin. These future contracts require a deposit of cash margin, the amount of which is subject to change based on market movement and in accordance with exchange rules. The Company's broker margin account balances were approximately $5.0M and $5.9M as of September 30, 2024 and 2023, respectively.

Wholesale Credit Risk

The Company is exposed to credit risk as a result of their wholesale marketing activities. As a result of the inherent volatility in the prices of natural gas commodities and derivatives, the market value of contractual positions with individual counterparties could exceed established credit limits or collateral provided by those counterparties. If a counterparty fails to perform the obligations under its contract, then the Company could sustain a loss.

The Company monitors and manages the credit risk of its wholesale marketing operations through credit policies and procedures that management believes reduce overall credit risk. These policies include a review and evaluation of current and prospective counterparties' financial statements and/or credit ratings, daily monitoring of counterparties' credit limits and exposure, daily communication with traders regarding credit status and the use of credit mitigation measures, such as collateral requirements and netting agreements. Examples of collateral include letters of credit and cash received for either prepayment or margin deposit. Collateral may be requested due to the Company's election not to extend credit or because exposure exceeds defined thresholds. Most of the Company's wholesale marketing contracts contain standard netting provisions. These contracts include those governed by ISDA and the NAESB. The netting provisions refer to payment netting, whereby receivables and payables with the same counterparty are offset and the resulting net amount is paid to the party to which it is due.

Internally-rated exposure applies to counterparties that are not rated by Fitch or Moody's. In these cases, the counterparty's or guarantor's financial statements are reviewed, and similar methodologies and ratios used by Fitch and/or Moody's are applied to arrive at a substitute rating. Gross credit exposure is defined as the unrealized fair value of physical and financial derivative commodity contracts plus any outstanding wholesale receivable for the value of natural gas delivered and/or financial derivative commodity contract that has settled for which payment has not yet been received.

The following is a summary of gross credit exposures grouped by investment and noninvestment grade counterparties, as of September 30, 2024. The amounts presented below have not been reduced by any collateral received or netting and exclude accounts receivable for retail natural gas sales and services.

(Thousands)	**Gross Credit Exposure**
Investment grade	**$ 5,894**
Noninvestment grade	**310**
Internally rated investment grade	**136**
Internally rated noninvestment grade	**9**
Total	**$ 6,349**

Conversely, certain of the Company's derivative instruments are linked to agreements containing provisions that would require cash collateral payments from the Company if certain events occur. These provisions vary based upon the terms in individual counterparty agreements and can result in cash payments if the Company's credit rating were to fall below its current level. Specifically, most, but not all, of these additional payments will be triggered if the Company's debt is downgraded by the major credit agencies, regardless of investment grade status. In addition, some of these agreements include threshold amounts that would result in additional collateral payments if the values of derivative liabilities were to exceed the maximum values provided for in relevant counterparty agreements. Other provisions include payment features that are not specifically linked to ratings, but are based on certain financial metrics.

Collateral amounts associated with any of these conditions, are determined based on a sliding scale and are contingent upon the degree to which the Company's credit rating and/or financial metrics deteriorate, and the extent to which liability amounts exceed applicable threshold limits. Derivative instruments with credit-risk-related contingent features that were in a liability position for which collateral is required were immaterial as of both September 30, 2024 and 2023. These amounts differ from the respective net derivative liabilities reflected on the Balance Sheets because the agreements also include clauses, commonly known as “Rights of Offset,” that would permit the Company to offset its derivative assets against its derivative liabilities for determining additional collateral to be posted, as previously discussed.

6. FAIR VALUE

Fair Value of Assets and Liabilities

The fair value of cash and cash equivalents, accounts receivable, current loans receivable, accounts payable, commercial paper and borrowings under revolving credit facilities are estimated to equal their carrying amounts due to the short maturity of those instruments. Noncurrent loans receivable are recorded based on what the Company expects to receive, which approximates fair value. The Company regularly evaluates the credit quality and collection profile of its customers to approximate fair value.

As of September 30, the estimated fair value of long-term debt, including current maturities and excluding sale leasebacks and debt issuance costs, are as follows:

(Thousands)	**2024**	2023
Carrying value [(1)]	**$ 1,647,845**	$ 1,467,845
Fair market value	**$ 1,439,849**	$ 1,097,088

(1) See *Note 7. Debt* for a reconciliation to long-term and short-term debt.

The Company enters into sale leaseback transactions for its natural gas meters. These transactions are recorded within long-term debt on the Balance Sheets. The carrying value of the sale leasebacks was approximately $31.6M and $31.4M and the estimated fair value of certain sale leasebacks amounted to approximately $26.7M and $20.9M as of September 30, 2024 and 2023, respectively.

The Company utilizes a discounted cash flow method to determine the fair value of its debt. Inputs include observable municipal and corporate yields, as appropriate for the maturity of the specific issue and the Company's credit rating. As of September 30, 2024 and 2023, the Company discloses its debt within Level 2 of the fair value hierarchy.

Fair Value Hierarchy

The Company applies fair value measurement guidance to its financial assets and liabilities, as appropriate, which include financial derivatives and physical commodity contracts qualifying as derivatives and other financial assets and liabilities. In addition, authoritative accounting literature prescribes the use of a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value based on the source of the data used to develop the price inputs.

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to inputs that are based on unobservable market data and includes the following:

Fair Value Hierarchy	Description of Fair Value Level	Fair Value Technique
Level 1	Unadjusted quoted prices for identical assets or liabilities in active markets	The Company's Level 1 assets and liabilities include exchange-traded natural gas futures and options contracts, listed equities and money market funds. Exchange-traded futures and options contracts include all energy contracts traded on the NYMEX, CME and ICE that the Company refers to internally as basis swaps, fixed swaps, futures and financial options that are cleared through an FCM.
Level 2	Other significant observable inputs, such as interest rates or price data, including both commodity and basis pricing that is observed either directly or indirectly from publications or pricing services	The Company's Level 2 assets and liabilities include over-the-counter physical forward commodity contracts and swap contracts, SREC forward sales or derivatives that are initially valued using observable quotes and are subsequently adjusted to include time value, credit risk or estimated transport pricing components for which no basis price is available. Level 2 financial derivatives consist of transactions with non-FCM counterparties (basis swaps, fixed swaps and/or options). Inputs are verifiable and do not require significant management judgment. For some physical commodity contracts, the Company utilizes transportation tariff rates that are publicly available and that it considers to be observable inputs that are equivalent to market data received from an independent source. There are no significant judgments or adjustments applied to the transportation tariff inputs and no market perspective is required. Even if the transportation tariff input were considered to be a "model," it would still be considered to be a Level 2 input as the data is: • widely accepted and public; • non-proprietary and sourced from an independent third party; and • observable and published. These additional adjustments are generally not considered to be significant to the ultimate recognized values.
Level 3	Inputs derived from a significant amount of unobservable market data	These include the Company's best estimate of fair value and are derived primarily through the use of internal valuation methodologies.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

The Company's derivatives portfolio consists mainly of physical natural gas and exchange traded futures and options contracts. The Company primarily uses the market approach and its policy is to use actively quoted market prices when available. The principal market for its physical and financial derivative transactions is the natural gas wholesale market, therefore, the primary source for its price inputs are CME, NYMEX and ICE.

The Company also has other financial assets that include listed equities, mutual funds and money market funds for which there are active exchange quotes available.

When the Company determines fair values, measurements are adjusted, as needed, for credit risk associated with its counterparties, as well as its own credit risk. The Company determines these adjustments by using historical default probabilities that correspond to the applicable S&P issuer ratings, while also taking into consideration collateral and netting arrangements that serve to mitigate risk. When the Company determines fair values for its physical derivatives, measurements are adjusted, as needed, for credit risk associated with its counterparties. The Company determines these adjustments by using default probabilities that correspond to the applicable S&P issuer ratings.

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

(Thousands)	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Total**
As of September 30, 2024				
Assets:				
Physical commodity contracts	**$ —**	**$ 21**	**$ —**	**$ 21**
Money market funds	**62**	**—**	**—**	**62**
Total assets at fair value	**$ 62**	**$ 21**	$ —	**$ 83**
Liabilities:				
Physical commodity contracts	**$ —**	**$ 579**	**$ —**	**$ 579**
Financial commodity contracts	**2**	**—**	**—**	**2**
Total liabilities at fair value	**$ 2**	**$ 579**	**$ —**	**$ 581**
As of September 30, 2023				
Assets:				
Physical commodity contracts	$ —	$ 43	$ —	$ 43
Financial commodity contracts	6,110	—	—	6,110
Money market funds	105	—	—	105
Total assets at fair value	$ 6,215	$ 43	$ —	$ 6,258
Liabilities:				
Physical commodity contracts	$ —	$ 488	$ —	$ 488
Financial commodity contracts	20	—	—	20
Total liabilities at fair value	$ 20	$ 488	$ —	$ 508

7. DEBT

The following table presents the long-term debt of the Company as of September 30:

(Thousands)			**2024**	2023
Long-Term Debt				
First mortgage bonds:		Maturity date:		
Series OO	3.00%	August 1, 2041	**46,500**	46,500
Series PP	3.15%	April 15, 2028	**50,000**	50,000
Series QQ	3.58%	March 13, 2024	**—**	70,000
Series RR	4.61%	March 13, 2044	**55,000**	55,000
Series SS	2.82%	April 15, 2025	**50,000**	50,000
Series TT	3.66%	April 15, 2045	**100,000**	100,000
Series UU	3.63%	June 21, 2046	**125,000**	125,000
Series VV	4.01%	May 11, 2048	**125,000**	125,000
Series WW	3.50%	April 1, 2042	**10,300**	10,300
Series XX	3.38%	April 1, 2038	**10,500**	10,500
Series YY	2.45%	April 1, 2059	**15,000**	15,000
Series ZZ	3.76%	July 17, 2049	**100,000**	100,000
Series AAA	3.86%	July 17, 2059	**85,000**	85,000
Series BBB	2.75%	August 1, 2039	**9,545**	9,545
Series CCC	3.00%	August 1, 2043	**41,000**	41,000
Series DDD	3.13%	June 30, 2050	**50,000**	50,000
Series EEE	3.13%	July 23, 2050	**50,000**	50,000
Series FFF	3.33%	July 23, 2060	**25,000**	25,000
Series GGG	2.87%	September 1, 2050	**25,000**	25,000
Series HHH	2.97%	September 1, 2060	**50,000**	50,000
Series III	2.97%	October 30, 2051	**50,000**	50,000
Series JJJ	3.07%	October 28, 2061	**50,000**	50,000
Series LLL	4.37%	May 27, 2037	**50,000**	50,000
Series MMM	4.71%	May 27, 2052	**50,000**	50,000
Series NNN	5.47%	October 24, 2052	**125,000**	125,000
Series OOO	5.56%	September 28, 2033	**50,000**	50,000
Series PPP	5.85%	October 30, 2053	**50,000**	—
Series QQQ	5.82%	June 26, 2054	**125,000**	—
Series RRR	5.49%	September 30, 2034	**75,000**	—
Meter financing obligation		Various dates	**31,574**	31,352
Less: Debt issuance costs			**(10,899)**	(9,770)
Less: Current maturities of long-term debt			**(58,649)**	(78,477)
Total long-term debt			**$ 1,609,871**	$ 1,410,950

Annual long-term debt redemption requirements, excluding meter financing obligations and debt issuance costs, as of the fiscal years ended September 30, are as follows:

(Thousands)	**2025**	**2026**	**2027**	**2028**	**2029**	**Thereafter**
NJNG	$ 50,000	$ —	$ —	$ 50,000	$ —	$ 1,547,845

First Mortgage Bonds

The Company and Trustee entered into the Mortgage Indenture, dated September 1, 2014, which secures all of the outstanding FMBs issued by the Company. The Mortgage Indenture provides a direct first mortgage lien upon substantially all of the operating properties and franchises of the Company (other than excepted property, such as cash on hand, choses-in-action, securities, rent, natural gas meters and certain materials, supplies, appliances and vehicles), subject only to certain permitted encumbrances. The Mortgage Indenture contains provisions subjecting after-acquired property (other than excepted property and subject to pre-existing liens, if any, at the time of acquisition) to the lien thereof.

The Company's Mortgage Indenture does not restrict the Company's ability to pay dividends. New Jersey Administrative Code 14:4-4.7 states that a public utility cannot issue dividends, without regulatory approval, if its equity-to-total-capitalization ratio falls below 30%. As of September 30, 2024, the Company's equity-to-total-capitalization ratio is 53.4% and the Company has the capacity to issue up to $1.4B of additional FMBs under the terms of the Mortgage Indenture.

In September 2023, the Company entered into a Note Purchase Agreement for $100M aggregate principal amount of its senior notes consisting of $50M of 5.56% senior notes due September 28, 2033, which closed on September 28, 2023, and $50M of 5.85% senior notes due October 30, 2053, which closed on October 30, 2023.

On June 26, 2024, the Company entered into a Note Purchase Agreement for $200M aggregate principal amount of its senior notes consisting of $125M of 5.82% senior notes due June 26, 2054, which closed on June 26, 2024, and $75M of 5.49% senior notes due September 30, 2034, which closed on September 30, 2024.

The senior notes are secured by an equal principal amount of the Company's FMBs issued under the Company's Mortgage Indenture.

Sale Leasebacks

The Company received approximately $8.8M and $8.4M during fiscal 2024 and 2023, respectively, in connection with the sale leaseback of its natural gas meters, with terms ranging from 6 to 10 years. The Company records the sale leaseback as a financing obligation for accounting purposes that is paid over the term of the arrangement and has the option to purchase the meters back at fair value upon expiration of the lease.

Contractual commitments for sale leaseback arrangements, which represent the most likely outcome of cash payments, as of the fiscal years ended September 30, are as follows:

(Thousands)	**2025**	**2026**	**2027**	**2028**	**2029**	**Thereafter**	**Subtotal**
Future payments	$ 9,665	7,906	5,579	6,211	3,171	1,852	$ 34,384
Less: Interest component							(2,810)
Total							$ 31,574

Credit Facility and Short-term Debt

A summary of the Company's commercial paper program and credit facility, as of September 30, are as follows:

(Thousands)	**2024**	2023
Bank revolving credit facility [(1)]	**$250,000**	$ 250,000
Commercial paper outstanding at end of period	**$ 55,100**	$ 34,800
Weighted average interest rate at end of period	**4.98 %**	5.48 %
Amount available at end of period [(2)]	**$194,169**	$ 214,469

(1) Committed credit facility, which requires commitment fees of 0.075% on the unused amounts.
(2) Letters of credit outstanding total $0.7M at both September 30, 2024 and 2023, which reduces amount available by the same amount.

Amounts available under the credit facility are reduced by bank or commercial paper borrowings, as applicable, and any outstanding letters of credit.

On August 7, 2024, the Company entered into a second amendment to its Second Amended and Restated Credit Agreement governing a $250M Credit Facility, which extended the maturity date of the facility to August 7, 2029, pursuant to the Company's option to extend the maturity date under the Second Amended and Restated Credit Agreement, and permits the Company to request that the maturity date be extended up to two times for an additional period of one year each. The Credit Facility includes an accordion feature, which allows the Company, in the absence of a default or event of default, to increase from time to time, with the existing or new lenders, the revolving credit commitments under the Credit Facility in increments of at least $50M with the total revolving credit commitments not exceeding $350M. The Credit Facility also permits the borrowing of revolving loans and swingline loans, as well as a $30M sublimit for the issuance of letters of credit.

As of September 30, 2024, the Company has two letters of credit outstanding for $0.7M, which reduced the amount available under the Credit Facility by the same amount. The Company does not anticipate that these letters of credit will be drawn upon by the counterparty.

8. EMPLOYEE BENEFIT PLANS

Pension and Other Postemployment Benefit Plans

The Company has two trusteed, noncontributory defined benefit retirement plans covering eligible regular represented and non-represented employees with more than one year of service. Defined benefit plan benefits are based on years of service and average compensation during the highest sixty consecutive months of employment. The Company also provides postemployment medical and life insurance benefits to employees who meet certain eligibility requirements.

The Company maintains an unfunded nonqualified PEP that was established to provide employees with the full level of benefits as stated in the qualified plan without reductions due to various limitations imposed by the provisions of federal income tax laws and regulations. There are no plan assets in the nonqualified plan due to the nature of the plan.

The Company's funding policy for its pension plans is to contribute at least the minimum amount required by the Employee Retirement Income Security Act of 1974, as amended. In fiscal 2024 and 2023, the Company had no minimum funding requirements and did not make any discretionary contributions to the pension plans. The Company does not expect to be required to make additional contributions to fund the pension plans during the next fiscal year based on current actuarial assumptions; however, funding requirements are uncertain and can depend significantly on changes in actuarial assumptions, returns on plan assets and changes in the demographics of eligible employees and covered dependents.

There are no federal requirements to pre-fund OPEB benefits. However, the Company is required to fund certain amounts due to regulatory agreements with the BPU. The Company contributed $7.5M and $3.9M, in fiscal 2024 and 2023, respectively, and estimates that it will contribute between $5M to $10M over each of the next five years. Additional contributions may be required based on market conditions and changes to assumptions.

In January 2024, the Company announced changes to its postretirement medical benefits plan. Beginning on January 1, 2025, the Company will replace the existing retiree medical coverage for certain eligible employees age 65 and older and their Medicare-eligible dependents with an employer funded Health Reimbursement Arrangement. Medicare-eligible participants may use the Health Reimbursement Arrangement toward the purchase of supplemental insurance coverage and for other qualified medical expenses. The liability associated with postretirement medical benefits was remeasured as of January 1, 2024. The change in post-retirement medical benefits is being amortized into earnings over approximately eight years, the average remaining service to retirement for all plan participants.

The following summarizes the changes in the funded status of the plans and the related liabilities recognized on the Balance Sheets as of September 30:

	Pension (1)		OPEB	
(Thousands)	**2024**	2023	**2024**	2023
Change in Benefit Obligation				
Benefit obligation at beginning of year	**$ 209,989**	$ 209,396	**$ 149,722**	$ 134,445
Service cost	**3,831**	3,989	**922**	1,595
Interest cost	**11,747**	10,926	**6,090**	7,102
Plan amendments	**—**	—	**(60,504)**	—
Plan participants' contributions (2)	**27**	32	**703**	552
Actuarial loss (gain)	**28,928**	(4,410)	**40,441**	13,048
Benefits paid, net of retiree subsidies received	**(10,653)**	(9,944)	**(6,364)**	(7,020)
Benefit obligation at end of year	**$ 243,869**	$ 209,989	**$ 131,010**	$ 149,722
Change in plan assets				
Fair value of plan assets at beginning of year	**$ 243,327**	$ 230,795	**$ 106,711**	$ 99,645
Actual return on plan assets	**47,971**	22,339	**21,249**	9,827
Employer contributions	**60**	105	**7,526**	3,879
Benefits paid, net of plan participants' contributions (2)	**(10,628)**	(9,912)	**(5,835)**	(6,640)
Fair value of plan assets at end of year	**$ 280,730**	$ 243,327	**$ 129,651**	$ 106,711
Funded status	**$ 36,861**	$ 33,338	**$ (1,359)**	$ (43,011)
Amounts recognized on the Balance Sheets				
Postemployment employee benefit asset				
Noncurrent	**$ 45,678**	$ 40,227	**$ 13,967**	$ —
Total asset	**$ 45,678**	$ 40,227	**$ 13,967**	$ —
Postemployment employee benefit liability				
Current	**$ (51)**	$ (91)	**$ (2,370)**	$ (4,013)
Noncurrent	**(8,766)**	(6,798)	**(12,956)**	(38,998)
Total liability	**$ (8,817)**	$ (6,889)	**$ (15,326)**	$ (43,011)

(1) Includes the Company's PEP.

(2) Contributions made by employees hired prior to July 1, 1998, that were eligible to elect an additional participant contribution to enhance their benefits, were immaterial during the periods.

The actuarial losses on the Company's pension and OPEB are primarily due to a decrease in the discount rate used to measure the benefit obligation. The Company recognizes a liability for its underfunded benefit plans as required by ASC 715, Compensation - Retirement Benefits. The Company records the offset to regulatory assets. The increase in actuarial loss during fiscal 2024 compared with fiscal 2023 for both pension and OPEB was due primarily to the decrease in the discount rate.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

The following table summarizes the amounts recognized in regulatory assets as of:

	Pension	OPEB
Balance at September 30, 2022	$ 35,321	$ 20,110
Amounts arising during the period:		
Net actuarial (gain) loss	(10,493)	9,936
Amounts amortized to net periodic costs:		
Net actuarial (loss)	(87)	—
Prior service (cost)	(103)	—
Balance at September 30, 2023	$ 24,638	$ 30,046
Amounts arising during the period:		
Net actuarial (gain) loss	**(2,407)**	**27,108**
Prior service (credit)	**—**	**(60,504)**
Amounts amortized to net periodic costs:		
Net actuarial gain (loss)	**2**	**(3,098)**
Prior service (cost) credit	**(61)**	**7,458**
Balance at September 30, 2024	**$ 22,172**	**$ 1,010**

The amounts in regulatory assets not yet recognized as components of net periodic benefit cost as of September 30 are:

	Pension		OPEB	
(Thousands)	**2024**	2023	**2024**	2023
Net actuarial loss	**$ 22,172**	$ 24,577	**$ 54,056**	$ 30,046
Prior service (credit) cost	**—**	61	**(53,046)**	—
Total	**$ 22,172**	$ 24,638	**$ 1,010**	$ 30,046

To the extent the unrecognized amounts in regulatory assets exceed 10% of the greater of the benefit obligation or the fair value of plan assets, an amortized amount over the average expected future working lifetime of the active plan participants is recognized.

The projected benefit and accumulated benefit obligations and the fair value of plan assets as of September 30, are as follows:

	Pension	
(Thousands)	**2024**	2023
Projected benefit obligation	**$ 243,869**	$ 209,989
Accumulated benefit obligation	**$ 223,516**	$ 193,124
Fair value of plan assets	**$ 280,730**	$ 243,327

The components of the net periodic cost for pension benefits, including the Company's PEP and OPEB costs (principally health care and life insurance) for employees and covered dependents for fiscal years ended September 30, are as follows:

	Pension		OPEB	
(Thousands)	**2024**	2023	**2024**	2023
Service cost	**$ 3,831**	$ 3,989	**$ 922**	$ 1,595
Interest cost	**11,747**	10,926	**6,090**	7,102
Expected return on plan assets	**(16,636)**	(16,256)	**(7,917)**	(6,715)
Recognized actuarial (gain) loss	**(2)**	87	**3,098**	—
Prior service cost (credit) amortization	**61**	103	**(7,458)**	—
Net periodic benefit cost recognized as expense	**$ (999)**	$ (1,151)	**$ (5,265)**	$ 1,982

Assumptions

The weighted average assumptions used to determine benefit costs during the fiscal year and obligations as of September 30, are as follows:

	Pension		OPEB	
	2024	2023	**2024**	2023
Benefit costs:				
Discount rate	**5.89%/5.87%** (1)	5.50%/5.50% (1)	**5.97%/5.94%** (1)	5.51%/5.51% (1)
Expected asset return	**7.00 %**	7.00 %	**7.00 %**	7.00 %
Compensation increase	**3.00%/3.50%** (1)	3.00%/3.50% (1)	**3.00%/3.50%** (1)	3.00%/3.50% (1)
Obligations:				
Discount rate	**5.01%/4.99%** (1)	5.89%/5.87% (1)	**4.97%/4.98%** (1)	5.97%/5.94% (1)
Compensation increase	**3.00%/3.50%** (1)	3.00%/3.50% (1)	**3.00%/3.50%** (1)	3.00%/3.50% (1)

(1) Percentages for represented and non-represented plans, respectively.

When measuring its projected benefit obligations, the Company uses an aggregate discount rate at which its obligation could be effectively settled. The Company determines a single weighted average discount rate based on a yield curve comprised of rates of return on a population of high quality debt issuances (AA- or better) whose cash flows (via coupons or maturities) match the timing and amount of its expected future benefit payments. The Company measures its service and interest costs using a disaggregated, or spot rate, approach. The Company applies the duration-specific spot rates from the full yield curve, as of the measurement date, to each year’s future benefit payments, which aligns the timing of the plans’ separate future cash flows to the corresponding spot rates on the yield curve.

Information relating to the assumed HCCTR used to determine expected OPEB benefits as of September 30, is as follows:

($ in thousands)	**2024**	2023
HCCTR	**8.8 %**	7.4 %
Ultimate HCCTR	**4.5 %**	4.5 %
Year ultimate HCCTR reached	**2032**	2032

The Company's investment objective is a long-term real rate of return on assets before permissible expenses that is approximately 5% greater than the assumed rate of inflation, as measured by the consumer price index. The expected long-term rate of return is based on the asset categories in which the Company invests and the current expectations and historical performance for these categories.

The mix and targeted allocation of the pension and OPEB plans' assets are as follows:

Asset Allocation	**2025 Target Allocation**	**Assets at September 30, 2024**	**Assets at September 30,** 2023
U.S. equity securities	29 %	**29 %**	34 %
International equity securities	16	**16**	16
Fixed income	39	**38**	31
Collective investment trusts at NAV	16	**17**	19
Total	100 %	**100 %**	100 %

The Company uses mortality assumptions published by the Society of Actuaries for its pension and other postemployment benefit obligations, which reflects life expectancies in the U.S. The Company used projection scale MP-2021 and the Pri-2012 mortality study as of September 30, 2024 and 2023.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid during the following fiscal years:

(Thousands)	**2025**	**2026**	**2027**	**2028**	**2029**	**2030 - 2034**
Pension	$ 11,752	$ 12,551	$ 13,346	$ 14,074	$ 14,844	$ 83,429
OPEB	$ 8,057	$ 8,918	$ 9,721	$ 10,474	$ 11,220	$ 62,789

The Company's OPEB plans provide prescription drug benefits that are actuarially equivalent to those provided by Medicare Part D. Therefore, under the Medicare Prescription Drug, Improvement and Modernization Act of 2003 the Company qualifies for federal subsidies. Estimated subsidy payments for fiscal 2024 and 2025 are immaterial and zero thereafter.

Pension and OPEB assets held in the master trust, measured at fair value, are summarized as follows:

(Thousands)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Total
As of September 30, 2024	**Pension**		**OPEB**	
Assets				
Money market funds	$ —	$ —	$ 24	$ 24
Registered Investment Companies:				
Equity Funds:				
Large Cap Index	62,990	62,990	38,021	38,021
Extended Market Index	13,651	13,651	7,973	7,973
International Stock	41,407	41,407	22,719	22,719
Fixed Income Funds:				
Emerging Markets	10,939	10,939	5,355	5,355
Core Fixed Income	—	—	28,751	28,751
High Yield Bond Fund	13,683	13,683	9,190	9,190
Long Duration Fund	87,367	87,367	—	—
Total assets in the fair value hierarchy	$ 230,037	230,037	$ 112,033	112,033
Investments measured at net asset value				
Collective investment trusts		50,693		17,618
Total assets at fair value		$ 280,730		$ 129,651

(Thousands)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Total
As of September 30, 2023	**Pension**		**OPEB**	
Assets				
Registered Investment Companies:				
Equity Funds:				
Large Cap Index	$ 66,199	$ 66,199	$ 30,865	$ 30,865
Extended Market Index	14,073	14,073	6,439	6,439
International Stock	39,601	39,601	17,953	17,953
Fixed Income Funds:				
Emerging Markets	9,355	9,355	4,303	4,303
Core Fixed Income	—	—	22,225	22,225
High Yield Bond Fund	16,870	16,870	7,646	7,646
Long Duration Fund	47,697	47,697	—	—
Total assets in the fair value hierarchy	$ 193,795	193,795	$ 89,431	89,431
Investments measured at net asset value				
Collective investment trusts		49,532		17,280
Total assets at fair value		$ 243,327		$ 106,711

The Plan had no Level 2 or Level 3 fair value measurements during fiscal 2024 and 2023, and there have been no changes in valuation methodologies as of September 30, 2024. The Plan held assets that are valued using NAV as a practical expedient, which are excluded from the fair value hierarchy.

The following is a description of the valuation methodologies used for assets measured at fair value:

Asset Types	Description of the Valuation Methodologies
Money Market funds	Represents bank balances and money market funds that are valued based on the NAV of shares held at year end.
Registered Investment Companies	Equity and fixed income funds valued at the NAV of shares held by the plan at year end as reported on the active market on which the individual securities are traded.
Collective investment trusts	The NAV for collective investment trusts is provided by the Trustee and is used as a practical expedient to estimate fair value. The NAV is based on the value of the underlying assets owned by the fund less liabilities.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Defined Contribution Plan

The Company, through its relationship with its Parent company NJR, offers a Savings Plan to eligible employees. The Company matched 85% of participants' contributions up to 6% of base compensation. Beginning on March 6, 2024, the Company's contribution changed to 100% of the first 3% and 80% of the next 3% of base compensation. The Company's non-represented employees hired on or after October 1, 2009, and represented employees hired on or after January 1, 2012, are eligible for an employer special contribution of between 4.0% and 5.0% of base compensation, depending on years of service, into the Savings Plan on their behalf. The amount expensed and contributed for the matching provision of the Savings Plan was $3.9M during fiscal 2024 and $3.3M during fiscal 2023. The amount contributed for the employer special contribution of the Savings Plan was $1.6M and $1.0M during fiscal 2024 and 2023, respectively.

9. INCOME TAXES

The income tax provision from operations for the fiscal years ended September 30, consists of the following:

(Thousands)	**2024**	2023
Current		
Federal	**$ (5,284)**	$ 5,086
State	**16**	54
Deferred		
Federal	**26,104**	16,608
State	**11,235**	11,595
Investment tax credits	**(278)**	(278)
Income tax provision	**$ 31,793**	$ 33,065

As of September 30, the temporary differences, which give rise to deferred tax assets (liabilities), consist of the following:

(Thousands)	**2024**	2023
Deferred tax assets		
Overrecovered natural gas costs	**$ 9,072**	$ 8,564
State net operating losses	**14,658**	10,168
Allowance for doubtful accounts	**2,785**	3,686
Investment tax credits	**580**	651
Incentive compensation	**1,055**	998
Other	**586**	1,023
Total deferred tax assets	**$ 28,736**	$ 25,090
Deferred tax liabilities		
Property-related items	**$ (450,417)**	$ (413,308)
Remediation costs	**(21,656)**	(18,532)
Post employment benefits	**(16,382)**	(11,402)
Conservation incentive plan	**(14,379)**	(14,075)
Capitalized interest	**(5,803)**	(4,556)
Other	**(214)**	(73)
Total deferred tax liabilities	**$ (508,851)**	$ (461,946)
Total net deferred tax liabilities	**$ (480,115)**	$ (436,856)

A reconciliation of the United States federal statutory rate to the effective rate from operations for the fiscal years ended September 30, are as follows:

(Thousands)	**2024**	2023
Statutory income tax expense	**$ 34,691**	$ 34,541
Change resulting from:		
State income taxes, net of federal benefit	**8,851**	9,203
Cost of removal of assets placed in service prior to 1981	**(5,644)**	(4,758)
AFUDC equity	**(1,420)**	(1,466)
Investment tax credits	**(278)**	(278)
Tax Act - excess deferred income taxes amortized	**(3,573)**	(3,573)
Other	**(834)**	(604)
Income tax provision	**$ 31,793**	$ 33,065
Effective income tax rate	**19.3 %**	20.1 %

The Company's U.S. federal income tax returns through fiscal 2020 have either been reviewed by the IRS, or the related statute of limitations has expired and all matters have been settled. U.S. federal income tax returns for periods subsequent to fiscal 2020, are statutorily open to examination by the IRS. In New Jersey all periods subsequent to September 30, 2019, are statutorily open to examination.

Inflation Reduction Act

In August 2022, the President of the U.S. signed the Inflation Reduction Act, which contains provisions addressing inflation, clean energy, healthcare and taxes beginning in 2023. The Inflation Reduction Act imposes a 15% minimum tax rate on corporations with higher than $1B of annual income, along with a 1% excise tax on corporate stock repurchases. The Inflation Reduction Act raised the ITC from 26% to 30% through the end of 2032, dropping to 26% for property under construction before the end of 2033 and to 22% for property under construction before the end of 2034. The ITC expires starting in 2035 unless it is renewed. There are additional opportunities to increase the credit amount for certain facilities that are placed in service after December 31, 2022. The credit amount can be increased by 10% if certain domestic content requirements are satisfied or if the facility is located in an energy community, such as a brownfield site. ITCs are also expanded to include stand-alone energy storage projects without being integrated into a solar facility, allowing solar to claim production tax credits that are a production-based credit extending for 10 years following the placed-in-service date of the facility, and introducing the concept of transferability of tax credits, providing an additional option to monetize such credits.

The Company evaluated the impacts of the Inflation Reduction Act on its financial position, results of operations and cash flows, noting the corporate alternative minimum tax does not impact the Company as the applicable income thresholds have not been met. Upon the repurchase of common stock through the Company's share repurchase program, the Company would be subject to the 1% excise tax.

Other Tax Items

As of September 30, 2024 and 2023, the Company has New Jersey state income tax net operating losses of approximately $210.5M and $146.2M, respectively. These state net operating losses have a carry-forward period dictated by the state, which is 20 years, expiring after 2039. The Company expects to utilize this entire carryforward.

10. LEASES

Lessee Accounting

The Company determines if an arrangement is a lease at inception based on whether the Company has the right to control the use of an identified asset, the right to obtain substantially all of the economic benefits from the use of the asset and the right to direct the use of the asset. After the criteria are satisfied, the Company accounts for these arrangements as leases in accordance with ASC 842, *Leases*. Right-of-use assets represent the Company's right to use the underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. Right-of-use assets and leased liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term, including payments at commencement that depend on an index or rate. Most leases in which the Company is the lessee do not have a readily determinable implicit rate, so an incremental borrowing rate, based on the information available at the lease commencement date, is utilized to determine the present value of lease payments. When a secured borrowing rate is not readily available, unsecured borrowing rates are adjusted for the effects of collateral to determine the incremental borrowing rate. The Company uses the implicit rate for agreements in which it is a lessor. The Company has not entered into any material agreements in which it is a lessor. Lease expense and lease income are recognized on a straight-line basis over the lease term for operating leases.

The Company's lease agreements primarily consist of real property, including land and office facilities, office equipment and the sale leaseback of certain natural gas meters. The Company's office leases vary in duration, ranging from two to five years and may or may not include extension or early purchase options. The Company's meter lease terms are between six and ten years with purchase options available prior to the end of the term. The Company has an equipment lease for general office equipment that is for a term of four years. The Company's lease terms may include options to extend, purchase the leased asset or terminate a lease and they are included in the lease liability calculation when it is reasonably certain that those options will be exercised. The Company has elected an accounting policy that exempts leases with an original term of one year or less from the recognition requirements of ASC 842, Leases.

The Company has lease agreements with lease and non-lease components and has elected the practical expedient to combine lease and non-lease components for certain classes of leases, such as office buildings and office equipment. Variable payments are not considered material to the Company. The Company's lease agreements do not contain any material residual value guarantees, material restrictions or material covenants.

The following table presents the Company's lease costs included in the Statements of Operations for the fiscal year ended September 30:

(Thousands)	**Income Statement Location**	**2024**	2023
Finance lease cost			
Amortization of right-of-use assets	Depreciation and amortization	**$ 2,160**	$ 2,105
Interest on lease liabilities	Interest expense, net of capitalized interest	**914**	1,084
Total finance lease cost		**3,074**	3,189
Operating lease cost	Operation and maintenance	**48**	44
Variable lease credit	Operation and maintenance	**1**	—
Total lease cost		**$ 3,123**	$ 3,233

The following table presents supplemental cash flow information related to leases for the fiscal year ended September 30:

(Thousands)	**2024**	2023
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows for operating leases	**$ 50**	$ 47
Operating cash flows for finance leases	**$ 914**	$ 1,084
Financing cash flows for finance leases	**$ 7,792**	$ 7,379

Assets obtained or modified through operating lease liabilities totaled $0.1M during fiscal 2023. Assets obtained or modified through other leases, including those which are finance leases and financing transactions for accounting purposes, totaled $8.4M during fiscal 2023. There were no assets obtained or modified through operating or finance leases during fiscal 2024.

The following table presents the balance and classifications of the Company's right of use assets and lease liabilities included in the Balance Sheets for the fiscal year ended September 30:

(Thousands)	**Balance Sheet Location**	**2024**	2023
Assets			
Noncurrent			
Operating lease assets	Operating lease assets	**$ 70**	$ 99
Finance lease assets	Utility plant	**26,088**	28,248
Total lease assets		**$ 26,158**	$ 28,347
Liabilities			
Current			
Operating lease liabilities	Operating lease liabilities	**$ 44**	$ 41
Finance lease liabilities	Current maturities of long-term debt	**7,534**	8,477
Noncurrent			
Operating lease liabilities	Operating lease liabilities	**30**	62
Finance lease liabilities	Long-term debt	**16,026**	22,875
Total lease liabilities		**$ 23,634**	$ 31,455

For operating lease assets and liabilities, the weighted average remaining lease term was 1.7 years and 2.7 years and the weighted average discount rate used in the valuation over the remaining lease term was 2.0% and 1.3% as of September 30, 2024 and 2023, respectively.

For finance lease assets and liabilities as of September 30, 2024 and 2023, the weighted average remaining lease term was 3.0 years and 3.3 years, respectively, and the weighted average discount rate used in the valuation over the remaining lease term was 3.4% and 2.7% as of September 30, 2024 and 2023, respectively.

The following table presents the Company's maturities of lease liabilities as of September 30, 2024:

(Thousands)	**Operating**	**Finance**
2025	$ 44	$ 8,169
2026	30	6,411
2027	—	4,083
2028	—	4,715
2029	—	1,676
Thereafter	—	—
Total future payments	74	25,054
Less: interest	—	(1,494)
Total liability	$ 74	$ 23,560

Lessor Accounting

The Company has related party leases in which it is the lessor and other NJR subsidiaries are the lessees related to their share of office space in the Company's headquarters building. The terms of these leases are for 16 years, with annual escalation provisions for inflation metrics. An incremental borrowing rate was utilized for the lessees, as is standard for the Company's operating leases in which it is a lessee. The Company recognizes its building headquarters within property, plant and equipment on the Balance Sheets in accordance with ASC 360. Lease income recognized was approximately $1.3M for both fiscal years ended September 30, 2024 and 2023. The lessor maturities of these related party leases as of September 30, 2024, is approximately $1.3M for years 2025 through 2029 each year and $10.1M thereafter.

11. COMMITMENTS AND CONTINGENT LIABILITIES

Cash Commitments

The Company has entered into long-term contracts, expiring at various dates through July 2039, for the supply, storage and transportation of natural gas. These contracts include annual fixed charges of approximately $252.8M at current contract rates and volumes, which are recoverable through BGSS.

Commitments as of September 30, 2024, for natural gas purchases and future demand fees for the next five fiscal year periods are as follows:

(Thousands)	**2025**	**2026**	**2027**	**2028**	**2026**	**Thereafter**
Natural gas purchases	$ 23,392	$ —	$ —	$ —	$ —	$ —
Storage demand fees	38,214	22,678	11,207	4,900	—	—
Pipeline demand fees	214,625	161,954	141,818	126,080	124,498	955,035
Total	**$ 276,231**	**$ 184,632**	**$ 153,025**	**$ 130,980**	**$ 124,498**	**$ 955,035**

Legal Proceedings

Manufactured Gas Plant Remediation

The Company is responsible for the remedial cleanup of certain former MGP sites, dating back to gas operations in the late 1800s and early 1900s, which contain contaminated residues from former gas manufacturing operations. The Company is currently involved in administrative proceedings with the NJDEP, and is participating in various studies and investigations by outside consultants, to determine the nature and extent of any such contaminated residues and to develop appropriate programs of remedial action, where warranted, under NJDEP regulations.

The Company periodically, and at least annually, performs an environmental review of former MGP sites located in Atlantic Highlands, Berkeley, Long Branch, Manchester, Toms River, Freehold and Aberdeen, New Jersey, including a review of potential liability for investigation and remedial action. The Company estimated at the time of the most recent review that total future expenditures at the former MGP sites for which it is responsible, including potential liabilities for natural resource damages that might be brought by the NJDEP for alleged injury to groundwater or other natural resources concerning these sites, will range from approximately $130.9M to $194.6M. The Company's estimate of these liabilities is based upon known facts, existing technology and enacted laws and regulations in place when the review was completed. Where it is probable that costs will be incurred, and the information is sufficient to establish a range of possible liability, the Company accrues the most likely amount in the range. If no point within the range is more likely than the other, it is the Company's policy to accrue the lower end of the range. Accordingly, as of September 30, 2024, the Company recorded a MGP remediation liability and a corresponding regulatory asset of approximately $161.7M on the Consolidated Balance Sheets based on the most likely amount. The actual costs to be incurred by the Company are dependent upon several factors, including final determination of remedial action, changing technologies and governmental regulations, the ultimate ability of other responsible parties to pay and insurance recoveries, if any.

The Company recovers its remediation expenditures, including carrying costs, over rolling seven-year periods pursuant to a RAC approved by the BPU. As of September 30, 2024, $77.5M of previously incurred remediation costs, net of recoveries from customers and insurance proceeds, are included in regulatory assets on the Consolidated Balance Sheets. The Company will continue to seek recovery of MGP-related costs through the RAC. If any future regulatory position indicates that the recovery of such costs is not probable, the related non-recoverable costs would be charged to income in the period of such determination.

General

The Company is involved, and from time to time in the future may be involved, in a number of pending and threatened judicial, regulatory and arbitration proceedings relating to matters that arise in the ordinary course of business. In view of the inherent difficulty of predicting the outcome of litigation matters, particularly when such matters are in their early stages or where the claimants seek indeterminate damages, the Company cannot state with confidence what the eventual outcome of the pending litigation will be, what the timing of the ultimate resolution of these matters will be, or what the eventual loss, fines or penalties related to each pending matter will be, if any. In accordance with applicable accounting guidance, the Company establishes accruals for litigation for those matters that present loss contingencies as to which it is both probable that a loss will be incurred and the amount of such loss can be reasonably estimated. The Company also discloses contingent matters for which there is a reasonable possibility of a loss. Based upon currently available information, the Company believes that the results of litigation that are currently pending, taken together, will not have a materially adverse effect on the Company's financial condition, results of operations or cash flows. The actual results of resolving the pending litigation matters may be substantially different than the amounts accrued.

The foregoing statements about the Company's litigation are based upon the Company's judgments, assumptions and estimates and are necessarily subjective and uncertain. The Company has a number of threatened and pending litigation matters at various stages.

12. RELATED PARTY TRANSACTIONS

The Company participates in various transactions with NJR and other subsidiaries of NJR in the ordinary course of business. These transactions result in either charges or credits to operation and maintenance expense in the Statements of Operations.

Charges incurred by the Company for the fiscal years ended September 30, are as follows:

(*Thousands*)	**2024**	2023
NJR Service	**$ 52,614**	$ 50,598
NJR	**31,929**	29,423
Total	**$ 84,543**	$ 80,021

Charges from NJR Service are primarily related to financial and administrative, legal, human resources, corporate communications, taxation, internal audit and technology services. Charges from NJR are for various services, including executive management and corporate governance.

Charges from the Company for the fiscal years ended September 30, are as follows:

(*Thousands*)	**2024**	2023
NJRHS	**$ 4,089**	$ 2,914
NJRCEV	**272**	259
NJR Service	**50**	40
NJR	**4**	3
NJR Midstream	**11**	11
Total	**$ 4,426**	$ 3,227

Charges to NJRHS are for services related to billing, customer inquiry, payment processing, vehicle fleet maintenance and other operating expenses. Charges to NJRCEV are for services related to billing, payment processing and vehicle fleet maintenance. Charges to NJR Service, NJR and NJR Midstream are for vehicle fleet maintenance.

The following table reflects the net (payable) receivable the Company had as of September 30, which are included in accounts payable and other and other current assets, respectively, on the Balance Sheets:

(*Thousands*)	**2024**	2023
NJR Service	**$ (6,479)**	$ (6,547)
NJR	**(8,931)**	(8,012)
NJRHS	**1,771**	1,475
NJRES	**78**	82
NJRCEV	**125**	113
NJRRC	**—**	8
Adelphia	**34**	26
Leaf River	**18**	20
NJR Midstream	**51**	50
Total	**$ (13,333)**	$ (12,785)

In April 2020, the Company entered into a five-year agreement for 3 Bcf of firm storage capacity with Steckman Ridge, which expires on March 31, 2025. Under the terms of the agreement, the Company incurs demand fees, at market rates, of approximately $9.3M annually. These fees are recoverable through the Company's BGSS mechanism and are included as a component of regulatory assets. Demand fees associated with Steckman Ridge were $9.3M during both the fiscal years ended September 30, 2024 and 2023. The Company had fees payable to Steckman Ridge in the amount of $0.8M as of both September 30, 2024 and 2023.

The Company and NJRES enter into various AMAs. Under the terms of these AMAs, the Company releases certain transportation and storage contracts to NJRES. The Company retains the right to purchase market priced natural gas or fixed price storage natural gas from NJRES. The Company and NJRES had one AMA, which expired on March 31, 2024, and was not renewed.

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

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

The Company entered into 16-year lease agreements with various NJR subsidiaries for office space at the Company's headquarters in Wall, New Jersey, with an expiration date of July 1, 2037. Lease income recognized was approximately $1.3M for both fiscal years ended September 30, 2024 and 2023.

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

Issue	Amount ($000)
First Mortgage Bonds Series OO	1,395
First Mortgage Bonds Series PP	1,575
First Mortgage Bonds Series QQ	1,239
First Mortgage Bonds Series RR	2,536
First Mortgage Bonds Series SS	1,410
First Mortgage Bonds Series TT	3,660
First Mortgage Bonds Series UU	4,538
First Mortgage Bonds Series VV	5,013
First Mortgage Bonds Series WW	361
First Mortgage Bonds Series XX	354
First Mortgage Bonds Series YY	368
First Mortgage Bonds Series ZZ	3,760
First Mortgage Bonds Series AAA	3,281
First Mortgage Bonds Series BBB	262
First Mortgage Bonds Series CCC	1,230
First Mortgage Bonds Series DDD	1,565
First Mortgage Bonds Series EEE	1,565
First Mortgage Bonds Series FFF	833
First Mortgage Bonds Series GGG	718
First Mortgage Bonds Series HHH	1,485
First Mortgage Bonds Series III	1,485
First Mortgage Bonds Series JJJ	1,535
First Mortgage Bonds Series LLL	2,185
First Mortgage Bonds Series MMM	2,355
First Mortgage Bonds Series NNN	6,838
First Mortgage Bonds Series OOO	2,780
First Mortgage Bonds Series PPP	1,463
Meter Leases	1234
Short-term and Commercial Paper	2884
Total	59,904

($MM)	2025E	2026E	2027E	2025-2027 Total
New Customer	$107.90	$109.50	$111.70	**$329.10**
Maintenance	$162.30	$258.60	$280.40	**$701.30**
Cost of Removal/Other	$78.20	$86.70	$84.50	**$249.40**
NEXT	$47.4	$7.2	$0.0	**$54.60**
Infrastructure Investment Program (IIP)	$50.0	$0.0	$0.0	**$50.00**
Sub-Total	**$445.80**	**$462.00**	**$476.60**	**$1,384.40**
SAVEGREEN	107.5	112.5	117.5	337.5
Total	**$553.30**	**$574.50**	**$594.10**	**$1,721.90**