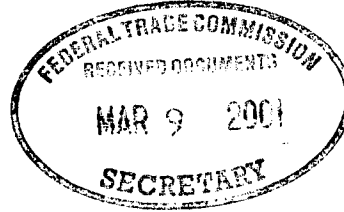


Fried, Frank, Harris, Shriver & Jacobson
1001 Pennsylvania Avenue, NW, Suite 800
Washington, DC 20004-2505
Tel: 202.639.7000
Fax: 202.639.7003 (4) (8)
www.ffhsj.com

Direct Phone: 212.859.8085
Direct Email: linda.blumkin@ffhsj.com



March 9, 2001

Office of the Secretary
Federal Trade Commission
6th Street and Pennsylvania Avenue, N.W.
Room 172
Washington, D.C. 20580

**Re: Request for Approval of Divestiture - El Paso Energy Corporation/
The Coastal Corporation - File No. 001-0086**

To : Federal Trade Commission:

**FRIED
FRANK
HARRIS
SHRIVER
JACOBSO**

Pursuant to § 2.41(f) of the Federal Trade Commission's ("Commission") Rules of Practice, 16 C.F.R. § 2.41(f) (2000) and Paragraph IIIA of the Decision and Order in the above-captioned matter (the "Decision and Order"), El Paso Corporation ("El Paso"), formerly known as El Paso Energy Corporation, hereby requests approval of the sale of a .48 percent interest as a general partner in Iroquois Gas Transmission System, L.P. to NJNR Pipeline Company ("NJNR"), an indirect subsidiary of New Jersey Resources Corporation ("NJR"). Capitalized terms not herein defined shall have the same meanings set forth in the Decision and Order. As discussed with Delores Wood, I am enclosing an original and ten (10) copies of this Public version of the divestiture application and attachments.

Attachments to Request for Approval of Divestiture

- A. The Amended and Restated Partnership Interest Purchase and Sale Agreement (with all exhibits and schedules). This agreement is confidential and is not included in the public submission.
- B. A description of the divestiture transaction.
- C. A description of the purchaser.
- D. A market analysis that describes how the sale of this partnership interest to NJNR will accomplish the Commission's divestiture goals as set forth in the Decision and Order.
- E. NJR's SEC and public documents, including the most recent Annual

A Partnership
Including
Professional
Corporations

New York
Washington
Los Angeles
London
Paris

March 9, 2001
Office of the Secretary

Page 2

Report, 10-K, 10-Q and Proxy Statement.

If you require further information concerning NJNR's plans, please contact NJNR's outside counsel, Lisanne Crowley, at Crowell & Moring LLP, 1001 Pennsylvania Avenue, NW, Washington, DC 20004-2595 (her telephone number is 202-624-2647).

Pursuant to the Order, El Paso is required to complete the divestiture by April 29, 2001. Accordingly, El Paso respectfully requests that this application receive expedited treatment.

Please call me if you have any questions regarding any of the above or need any additional information or documentation.¹

Sincerely,

Linda Blumkin
by *LRD*

LINDA R. BLUMKIN

cc: Jeffery Dahnke, Esq.

¹ With respect to an accounting of sales and other transactions during the previous year between El Paso and NJNR, other than ordinary course contracts entered into in 2000 between the parties, the parties are not aware of any material sales or other transactions between the parties or their affiliates in 2000.

Attachment A

Amended and Restated Partnership Interest Purchase and Sale Agreement

The Amended and Restated Partnership Interest Purchase and Sale Agreement is confidential and is not included in the public submission.

Description of the Divestiture Transaction

Transaction Overview

Iroquois Gas Transmission System, L.P. is a Delaware Limited Partnership (the “Partnership”) of seven U.S. and Canadian energy entities, and is the owner of a 375-mile interstate natural gas pipeline extending from the U.S.-Canadian border at Waddington, N.Y. through western Connecticut to Long Island, N.Y. Its wholly-owned subsidiary, the Iroquois Pipeline Operating Company, headquartered in Shelton, Connecticut, is the agent for and operator of the pipeline.

Two of the pipeline partners, ANR Iroquois, Inc. (“ANRI”) and ANR New England Pipeline Company (“ANRNE”), are subsidiaries of El Paso through ANR Pipeline Company, a Delaware corporation acquired by El Paso as a result of the Acquisition. Collectively, through ANRI and ANRNE, El Paso owns a 16 percent interest in the partnership (9.4 percent held by ANRI and 6.6 percent held by ANRNE). Pursuant to paragraph IIIA of the Decision and Order, El Paso is required to divest its interest in the Partnership not later than 90 days from the date the Commission accepted the Consent Agreement for public comment, which will expire on April 29, 2001.

ANRI and ANRNE have entered into agreements with each of the Partnership interest holders to which ANRI and ANRNE’s interests will be divested. ANRI expects to divest its 9.4 percent interest in the Partnership in the following proportions, .84 percent to Iroquois Pipeline Investment, LLC (“Iroquois Investment”), 5.96 percent to TCPL Northeast LTD. (“TCPL”), .48 percent to NJNR Pipeline Company (“NJNR”) and 2.12 percent to CNG Iroquois, Inc. (“CNG”). ANRNE expects to divest its entire 6.6 percent interest in the Partnership to CNG. By selling its 16 percent interest in the Partnership, El Paso will have divested all of its interest in the Iroquois Assets, as required by the Decision and Order. To effectuate the divestiture of its interest in the

Partnership, El Paso is making separate Requests for Approval of Divestiture for each of the four transactions that will take place.

Divestiture to NJNR Pipeline Company

On December 13, 2000, ANRI and NJNR, an indirect, wholly-owned subsidiary of NJR, executed an Amended and Restated Partnership Interest Purchase and Sale Agreement (“Agreement”) pursuant to which ANRI agreed to sell to NJNR that portion of ANRI’s interest in the Partnership equal to 7.28 percent of the Partnership.

The Agreement contains the usual and customary conditions to closing, including approval of the Commission and applicable Attorneys General. Commission approval is also required by the Decision and Order. Other conditions include acceptance of the Decision and Order requiring the divestiture of the Iroquois Assets. The parties have requested confidential treatment with respect to the terms and conditions of the Agreement.

Description of the Purchaser -- NJNR Pipeline Company

NJNR Pipeline Company ("NJNR") is an indirect, wholly-owned subsidiary of New Jersey Resources Corporation ("NJRC"). NJRC, along with its subsidiaries and affiliated companies, provides retail and wholesale energy services to more than 400,000 customers in New Jersey and to customers in states from the Gulf Coast to New England. NJRC's largest subsidiary is New Jersey Natural Gas Company ("NJNG"), a local natural gas distribution utility providing service to customers in New Jersey's Monmouth and Ocean counties and parts of Morris and Middlesex counties. NJNG operates and maintains a nearly 6,000-mile underground pipeline system to serve its retail customers.

Through its subsidiary, NJRC Energy Services, NJRC provides unregulated wholesale energy services, including gas supply, pipeline capacity and storage management, to customers in New Jersey and from the Gulf Coast to New England. NJRC also plans to provide distributed generation products and services, including fuel cells and micro-turbines, for residential and business customers in New Jersey through NJRC Power Services Corporation. For the fiscal year ended September 30, 2000, NJRC reported operating revenue of \$1.16 billion and total assets of \$1.09 billion.

NJNR currently holds a 2.8 percent general partnership interest in the Partnership, which will increase to 3.28 percent as a result of the transaction.

Market Analysis

In its complaint, the Commission alleged that El Paso's acquisition of Coastal might substantially reduce competition in transportation of natural gas to the Buffalo-Niagara Falls, Rochester, Syracuse and Albany-Schenectady-Troy MSAs ("Relevant Area"). In particular, the Commission alleged that El Paso and Coastal own or control a significant share of all natural gas pipeline capacity into the Relevant Area including the Iroquois Assets. The Iroquois Assets include a 375-mile interstate natural gas pipeline extending from the U.S.-Canadian border at Waddington, N.Y. through western Connecticut to Long Island, N.Y., which is a major supplier of natural gas to the Albany-Schenectady-Troy MSA.

The major buyers of natural gas in the Relevant Area include local natural gas distribution companies, electric power generating utilities, and industrial customers. These entities buy large quantities of natural gas to resell, to use as fuel to generate electricity or for industrial processes.

Without agreeing with the Commission that El Paso's acquisition of Coastal's 16 percent interest in the Iroquois Assets would have substantially lessened competition for the transmission of natural gas to the Relevant Area, the sale of the interest to other interest holders, including NJNR, which currently holds a 2.8 percent interest in the Iroquois Assets, will eliminate any such lessening of competition. As noted above, NJNR's parent company is a large and experienced provider of retail and wholesale energy services, including pipeline management.

NJNR's acquisition of a .48 percent interest in the Iroquois Assets does not raise any competitive issues, as the company's total interest in the Partnership as a result of the transaction will amount to a minority position of only 3.28 percent, the pipeline will continue to be owned by five other entities and the pipeline will continue to be independently operated. In view of the above, the parties believe that El Paso's

sale of its 16 percent interest in the Iroquois Assets to four other interest holders, including the sale of a .48 percent interest to NJNR resolves the Commission's concerns as reflected in the Complaint and complies with the Decision and Order.

NJR's SEC and Public Documents

NJR Annual Report for Fiscal Year ended September 30, 2000

SEC Form 10-K for fiscal year ended September 30, 2000

SEC Form 10-Q for quarter ended December 31, 2000

Proxy Statement dated December 18, 2000

New Jersey Resources Corporation



2000 Annual Report

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ARD W. TRAIL • ANDRES TRAYER • BARBARA J. TYLER • NICHOLAS J. TYLER • STEPHEN • URBAN • STEPHEN R. URBAN • DONNA M. URZIK
RIEL VALDIVIA • TERENCE M. VALDIVIA • ANTHONY • VANDERBILT • LISA R. VERNON • SHARON • VERNON • AUGUSTUS VOORHEES JR. • LORETT
HEES • WILLIAM VOORHEES • KAREN • VANDERBILT • LISA R. VERNON • JUDITH A. WALKER • THOMAS • WALKER • BENN W. WALSH • MARTIN R. WALSAC • FRANKLI
DY L. WALSAC • COQUINDO T. WASHINGTON • KAREN WEAVER • ROBERT • WEAVER • GARY A. WEDEKIND • MICHAEL
NECK • JOHN J. WELLS • WILLIAM • WELLS • DEBORA Y. WEST • STEPHEN • WEST • STEPHEN M. WEST • STEPHEN D. WESTHOVEN
ALD A. WICKKISER • ANTHONY R. WIDMER • THOMAS • WILLIAMS JR. • THOMAS E. WILLIAMS JR. • AMY P. WINANS • MARY E. WISNIEWSKI
E F. WISNY • WALTER S. WOMBOUGH • CHRYSTIE • WOOD • PAUL E. WORTH • ANGELO • WYCKOFF • JOHN • WYCKOFF • JOHN BRUNJES WYCKOFF
PH N. YAMCIELLO • DAWN M. YEAGER • RICHARD • YENBERG • JAMES J. YOUNG • BARRY • YOUNG • MICHELINE ZIENIUK • DEBORAH G. ZILA

Seven hundred and seventy talented and dedicated people are the driving force behind the New Jersey Resources' (NJR) family of companies. For nearly 50 years, they've been listening and responding to the evolving needs of our customers.

NJR's principal subsidiary, New Jersey Natural Gas, is one of the fastest growing local distribution companies in the United States. NJR's other primary operating subsidiaries include NJR Energy Services, NJR Home Services, NJR Power Services and NJR Natural Energy.

New Jersey Natural Gas (NJNG) employs most of NJR's total workforce. Since 1952, natural gas customers in central and northern New Jersey have relied on NJNG to keep them warm and ensure they have the energy they need to run their homes and businesses. NJNG provides energy services to more than 409,000 residential, commercial and industrial customers in New Jersey's Monmouth and Ocean counties and parts of Morris and Middlesex counties, maintains a nearly 6,000-mile underground pipeline system and adds nearly 12,000 new customers annually. NJNG is also a leader in off-system sales and capacity release markets.

NJR Energy Services provides unregulated wholesale energy services, including natural gas supply, pipeline capacity and storage management to customers in New Jersey and in states from the Gulf Coast to New England.

NJR Home Services is part of the newly formed NJR Retail Holdings and currently provides expert appliance repair services to customers in Ocean, Monmouth, and parts of Morris and Middlesex Counties. NJR Home Services' technicians are skilled at servicing and repairing natural gas furnaces, hot water heaters, dryers, grills, outdoor lights and electric central air conditioning equipment. NJR Home Services also offers comprehensive appliance protection plans and related products and services.

NJR Power Services was established to provide distributed generation products and services, including fuel cells and microturbines, to residential and business customers in New Jersey. Distributed generation technology operates at customer's home or business and uses natural gas to produce on-site electricity in an environmentally friendly way. NJR Power Services is the exclusive energy distributor in New Jersey for GE MicroGen's line of residential and small commercial fuel cells manufactured by Plug Power, Inc.

NJR Natural Energy, formerly New Jersey Natural Energy, currently provides unregulated retail energy services to approximately 13,000 customers in New Jersey.

Our Corporate Commitment

We will be flexible in our thinking and creative in our strategy.

We will grow by providing for the energy needs of customers in our core market, while exploring ways to serve customers in new markets. We will not lose sight of what's important — meeting the needs of our stakeholders.

We will listen to our customers to ensure that we are providing the value, comfort and reliability they expect from us. We will constantly assess market changes to anticipate new customer needs.

We will use our investors' capital wisely by following a disciplined capital allocation process. We will improve productivity by finding innovative ways to manage our business and serve customers better.

We will build a team-based work environment that succeeds through honest communication and the sharing of ideas.

We will strive to create a culture where individual development and continuous learning drive our growth. We will support each other in balancing the needs of work and family.

We will be proud contributors to our communities and stewards of the environment, knowing that our actions today will determine the future for us all.

About the cover:

Our employees are key drivers of our success. Shown on the cover is a list of all of our employees as of June 30, 2000.

Annual Meeting

The Annual Shareowners' Meeting of New Jersey Resources Corporation (the Company) will be held on January 24, 2001 at The Robert B. Meyner Reception Center at the PNC Bank Arts Center, Holmdel, NJ. Please see your proxy statement for directions.

Stock Listing

The Company's common stock is traded on the New York Stock Exchange under the symbol NJR. The stock appears as NewJerRes or NJRsc in stock tables in many daily newspapers and business publications.

Investor and Media Information

Members of the financial community are invited to contact Dennis R. Puma, Manager – Treasury Services, at 732-938-1229. Members of the media are invited to contact Roseanne Koberle – Corporate Communications, at 732-938-1112. Correspondence can be sent to New Jersey Resources Corporation, 1415 Wyckoff Road, P.O. Box 1468, Wall, NJ 07719. A copy of our Annual Report is available online at www.njliving.com.

Stock Transfer Agent and Registrar

The Transfer Agent and Registrar for the Company's common stock is Boston EquiServe (the Bank). Shareowners with questions about account activity should contact the Bank's investor relations representatives between 9 a.m. and 9 p.m. Eastern standard time by calling toll-free 1-800-817-3955. Shareowners can also obtain routine

information 24 hours a day, seven days a week, by calling toll-free 1-800-817-3955. Correspondence should be addressed to Boston EquiServe, Investor Relations, Mail Stop 45-02-64, P.O. Box 644, Boston, MA 02102-0644. Shareowners with access to the Internet can now view their account information online through www.njliving.com. Click on "New Jersey Resources" from the www.njliving.com home page, then "Shareholder Account Info."

Automatic Dividend Reinvestment Plan

The Company offers an Automatic Dividend Reinvestment Plan (the Plan). It provides shareowners, eligible employees of the Company and residential customers of New Jersey Natural Gas Company and their family members the convenient opportunity to reinvest their common stock dividends and optional cash payments in additional common stock without paying any fees.

Under the Plan, shares will be purchased directly from the Company and/or on the open market at the Company's discretion. The purchase price of shares of common stock purchased on the open market with reinvested dividends, optional cash payments and payroll deductions will be the average price of all such shares purchased during the relevant purchase period, as defined in the Plan. The purchase price of shares of common stock purchased directly from the Company will be (i) in the case of shares purchased with reinvested dividends, the average of the high and low sales prices (as

reported in The Wall Street Journal — eastern edition) of the common stock on the relevant dividend payment date (or the next succeeding business day) based upon consolidated trading as defined by the Consolidated Tape Association and reported as part of the consolidated trading prices for New York Stock Exchange listed securities, or (ii) in the case of shares purchased with optional cash payments and payroll deductions, the average of such high and low sales prices on the cash payment date, as defined in the Plan.

Details are contained in the Plan prospectus, which may be obtained from the Bank or the Company.

Dividends

Dividends on common stock are declared quarterly by the Board of Directors. Shareowners of record will receive their dividend checks from the Bank, unless they have elected to reinvest their dividends through the Plan. The Company offers direct deposit of dividends into shareowners' bank accounts so the funds are available the same day they are paid. Please contact the Bank for details.

10-K Annual Report

The Company files its Annual Report on Form 10-K with the Securities and Exchange Commission. The report is available to shareowners without charge upon written request to: Dennis R. Puma, Manager – Treasury Services, New Jersey Resources, 1415 Wyckoff Road, P.O. Box 1468, Wall, NJ 07719, or online through www.njliving.com.



1415 Wyckoff Road
Post Office Box 1468
Wall, NJ 07719
732-938-1480

www.njliving.com

Financial Highlights

Fiscal Years Ended September 30,	2000	1999	1998
Operating Results (Thousands)			
Operating Revenues	\$1,164,549	\$904,268	\$710,342
Operating Income	\$93,912	\$87,937	\$84,044
Income from Continuing Operations	\$47,936	\$44,806	\$41,757
Net Income	\$48,764	\$44,806	\$41,757
Return on Average Equity	14.8%	14.5%	14.2%
Common Stock Information (Thousands, except per share data)			
Earnings per Share from Continuing Operations (Basic)	\$2.71	\$2.51	\$2.35
Earnings per Share (Basic)	\$2.76	\$2.51	\$2.35
Annual Dividend Rate at Year End	\$1.72	\$1.68	\$1.64
Market Price at Year End	\$40.63	\$40.00	\$35.63
Book Value per Share	\$18.65	\$17.03	\$16.33
Shares Outstanding at Year End*	17,594	17,741	17,811
Average Shares Outstanding (Basic)	17,698	17,852	17,798
Operating Data			
New Jersey Natural Gas Company			
Customers at Year End	409,817	397,342	385,280
Firm Sales (Bcf)	54.2	50.9	49.2
Interruptible Sales (Bcf)	9.6	9.8	10.6
Off-System Sales and Capacity Management (Bcf)	132.2	143.7	104.9
Total Energy Deliveries (Bcf)	196.0	204.4	164.7
Gross Margin (Thousands)	\$194,201	\$183,421	\$176,602
NJR Energy Holdings Corporation**			
Customers at Year End	13,318	17,875	7,502
Retail Sales (Bcf)	3.7	8.0	6.7
Wholesale Sales and Gas Under Management (Bcf)	119.8	131.1	82.9
Total Energy Deliveries (Bcf)	123.5	139.1	89.6
Gross Margin (Thousands)	\$5,613	\$6,988	\$5,122

* Net of treasury shares

** NJR Energy Holdings Corporation consists of NJR Energy Services Company, NJR Natural Energy Company, formerly New Jersey Natural Energy Company, and NJR Energy Corporation.

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NJNG's Service Territory

Morris County

Middlesex County

Monmouth County

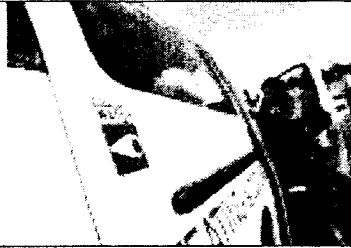
Ocean County



Laurence M. Downes
Chairman and Chief Executive Officer

< Photograph taken in front of the Sea Girt Lighthouse, one of the four scenic lighthouses located in NJNG's service territory along the Jersey Shore.





"Our employees are the driving force behind our vision to deliver value, reliability and comfort to our customers."

Dear Fellow Stakeholders,

You may be wondering what all the small print is on the cover of our Annual Report. Look closely and you'll find the names of every one of our almost 770 employees — the heart and soul of our Company — the men and women who have made us what we are today and who will lead us into the future. As always, I am grateful for their dedication and commitment and for the support of their families. They have made us an industry leader in both our operational and financial results. Our employees are the driving force behind our vision to deliver value, reliability and comfort to our customers.

This year, we're trying something different. Our employees have written their own letter describing our many accomplishments during fiscal 2000. It's an idea that we borrowed from The Home Depot® (and probably some others), which makes a lot of sense. Since our people are responsible for the great year we had, they should get to share the good news.

During the five years I've been CEO, it's been inspiring to see our employees meet challenge after challenge by transforming themselves and our work practices. In this short period, we have gone through several evolutions. During the first phase, we divested assets, focused on our core strengths and improved our financial profile. In the second phase, we reached out to groups both inside and outside the Company to help foster a competitive energy



"We expect to further improve our ability to plan, set goals, develop leaders and deliver results."

marketplace in New Jersey. Now, in the third phase, we are using these changes to provide expanded choices for customers and find new growth opportunities. All along, we have learned the importance of constructive dialogue, creativity and performance.

This year, we reorganized our Company into three primary business units: New Jersey Natural Gas (NJNG), our core business that brings natural gas to the homes and businesses of our customers; NJR Energy Services, our unregulated wholesale energy services business; and NJR Home Services, our new unregulated retail energy services business.

This reorganization reflects the realities of our regulatory and competitive environments. It allows us to focus on the distinct needs of customers in each business. Once the new structure is fully in place, we expect to further improve our ability to plan, set goals, develop leaders and deliver results.

In addition to the reorganization, we expanded our thinking about companies who sell natural gas and other related services to customers in our market. We have always worked well with these new competitors, but never really considered them customers. We do now.

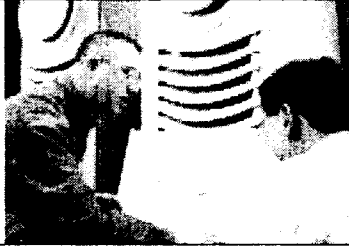


"NJNG will continue to be a strong advocate of competition and support actions that will yield measurable results."

Why do we take this contrarian view? It's simple. Deregulation has altered the historical role of natural gas distribution companies like ours. Customers can now choose their energy provider from a host of different suppliers. Regardless of who supplies their natural gas, we are still responsible for maintaining the physical distribution system that delivers natural gas to their homes and businesses. We will continue to meet their primary need for safe, reliable service.

This new approach benefits everyone. Customers will receive new choices and potentially more competitive prices. NJNG will see increased throughput, which can lead to better financial results. Finally, the state's public policy goal of creating competitive energy markets in New Jersey will be advanced. Realizing these goals means that NJNG will continue to be a strong advocate of competition and support actions that yield measurable results.

As evidence of our commitment to reaching out to suppliers, we are creating a new program, Natural Solutions.™ It will allow suppliers to access the many ways that we connect with our customers. For example, we'll send out their bills or, if they prefer, put their logo next to ours and include their charges on our bill. We're also looking for ways to help them aggregate customers into small groups. We'll provide them with access to our Web site to post offers for customers or create direct links to their own sites. All these initiatives are designed to make it easier to choose a gas supplier so customers can benefit from potentially lower prices and a broader array of services.



"As products including natural gas-fired microturbines and fuel cells become available, we will support our customers in their ability to make informed decisions..."

This shift in thinking of competitors as customers is significant. The world is changing too fast to waste time in debates based on parochial interests. Time is better spent and customers are better served finding alternatives to meet mutually shared goals. The resulting solutions can create real benefits.

Our view of suppliers as customers is changing our distributed generation strategy. Distributed generation refers to emerging technologies that produce electricity at the point of consumption. As products including natural gas-fired microturbines and fuel cells become available, we will support our customers in their ability to make informed decisions about these new technologies.

Distributed generation offers several advantages. It will help electric utilities improve their system reliability during times of peak demand. Since most of these technologies use natural gas, companies like ours will deliver more natural gas. This will improve the overall efficiency of our distribution system. Longer term, as distributed generation products gain acceptance, customers may see lower prices for both electricity and natural gas. They can also gain improved power quality and reliability, increasingly demanded in the Information Age.

The environmental advantages of distributed generation are significant. For example, in New Jersey, a typical four-bedroom home using 15,000 kilowatts of electricity that converts to a fuel cell would have the



"Growth in new electric generation represents a large opportunity. Future demand will be driven by new technologies such as distributed generation."

same environmental benefit as taking two cars off the state's highways. You can see why we're excited about the potential of distributed generation to radically redefine the energy industry.

The outlook for future natural gas demand remains bright. A study released this year by the American Gas Foundation, "Fueling The Future," projects strong growth in all major natural gas markets. Growth in new electric generation represents a large opportunity. Future demand will be driven by new technologies such as distributed generation. In reaching these conclusions, the report emphasizes the benefits of natural gas, including its efficiency, availability, economic and environmental advantages. The report is optimistic about the long-term prospects for adequate supply, but stresses the need for legislative and government policies that will encourage increased production of natural gas.

The report did not anticipate the doubling of wholesale natural gas market prices during the past year. What caused this price increase? We believe it has occurred, in large measure, from relatively low prices for natural gas in recent years. While benefiting consumers, these low prices led to significantly lower investment in new oil and natural gas drilling, thereby reducing discoveries and limiting reserve additions. While demand has increased, production has not grown at the same pace. This has driven prices higher. Some experts are suggesting that this price increase will sound the death knell for deregulation. We don't share this view.



“Experience in other deregulated industries shows that, over time, customers will benefit from more competitive pricing and new product and service offerings.”

We strongly caution against attempts to “fix the market” before it’s been given a chance to work. Stakeholders have already invested too much toward realizing the vision of a competitive energy marketplace to suddenly reverse course. If allowed to operate freely, market forces will provide incentives to encourage the investment and innovation needed to better balance supply and demand. We can’t forget the reasons we began the hard work to open up our markets in the first place. Experience in other deregulated industries shows that, over time, customers will benefit from more competitive pricing and new product and service offerings. This experience reminds us that transitions are not always smooth.

Our entire Company is proud that for more than seven years, even with our above-average customer growth, we have not filed for a traditional base rate increase. In the past, the way a utility usually increased its earnings was to increase its “rate base” and raise prices by filing for base rate increases. Adding new customers substantially added to the rate base. Since 1993, we’ve invested more than \$340 million and added 91,555 new customers without filing for a traditional base rate increase. Why haven’t we needed to do this? Because our people carefully manage our growth. They allocate capital in line with a balanced marketing strategy. By clearly communicating our goals, they create efficiencies and reduce costs. The result has strengthened our internal cash flow and reduced our cost of capital.



"Our goal is to grow future earnings at an annual rate of 7-9 percent, even in the face of the challenges created by competitive markets."

In fiscal 2000, we achieved our ninth consecutive year of higher earnings, the longest streak in our industry. Increasing earnings consistently is important to our investors, who include just about every one of our employees. Our ability to grow earnings by 7 percent on average for the past five years has resulted in a more than 55 percent increase in the market value of our Company. Investors have seen the value of this performance in a price-earnings ratio that is higher than the average of our electric and natural gas utility company peers.

Our goal is to grow future earnings at an annual rate of 7-9 percent, even in the face of the challenges created by competitive markets. Consistently meeting this target should place us in the top tier among our peers. What will help us to get there?

Customer growth in our core market continues to be the primary driver of our profitability. Supported by strong demographics in our service territory, we will work to maintain a 3 percent customer growth rate during the next several years. This should be more than double the national average. In making this projection, we consider municipal planning board data, builder plans and regulatory policy.

Our growth is also driven by homes and businesses that choose to convert to natural gas from other forms of energy. Our research has identified a potential conversion market of over 100,000 homes and businesses that currently use electricity, oil or propane. Driven by energy price volatility, environmental concerns and homes with



"In fiscal 2001, we will expand our focus on quality and productivity through our Excellence in Operations program. We expect to achieve measurable results in improving the key processes that drive our business."

aging heating equipment, we expect our natural gas conversion growth to continue.

Managing our customer growth profitably involves balancing the capital investments associated with new construction customers and energy conversions. Achieving our financial targets requires close communication and teamwork between our business units, as well as with our contractors and suppliers. In fiscal 2001, we will expand our focus on quality and productivity through our Excellence in Operations program. We expect to achieve measurable results in improving the key processes that drive our business. I'll update you on our progress next year.

Another key contributor to our earnings growth is our wholesale energy services business. Many people ask how we've been able to grow this part of our business in the face of increasing competition. First, I tell them we have an experienced team that knows how to build partnerships. We excel in structuring transactions with pipelines and storage providers that allow everyone to realize greater value from their assets. Second, as a David in a world of Goliaths, we have to be disciplined and creative. We succeed by focusing on the markets where we can compete effectively and avoiding those where we cannot. We've learned how to quickly seize opportunities not readily apparent to others. Third, we help others to manage their assets more efficiently. In total, our ability to use these different approaches contributed more than \$.30 per share to



"In total, we have targeted our unregulated retail and wholesale businesses to contribute about 15 percent of our consolidated earnings."

earnings last year. We will work to continue increasing that amount in the future.

Finally, we intend to provide unregulated retail services, such as natural gas appliance and air conditioning warranty contracts and installations. We have substantially increased the number of customers who rely on us for these services and will build upon these relationships. In total, we have targeted our unregulated retail and wholesale businesses to contribute about 15 percent of our consolidated earnings.

We're considered a medium-size company (relative to others in our industry), but that doesn't stop us from thinking big and acting boldly. In today's world, successful companies are focused and out in front. Our employees know that in a rapidly changing environment, an even higher degree of accountability and execution is demanded. Making excuses or blaming others just won't cut it. We know that for a vision to be sustainable, it must be supported by consistent, top-tier performance.

Working collaboratively with regulators is an important part of our strategy. During the year, we reached consensus on a number of critical issues with the New Jersey Board of Public Utilities and the Ratepayer Advocate that further opened our markets to competition and enabled us to remain one of the choices available to customers. As our markets become more competitive,



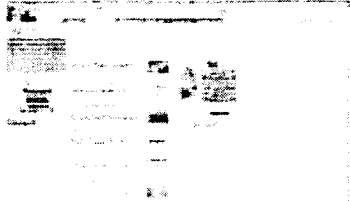
"Innovation is growing more important in our goal to translate growth into value."

regulation will evolve to respond to these changes. Building regulatory relationships based upon trust and balance will remain a key element in achieving our shared goal of providing customers with safe, reliable service.

Our strong commitment to listening to customers and making sure that their voices are heard continues. It is clear from what customers tell us about energy deregulation that we all still have much to learn. Most customers know that change is happening, but they want to understand what's in it for them. We'll work to expand communications based on what they're telling us.

Innovation is growing more important in our goal to translate growth into value. This year, we transformed our Web sites into an electronic community portal with the launch of **njliving.com**. Reflecting our emphasis on customers and the communities we serve, **njliving.com** offers local news and events, weather and financial information. We post Little League scores, PTA meetings and other important community information. There's even a link to sites where kids can get help with their homework.

Our sites strive to anticipate customer needs. To help choose a natural gas supplier, customers can now compare different suppliers' offers and connect to their Web sites. Investors can get updates on our stock price, dividends and other important business and financial news. By building traffic, we expect our family of



"The spirit and creativity demonstrated by the NJ Living team is replicated throughout our Company. It's the reason we've been able to earn the trust of both our new and long-standing customers."

Web sites to become the platform for our future e-business initiatives. You can see the results for yourself by visiting www.njliving.com. Please let us know what you think.

But the story of how **njliving.com** was created is just as important as the final product. The idea did not happen because of a mandate from the CEO. Instead, the efforts of a team that collectively created and implemented their unique vision drove the process. They refused to see internal barriers as walls, but rather as doors. Their enthusiasm was the key to opening those doors.

The spirit and creativity demonstrated by the NJ Living team are replicated throughout our Company. They are the reason we've been able to earn the trust of both our new and long-standing customers. We are grateful for the opportunity to be of service.

We thank our shareowners for choosing to invest in New Jersey Resources. We know that there are many alternatives for investing capital, and we pledge to justify the confidence shown in us.

I also appreciate the guidance and involvement of our Board of Directors. Joining our Board this year were William H. Turner, Chairman of PNC Bank, N.A., New Jersey Region, and Lawrence R. Codey, recently retired President and Chief Operating Officer of Public Service Electric and Gas Company. Both Bill and Larry are recognized as leaders in our state. We will benefit greatly from their experiences.



"Our industry will continue to change at an accelerating pace. Dealing with the unexpected and remaining flexible are two important elements in our successful transformation."

We will hold our Annual Shareowners' Meeting on January 24, 2001 at the PNC Bank Arts Center in Holmdel, New Jersey. I hope to see you there. It's a great opportunity to meet our directors and leadership team, as well as to learn more about the Company. In the meantime, please write or e-mail me your thoughts on how we're doing and what you think of our strategy. My e-mail address is lmdownes@njresources.com.

Our industry will continue to change at an accelerating pace. Dealing with the unexpected and remaining flexible are two important elements in our successful transformation. Through it all, I am committed to an unshakable belief that people ultimately make the difference. Our results over the past five years support that belief. The ability of our people to change and transform allows us to grow and prosper. As we look to the future, we must ask: How are we using our unique talents to meet the needs of our customers, shareowners, employees and communities?

Laurence M. Downes
Chairman and Chief Executive Officer
November 10, 2000

To Our Fellow Stakeholders,

Most of us work for New Jersey Natural Gas Company (NJNG); some of us work for other New Jersey Resources' (NJR) subsidiaries; but we're all part of the NJR family and join in celebrating another successful year.

The rapid changes taking place in our industry provide us with many challenges. Along with the challenges brought on by competition and deregulation come many new opportunities — to redefine customer service; to change the

"Our 3 percent customer growth rate, which we have sustained for eight consecutive years, makes us one of the fastest-growing local distribution companies in the nation."

way we run our business; to enter new markets; and to be a part of the historical transformation of the energy industry.

Our focus on growth, productivity and technology, outstanding customer service, leadership and values has guided our commitment to deliver excellent results for all stakeholders. We would like to share some of our fiscal 2000 accomplishments with you.

Growth

Our fiscal 2000 earnings per share from continuing operations of \$2.71 represents an 8 percent increase over last year, making this the ninth consecutive year that we've grown earnings. This increase in earnings was attributable primarily to profitable customer growth

and improved wholesale marketing results. Increasing earnings allows us to increase our dividend. In fact, we've increased the dividend five times in the last four years. Our dividend-payout ratio is now 63 percent — the lowest it's been in 16 years. This is a sign of our financial strength and allows us to satisfy our shareowners' need for current income, while at the same time reinvesting in our future. And because of our focus on efficiently using capital, our return on equity rose to 14.8 percent, also the highest in 16 years. Since most of us are Company shareowners, we're just as pleased as you are about these results.

Our operational achievements are equally important.

By working together in teams, we've reached several milestones. This year, we celebrated the connection of our 400,000th customer and added 12,558 new ones. Our 3 percent customer growth rate, which we have sustained for eight consecutive years, makes us one of the fastest-growing local distribution companies in the nation. That growth comes from new residential construction and homes and businesses converting from electricity or fuel oil to natural gas. Since 1992, we've reduced the cost of adding a new customer by 23 percent. Since profitable customer growth is vital to our success, the women and men in our marketing and distribution business units won't stop looking for ways to work more efficiently and reduce costs.

For the second year in a row, our total energy deliveries exceeded 300 billion cubic feet. This year, we served customers in 21 states. Another significant milestone was reached this past winter when we achieved a new record peak-day sendout. On that day, our customers needed

more gas than we'd ever been asked to deliver in the past. It happened in January when a severe cold spell hit. Through quick response, teamwork, a resilient supply portfolio and a reliable system, we delivered 575,000 dekatherms (Dth), besting our previous record of 535,000 Dth set in 1994. Our team has planned diligently, and we're ready to meet peak-day demand again this year.

Speed, industry know-how and teamwork also contribute to the success of our wholesale business. Over the past five years, our veteran energy marketers have taken advantage of industry changes to add new products and services for customers — including managing their fuel and capacity contracts, optimizing storage assets and offering balancing services. Our wholesale team has consistently found ways to leverage interstate pipeline transportation opportunities, making us a premier provider of natural gas services in the Northeast.

Productivity and Technology

Today more than ever, we are challenged to make the best use of our resources. One of the ways we measure our efficiency is to monitor the ratio of our operation and maintenance expenses as a percentage of gross margin. We have been able to improve this ratio from over 45 percent in 1992 to 41 percent in 2000. That means our productivity is up. Another productivity indicator is our ratio of customers to employees, which is 538:1 compared with our peer group's average ratio of 362:1. Next year, we'll be looking at even more ways to streamline processes

and gain further efficiencies through our Excellence in Operations quality initiative.

This year, we began to reap the benefits of a \$5.2 million investment we made in a new wireless communication system called FODS II. Implementing this system resulted in faster dispatching time, improved order processing and greater resource flexibility. Information now flows between our office and field personnel through wireless computers, not radios. With FODS II, we've improved our ability to serve customers.

Our FODS II project team was recognized with a Partnership Award from *Beyond Computing* magazine for their outstanding teamwork and ability to work successfully with our technology partners, Bell Atlantic and Mobile Data Solutions. It's an achievement in which we all take pride.

Thanks to the entire Year 2000 (Y2K) team, which included people from nearly every business unit, we had a smooth transition into the New Millennium, with no service or business interruption. New Year's Day was over in 24 hours, but the coordination took nearly 24 months to make Y2K a seamless event for our customers.

Outstanding Customer Service

In today's fast-paced business world, we need to anticipate and exceed customers' expectations. Our new Web sites demonstrate our commitment to the changing needs of customers. Our sites provide visitors with a host of company-related information, such as energy conservation tips, billing information and emergency telephone numbers. But through **njliving.com**, we also offer information that supports

our customers in their many different roles — as parents, grandparents, workers or retirees — not just natural gas customers. How many other companies offer Web sites that post Little League scores, PTA schedules and recipes? Take a moment to visit www.njliving.com and let us know what you think. We believe you'll agree that it's a unique exchange of ideas and information.

Helping to simplify our customers' lives is part of our corporate commitment. Expanding our service offerings is one way to do that. This year, our appliance service unit added air conditioning repair and maintenance contracts to our menu of services. In only a few short months, we coordinated over 2,600 hours of training, certified our

"Helping to simplify our customers' lives is part of our corporate commitment. Expanding our service offerings is one way to do that."

technicians and implemented a full scale marketing plan. This new service far surpassed our sales targets by over

three times the original projections. We are grateful to our team of employees who worked so hard to bring this new product to our customers — providing them with one-stop shopping for their year-round service needs.

We also know that being responsive to customers requires the commitment of every employee. How well are we doing? There are many ways we track customer satisfaction. One clear-cut way is to minimize the number of escalated complaints we receive. This year, we once again proved to be the best in the state. We had the fewest number of complaints per 1,000 customers of any natural gas and/or

electric utility in New Jersey based on inquiries reported to the New Jersey Board of Public Utilities. This is the eighth straight year we've been ranked as "first in fewest".

Through our economic development program, we help businesses in urban areas get their start. And by doing so, we also take a small bite out of local unemployment. For those of you who grew up at the Shore, you may be familiar with the well-known Stone Pony in Asbury Park. Many of the bands that performed there in the '70s and '80s went on to become famous recording artists, including New Jersey's own Bruce Springsteen. For the past two years, The Stone Pony was closed and boarded up. This year, we helped the new owner, Domenic Santana, qualify for NJNG's special economic development incentive price, which improved the economics of his business plan. The Stone Pony reopened on Memorial Day weekend, and Governor Christine Todd Whitman was there to join in congratulating and supporting Domenic. The Stone Pony employs local residents and brings new tax dollars to the City of Asbury Park, ultimately supporting the revitalization of this urban area.

Leadership and Values

Times have changed, but our Company's principles and values have not. Throughout this letter, you've seen evidence of how we value teamwork and leadership. We also value community leadership. We know that when we contribute to the well-being of our communities, we are also serving customers.

This year, we volunteered over 1,600 hours of our personal time toward the Company's VISION (Volunteers Inspiring Service in Our Neighborhoods) program, helping

a host of non-profit organizations with their community service activities. We've helped serve meals to the homeless at local soup kitchens, packed holiday food boxes for the needy and planted flowers at Ronald McDonald House.

This year, we collected over \$173,000 through our Gift of Warmth charity drive to help less-fortunate customers pay their winter heating bills. This program, funded by generous donations from employees, customers, shareowners and matching funds from NJNG's Foundation, has raised over \$2.4 million and helped over 9,600 families in the 12 years since its inception.

Our Libraries On-Line program has helped bring high-speed Internet access to hundreds of residents in Asbury Park and Long Branch — helping to bridge the "digital divide" and increase educational opportunities for adults and children. We've donated computer hardware and software so that students and adults now have access to an entire network of opportunities and can communicate with loved ones throughout the world.

Our accomplishments were possible because of the collective efforts of our diverse workforce. Diversity fosters creativity, new ideas and respect. We strive to create diverse work teams to bring out the best and the brightest in terms of new ways to serve customers, streamline processes and grow our business, while providing us with new development channels. And our supplier diversity program is helping to create new opportunities for minority and women-owned businesses in our area.

Our corporate culture helps us to support one another in our quest to keep a healthy balance between our work and our personal lives. We take our responsibilities seriously, but also know the importance of celebrating our successes along the way. We've been given opportunities to develop, personally and professionally, through NJR University, our company-wide education initiative. We've learned a lot, and we are proud of what we've produced — outstanding results for shareowners, customers, regulators, suppliers and the communities we serve.

Our vision is clear — to creatively and responsibly meet our customers' energy needs for value, comfort and reliability. We've set aggressive goals and raised the bar on performance standards. And we're motivated and committed to reaching them. We strive to be the best that we can be. Looking forward, we believe that our greatest accomplishments are still to come.

We thank you, our shareowners, for your investment confidence; we thank the Company for providing us with an environment in which we can grow and learn; and we thank our customers for allowing us to serve them for nearly half a century.

With Our Sincere Appreciation,

The Employees of NJR

"Our vision is clear — to creatively and responsibly meet our customers' energy needs for value, comfort and reliability."



Our corporate branding campaign, “All the Comforts of Home,” is more than just a slogan. It describes what we do and why we do it. The concepts — warmth, reliability, trust and comfort, and the dedication of the team that’s behind delivering them — are at the heart of our master brand.

In the background: the image from our “Warm and Cuddly” advertisement.

Providing peace
of mind to our
customers and
communities.

Rest assured. We're here to provide **peace of mind** to our customers and communities.

The people at NJNG have been keeping homes and businesses safe and comfortable for nearly 50 years. Our service team has the experience it takes to keep furnaces running even during the coldest days of winter. This year alone, our field personnel spent over 8,300 combined hours in technical training designed to **serve customers** better and keep our system safe and reliable.

Our professional dispatchers are on duty 24 hours a day, 7 days a week, so customers never have to worry if an emergency arises anytime of the day or night. A comforting voice and a familiar face are **just a phone call away**.

But we do more than make homes warm in the winter and keep businesses running. Our people are committed to serving customers through their **communities**. Every year, our employees generously **volunteer** their personal time helping non-profit organizations as a way to make a difference in lives of the people living in our communities. This year, they helped 27 different non-profit organizations, including the American Cancer Society, United Way and March of Dimes.

Through our **economic development program**, we've helped open the door for 167 small businesses in urban areas over the past six years. We are proud to have helped and supported their visions.

*Opposite left:
Greg Seitz, technical trainer,
is demonstrating to Nichole
MacBurnie, utility service
technician, the proper way
to detect a gas leak on
a water heater.*

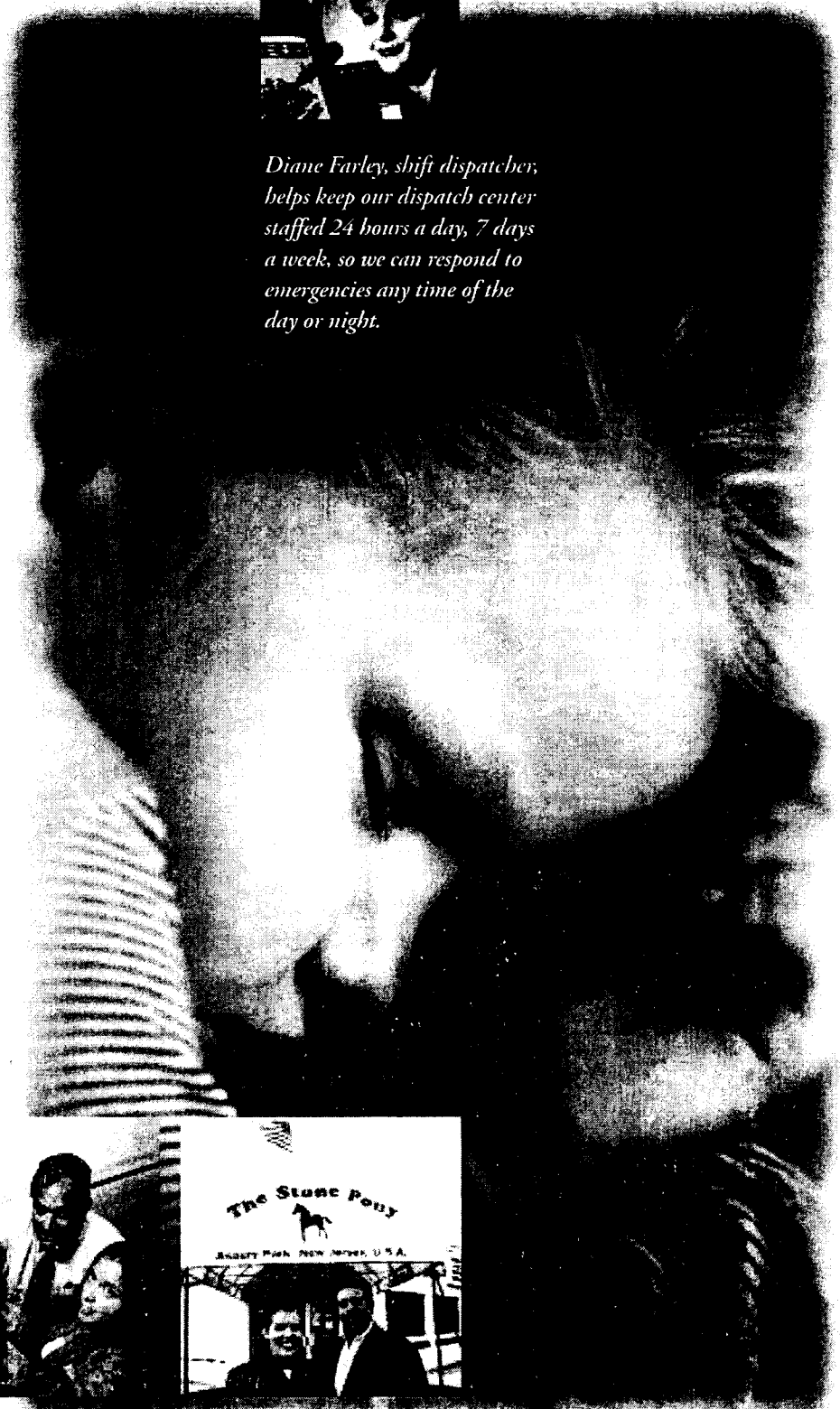
*Opposite right: Karen Escobedo,
manager of economic development,
with Domenic Santana,
owner of The Stone Pony in
Asbury Park and recipient of
NJNG's first annual economic
development award.*

*In the background:
the image from our "Sweet
Dreams" advertisement.*





Diane Farley, shift dispatcher, helps keep our dispatch center staffed 24 hours a day, 7 days a week, so we can respond to emergencies any time of the day or night.



Bring home
the comfort with
natural gas.

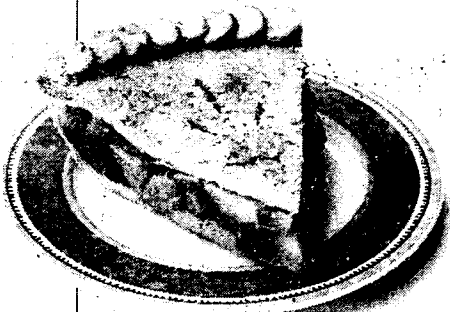
What's the secret ingredient to most homemade pies and cookies? No, it's not sugar! We like to think it's the **service tradition** behind the efficient natural gas that heats the ovens of some of the best cooks around.

We understand that some of life's simple pleasures — like the scent of just-baked cookies fresh from the oven and the feel of a warm towel soon out of the dryer, are all it takes to bring a smile to a customer's face and make them feel comfortable at home.

NJNG helps keep those **simple pleasures** trouble-free with clean, efficient natural gas. So whether you're baking a batch of holiday cookies, grilling for a summer barbecue or heating up a pot of grandma's soup on the stove to warm you up on a cold day, remember that natural gas is one of the keys to a successful meal.

Keeping appliances in good working order isn't the only way we make people comfortable. Our energy audit and weatherization programs help hundreds of qualified customers conserve energy and use natural gas more efficiently. Through our Speakers' Bureau program, we visit customers and community groups to educate them on the new choices they have with deregulation. And we **learn from customers**, helping to keep us focused on what's important to them.

So, when you think of all the things that make your house a "home," remember that no matter how you slice the pie, we're part of what makes it so special.



Opposite middle: We service a variety of natural gas appliances. Joe Morello is working on a customer's natural gas grill. Joe was recently promoted to supervisor.

Opposite bottom: Rich Zavodny from Honeywell, our weatherization partner, is showing customer Nan DeForne how to keep windows and doors properly sealed for optimal energy efficiency.

In the background: the image from our "Home Cooking" advertisement.



Eileen Morgan, customer inquiry supervisor and active member of our Speakers' Bureau, is speaking at a community group on Energy Choice.



Relax.
We've got you
covered.

We know that today's fast-paced world can take its toll if we don't slow down every once in a while and relax. Well, we want to help **simplify** the lives of our customers.

One of the ways we try to help customers relax is by making sure the hot water heater is ready to go when they need to soak their cares away in a nice **warm** bath. Our technicians are trained on a variety of natural gas appliances and equipment, so that no matter what make and model hot water heater you have, we can likely fix it. Not to worry.

Thanks to new wireless dispatching technology, we are able to **respond** to customers' service requests even faster than before. We take orders faster, get them to the technicians faster, and order parts faster. All with less chance of error. Our mini computers are no larger than a clipboard so they can be carried into a customer's home to input

service information and track parts on order. This helps customers see what's being done — giving them that peace of mind they've come to rely on. Because **less stress** is a good thing.

While on the road, our technicians always have their eye out for the **safety and well-being** of our customers. Our trucks are labeled with "Community Watch" decals, which means that we look out for situations that may call for assistance. We often refer cases to local county Offices on Aging so that senior citizens with no families nearby can receive meals on wheels and qualify for other services such as free bill payment and transportation.

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Opposite bottom: Ed Fette, appliance service technician, is shown performing a 12-point annual furnace inspection.

In the background: the image from our "Soak Your Cares Away" advertisement.



Top: Mike LaSala, appliance service technician, is taking the time to show a customer how we order parts using our new wireless mobile dispatching system, FODS II.

Middle: Our trucks display "Community Watch" decals, a sign of our tradition of caring for customers. Preparing for a service call is Mario Gomez, appliance service technician.

Celebrating our success.

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Finding innovative ways to grow and **serve**. That's part of our commitment to stakeholders. Celebrating our successes along the way is part of the process.

We've had many reasons to celebrate this year — like when we connected our 400,000th customer to natural gas service. This **significant growth** milestone gave us just another reason to commemorate the new Millennium. Every year, more than 12,000 people in our service territory make the choice to heat with natural gas over any other available fuel.

Adding new customers to NJNG's system is our largest source of sales growth. But we see new sources of revenue and throughput as important elements of our **future**. This year, air conditioning repair and maintenance contracts were added to our appliance service offerings, and we added more products to our wholesale line of business.

This year, we helped Brookdale Community College find an **innovative energy solution** for their Lincroft campus. Taking a partnership approach, we found a unique system being manufactured in China that was a perfect fit for the college's energy needs. Brookdale purchased a Broad Spectrum

15-H direct-fired chiller/heater earlier this year, and the system is currently providing the base load cooling and heating for the campus. Use of the new system **increases natural gas throughput** on our system, while reducing operating costs for the college.

Reliable, environmentally friendly and simple to operate, distributed generation technologies are becoming a viable alternative to traditional electric power. This year, we installed two Capstone MicroTurbine™ units at our Wall headquarters. They run 24 hours a day, 7 days a week, and provide a portion of our electricity using natural gas.

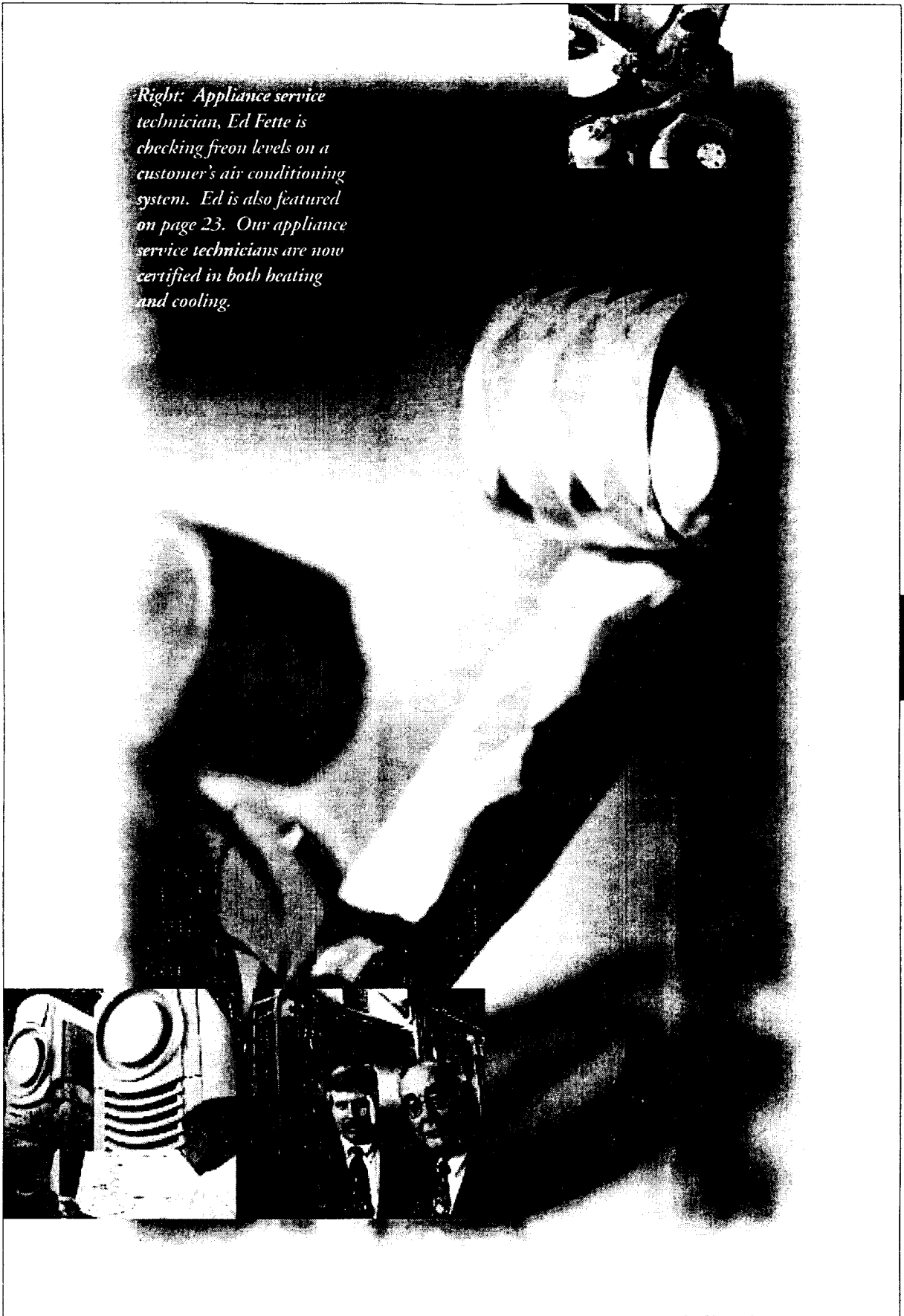
What's in store for next year and the year after that? We're looking forward to creating even more ways to grow and reasons to celebrate.

Opposite bottom left: Dennis Veltre, manager of distributed generation, and Daniel Lin, engineer, were both instrumental in getting NJR's microturbine system up and running.

Opposite bottom right: Shown here are Frank J. McCann and Richard F. Frank of Brookdale Community College. Behind them is Brookdale's new state-of-the-art heating and chilling system.

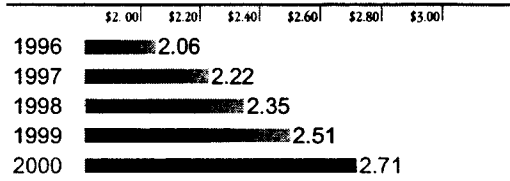
In the background: the image from our "400,000th Customer" advertisement.

Right: Appliance service technician, Ed Fette is checking freon levels on a customer's air conditioning system. Ed is also featured on page 23. Our appliance service technicians are now certified in both heating and cooling.

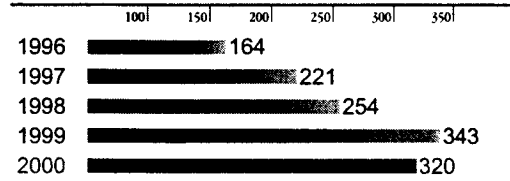


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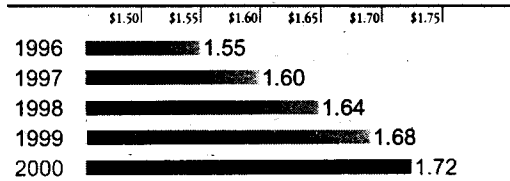
Earnings per share-Basic (\$)



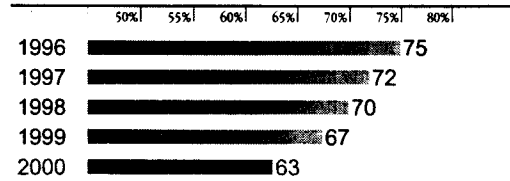
Total energy deliveries (Bcf)



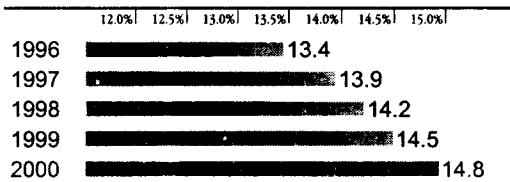
Dividends per share (\$)



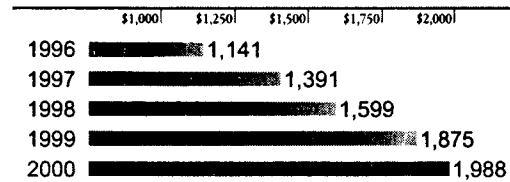
Payout ratio (%)



Return on equity (%)



Value of \$1,000 invested (9/30/95)



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Consolidated Financial Statistics

(Thousands, except per share data)



New Jersey Resources

Fiscal years ended September 30,	2000	1999	1998	1997	1996	1995
Selected Financial Data						
Operating Revenues	\$1,164,549	\$904,268	\$710,342	\$696,544	\$554,753	\$460,179
Operating Expenses						
Gas purchases	919,903	669,835	483,715	465,552	327,991	251,086
Operation and maintenance	84,895	80,970	77,990	79,408	75,729	64,819
Depreciation and amortization	30,997	29,455	27,835	25,797	23,229	23,022
Energy and other taxes	34,842	36,071	36,758	43,240	49,357	45,900
Total operating expenses	1,070,637	816,331	626,298	613,997	476,306	384,827
Operating Income	93,912	87,937	84,044	82,547	78,447	75,352
Other income	1,948	3,797	3,619	820	104	554
Interest charges, net	18,750	19,977	19,633	20,513	21,001	24,082
Income before Income Taxes	77,110	71,757	68,030	62,854	57,550	51,824
Income tax provision	29,147	26,835	24,688	21,339	18,883	16,276
Income before Preferred Stock Dividends	47,963	44,922	43,342	41,515	38,667	35,548
Preferred stock dividends	27	116	1,585	1,591	1,599	1,629
Income from Continuing Operations	47,936	44,806	41,757	39,924	37,068	33,919
Income (loss) from discontinued operations, net of tax	828	—	—	—	—	(9,134)
Net Income	\$ 48,764	\$ 44,806	\$ 41,757	\$ 39,924	\$ 37,068	\$ 24,785
Capitalization						
Common stock equity	\$328,128	\$302,169	\$290,804	\$278,436	\$273,921	\$258,919
Redeemable preferred stock	400	520	20,640	20,760	20,880	21,004
Long-term debt	291,528	287,723	326,741	291,407	303,363	352,227
Total Capitalization	\$620,056	\$590,412	\$638,185	\$590,603	\$598,164	\$632,150
Property, Plant and Equipment						
Utility plant	\$ 981,601	\$941,490	\$895,321	\$855,375	\$811,484	\$736,434
Accumulated depreciation	(274,964)	(258,666)	(237,150)	(216,302)	(196,354)	(182,080)
Real estate properties and other	28,016	26,326	25,838	24,024	46,011	50,339
Accumulated depreciation	(4,069)	(3,706)	(3,535)	(3,282)	(5,506)	(8,187)
Property, Plant and Equipment, Net	\$ 730,584	\$705,444	\$680,474	\$659,815	\$655,635	\$596,506
Capital Expenditures						
Utility plant	\$48,826	\$48,196	\$42,847	\$46,193	\$48,216	\$47,286
Real estate properties and other	2,067	676	1,830	967	8,052	6,533
Equity investments	250	—	9,498	7,242	2,937	5,259
Total Capital Expenditures	\$51,143	\$48,872	\$54,175	\$54,402	\$59,205	\$59,078
Total Assets	\$1,087,042	\$960,012	\$943,018	\$879,061	\$855,187	\$826,364
Common Stock Data						
Earnings per share from continuing operations-Basic	\$2.71	\$2.51	\$2.35	\$2.22	\$2.06	\$1.93
Earnings per share from continuing operations-Diluted	\$2.69	\$2.49	\$2.33	\$2.21	\$2.05	\$1.93
Earnings per share-Basic	\$2.76	\$2.51	\$2.35	\$2.22	\$2.06	\$1.41
Earnings per share-Diluted	\$2.74	\$2.49	\$2.33	\$2.21	\$2.05	\$1.41
Dividends declared per share	\$1.72	\$1.68	\$1.64	\$1.60	\$1.55	\$1.52
Payout ratio*	63%	67%	70%	72%	75%	79%
Market price at year end	\$40.63	\$40.00	\$35.63	\$32.38	\$28.00	\$25.88
Dividend yield at year end	4.2%	4.2%	4.6%	4.9%	5.6%	5.9%
Price-earnings ratio	15	16	15	15	14	18
Book value per share	\$18.65	\$17.03	\$16.33	\$15.57	\$15.15	\$14.55
Market-to-book ratio at year end	2.2	2.3	2.2	2.1	1.8	1.8
Shares outstanding at year end	17,594	17,741	17,811	17,880	18,084	17,793
Average shares outstanding-Basic	17,698	17,852	17,798	18,001	18,030	17,605
Average shares outstanding-Diluted	17,822	17,984	17,894	18,052	18,052	17,607
Return on average equity*	14.8%	14.5%	14.2%	13.9%	13.4%	12.8%

*Continuing operations

Operating Statistics



Fiscal years ended September 30,	2000	1999	1998	1997	1996	1995
Operating Revenues (Thousands)						
Residential	\$302,736	\$303,884	\$307,994	\$317,500	\$311,081	\$282,015
Commercial and other	64,623	60,954	60,746	70,315	76,649	76,483
Firm transportation	37,101	33,319	19,500	15,586	13,316	4,864
Total residential and commercial	404,460	398,157	388,240	403,401	401,046	363,362
Interruptible	7,775	7,558	8,360	7,996	7,438	10,869
Total system	412,235	405,715	396,600	411,397	408,484	374,231
Off-system	324,676	228,849	169,903	141,481	65,904	52,431
Appliance service	11,314	9,986	9,468	8,712	6,241	5,586
Total Operating Revenues	\$748,225	\$644,550	\$575,971	\$561,590	\$480,629	\$432,248
Throughput (Bcf)						
Residential	35.6	34.2	35.2	37.0	40.1	33.9
Commercial and other	8.0	7.3	7.4	8.7	10.3	10.3
Firm transportation	10.6	9.4	6.6	5.5	4.5	1.6
Total residential and commercial	54.2	50.9	49.2	51.2	54.9	45.8
Interruptible	9.6	9.8	10.6	9.7	9.8	12.4
Total system	63.8	60.7	59.8	60.9	64.7	58.2
Off-system and capacity management	132.2	143.7	104.9	83.2	61.6	62.6
Total Throughput	196.0	204.4	164.7	144.1	126.3	120.8
Customers at Year End						
Residential	351,415	338,984	346,605	343,520	338,906	329,237
Commercial and other	23,751	22,379	22,088	22,650	21,897	22,199
Firm transportation	34,573	35,900	16,495	7,647	2,002	880
Total residential and commercial	409,739	397,263	385,188	373,817	362,805	352,316
Interruptible	52	51	49	45	40	38
Off-system and capacity management	26	28	43	53	29	23
Total Customers at Year End	409,817	397,342	385,280	373,915	362,874	352,377
Interest Coverage Ratio	5.12	4.89	4.16	3.90	3.96	3.45
Average Therm Use per Customer						
Residential	1,022	1,002	998	1,064	1,184	1,030
Commercial and other	5,484	5,169	5,145	5,475	6,183	5,153
Degree Days	4,564	4,470	4,354	4,787	5,715	4,877
Weather as a Percent of Normal	94%	92%	89%	97%	115%	98%
Number of Employees	728	739	755	789	827	827

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Two-Year Stock History



The range of high and low sales prices as reported in *The Wall Street Journal* and dividends paid per share were as follows:

Fiscal Quarter	2000		1999		Dividends Paid	
	High	Low	High	Low	2000	1999
First	\$41.13	\$38.88	\$40.25	\$35.75	\$.42	\$.41
Second	\$42.88	\$36.19	\$40.13	\$33.63	\$.43	\$.42
Third	\$42.75	\$37.88	\$39.50	\$35.00	\$.43	\$.42
Fourth	\$43.13	\$38.06	\$40.13	\$37.50	\$.43	\$.42

Management's Discussion and Analysis of Financial Condition and Results of Operations

Results of Operations

Consolidated

Income from continuing operations increased 7 percent to \$47.9 million in 2000, compared with \$44.8 million in 1999 and \$41.8 million in 1998. The increase each year was attributable primarily to continued profitable customer growth in New Jersey Natural Gas Company (NJNG), the principal subsidiary of New Jersey Resources Corporation (the Company), and improved wholesale marketing results.

Basic earnings per share from continuing operations increased 8 percent to \$2.71 in 2000, compared with \$2.51 in 1999 and \$2.35 in 1998. Diluted earnings per share from continuing operations were \$2.69, \$2.49 and \$2.33 in 2000, 1999 and 1998, respectively.

Net income also included \$828,000, or \$.05 per share, from discontinued operations in 2000. The gain was due to the excess of proceeds received from the sale of the assets and the costs incurred, net of insurance recoveries received in January 2000, in conjunction with exiting the oil and natural gas production business in 1995.

Dividends declared per share increased 2.4 percent to \$1.72 in 2000, compared with \$1.68 in 1999 and \$1.64 in 1998.

NJNG Operations

NJNG is a local natural gas distribution company that provides regulated energy services to more than 409,000 residential and commercial customers in central and northern New Jersey, appliance service to more than 134,000 customers under protection plan contracts and participates in the off-system sales and capacity release markets.

In February 1999, the Electric Discount and Energy Competition Act (Act), which provides the framework for the restructuring of New Jersey's energy markets, became law. In January 2000, the New Jersey Board of Public Utilities (BPU), verbally approved a stipulation agreement among various parties to fully open NJNG's residential markets to competition, restructure its rates to segregate its Basic Gas Supply (BGS) service and Delivery (i.e., transportation) service prices as required by the Act, and expand an incentive for residential and small commercial customers to switch to transportation service. The Act also allows continuation of each utility's role as a gas supplier at least until December 31, 2002. The BPU must determine the ongoing role of each utility in providing BGS service by January 1, 2002. The Act also allows natural gas utilities to provide competitive services (e.g., appliance services). In July 2000, NJNG filed a stipulation agreement among various parties resolving the customer account service proceedings. The stipulation continues NJNG's current third-party billing policies and delays until January 2003, absent a significant breakthrough in metering technology, any further decision on meter

reading and other potentially competitive services. The stipulation also provides for NJNG's existing appliance service business to be transferred to NJR Home Services Company, a newly formed unregulated subsidiary of the Company. In November 2000, the BPU verbally approved this stipulation and is expected to issue a written order by December 31, 2000.

NJNG's financial results are summarized as follows:

(Thousands)	2000	1999	1998
Gross margin			
Residential and commercial	\$155,534	\$148,089	\$152,781
Transportation	32,938	29,719	18,288
Total firm margin	188,472	177,808	171,069
Off-system sales and capacity management	4,917	4,942	4,888
Interruptible	812	671	645
Total gross margin	\$194,201	\$183,421	\$176,602
Appliance service revenue	\$11,314	\$9,986	\$9,468
Operating income	\$87,448	\$82,096	\$79,969
Net income	\$45,271	\$42,748	\$39,105

Gross Margin

Gross margin is defined as gas revenues less gas costs, sales tax and a Transitional Energy Facilities Assessment (TEFA). Gross margin provides a more meaningful basis for evaluating utility operations, since gas costs, sales tax and TEFA are passed through to customers and, therefore, have no effect on earnings. Gas costs are charged to operating expenses on the basis of therm sales at the rates included in NJNG's tariff. The Levelized Gas Adjustment Clause (LGA) allows NJNG to recover gas costs that exceed the level reflected in its base rates. Sales tax is calculated at 6 percent of revenue and excludes sales to other utilities, off-system sales and federal accounts. TEFA is calculated on a per-therm basis and excludes sales to other utilities, off-system sales and federal accounts.

Firm Margin

Residential and commercial (i.e., firm) gross margin is subject to a Weather Normalization Clause (WNC), which provides for a revenue adjustment if the weather varies by more than one-half of 1 percent from normal, or 20-year average, weather. The WNC does not fully protect NJNG from factors such as unusually warm weather and declines in customer usage patterns, which were set at the conclusion of NJNG's last base rate case in January 1994. The accumulated adjustment from one heating season (i.e., October-May) is billed or credited to customers in subsequent periods. This mechanism reduces the variability of both customer bills and NJNG's earnings due to weather fluctuations.

The components of gross margin from firm customers are affected by customers switching between sales service and transportation service. NJNG's total gross margin is not negatively affected by customers who utilize its transportation service and purchase their gas from another supplier. This is due to NJNG's tariff, which is designed such that no profit is earned on the commodity portion of sales to firm customers,

while all customers who purchase gas from another supplier continue to utilize NJNG for transportation service.

Total firm margin increased \$10.7 million, or 6 percent, in 2000 and \$6.7 million, or 4 percent, in 1999 due primarily to customer growth.

NJNG added 12,558 and 11,890 new customers, and converted the heating systems of another 1,173 and 1,015 existing customers in 2000 and 1999, respectively. The growth in 2000 represents an annual increase of approximately 2 billion cubic feet (Bcf), or 5 percent, in sales to firm customers.

Sales to firm customers were 43.6 Bcf in 2000, compared with 41.5 Bcf in 1999 and 42.6 Bcf in 1998. Gross margin from sales to firm customers increased \$7.5 million, or 5 percent, in 2000 and decreased \$4.7 million, or 3 percent, in 1999. The increase in 2000 was due primarily to the impact of 12,558 new customer additions. The decrease in 1999 was due to customers switching from sales to transportation service, which offset customer additions.

Gross margin from transportation service increased \$3.2 million, or 11 percent, in 2000 and \$11.4 million, or 63 percent, in 1999, due primarily to increased usage and demand charges. NJNG transported 10.6 Bcf for its firm customers in 2000, compared with 9.4 Bcf in 1999 and 6.6 Bcf in 1998.

NJNG had 30,649 and 31,569 residential customers and 3,924 and 4,331 commercial customers using transportation service at September 30, 2000 and 1999, respectively. The decrease in the number of transportation customers was due primarily to higher wholesale commodity prices, which resulted in customers returning to sales service from transportation service.

The weather in 2000 was 6 percent warmer than normal, which, in accordance with the WNC, resulted in \$7.9 million of gross margin being accrued for future recovery from customers. In 1999 and 1998, warmer-than-normal weather resulted in \$8.7 million and \$12.2 million, respectively, of gross margin being accrued and recovered from customers in the future. As of September 30, 2000, NJNG had \$17.4 million in accrued WNC margins to be collected from its customers in 2001 and 2002.

In 2001 and 2002, NJNG's goal is to add 12,400 and 12,700 new customers and convert an additional 950 existing customers each year to natural gas heat. Achieving these goals would represent a customer growth rate of more than 3 percent and result in a sales increase of approximately 2 Bcf annually, assuming normal weather and average use. It is believed that this would increase gross margin under present base rates by approximately \$6 million annually.

These growth goals are based upon management's review of county and municipal planning board activity, builder surveys and studies of population growth rates in NJNG's service territory. However, future sales will be affected by the weather, economic conditions in NJNG's service territory, conversion and conservation activity, the impact of changing from a regulated to a competitive environment, and other marketing efforts, as has been the case in prior years.

NJNG's goal is to continue its growth without increasing its base rates in order to remain competitive as the energy industry transitions to a more market-based environment.

Off-System Sales and Capacity Management

In order to reduce the overall cost of its gas supply commitments, NJNG has entered into contracts to sell gas to customers outside its franchise territory when the gas is not needed for system requirements. These off-system sales enable NJNG to spread its fixed demand costs, which are charged by pipelines to access their supplies year round, over a larger and more diverse customer base. NJNG also participates in the capacity release market on the interstate pipeline network when the capacity is not needed for its firm system requirements. Through September 30, 1998, NJNG retained 20 percent of the gross margin from these sales, with the balance credited to firm sales customers through the LGA. Effective October 1, 1998 through December 31, 2002, NJNG retains 15 percent of the gross margin from these sales.

A new incentive mechanism designed to reduce the fixed cost of NJNG's gas supply portfolio became effective October 1, 1998. Any savings achieved through the permanent reduction or replacement of capacity or other services will be shared between customers and shareowners. Under this program, NJNG retains 40 percent of the savings for the first 12 months following any transaction and retains 15 percent for the remaining period through December 31, 2002, with the balance credited to firm sales customers through the LGA.

NJNG's off-system sales and capacity management programs totaled 132.2 Bcf and generated \$4.9 million of gross margin in 2000, compared with 143.7 Bcf and \$4.9 million of gross margin in 1999 and 104.9 Bcf and \$4.9 million of gross margin in 1998. The increase in the margin per therm in 2000 was due primarily to higher market pricing. In 1999, the decrease in margin per therm was due primarily to the increase in the availability of supply and capacity.

Interruptible

NJNG serves 52 customers through interruptible sales and/or transportation tariffs. Sales made under the interruptible sales tariff are priced on market-sensitive, oil and gas parity rates. Although therms sold and transported to interruptible customers represented 5 percent of total throughput in both 2000 and 1999 and 6 percent in 1998, they accounted for less than 1 percent of the total gross margin in each year due to the margin-sharing formulas that govern these sales. Under these formulas, NJNG retains 10 percent of the gross margin from interruptible sales and 5 percent of the gross margin from transportation sales, with the balance credited to firm sales customers through the LGA. Interruptible sales were 1 Bcf in 2000, compared with 1.5 Bcf in 1999 and 2 Bcf in 1998. In addition, NJNG transported 8.6 Bcf, 8.3 Bcf and 8.6 Bcf in 2000, 1999 and 1998, respectively, for its interruptible customers.

Appliance Service Revenue

Appliance service revenue increased 13 percent in 2000 to \$11.3 million and 5 percent in 1999 to \$10 million, due primarily to the addition of 10,991 and 6,937 protection plan contracts, respectively. Costs related to this service work are included primarily in operation and maintenance expenses.

Operating Income

Operating income increased 7 percent and 3 percent in 2000 and 1999, respectively. These increases were due primarily to the increases in firm gross margin and increased appliance service revenue, which more than offset higher operating expenses, which consisted primarily of payroll, fringe benefits and depreciation.

Net Income

Net income increased 6 percent to \$45.3 million in 2000 and 9 percent to \$42.7 million in 1999. These increases were the result of the increased operating income discussed above, which more than offset lower Other income. In 1999, Other income included \$800,000 associated with the settlement of a contract to service a cogeneration project, which was subsequently canceled.

Energy Holdings Operations

The consolidated financial results of NJR Energy Holdings Corporation (Energy Holdings) include: NJR Energy Services Company (Energy Services) and NJR Natural Energy Company, formerly New Jersey Natural Energy Company (Natural Energy), the Company's unregulated fuel, capacity management and retail marketing subsidiaries, and the continuing operations of NJR Energy Corporation (NJR Energy), which consist primarily of equity investments in the Capstone Turbine Corporation (Capstone) and the Iroquois Gas Transmission System, L.P. (Iroquois), are summarized as follows:

(Thousands)	2000	1999	1998
Revenues	\$416,848	\$268,599	\$151,118
Gross margin	\$5,613	\$6,988	\$5,122
Operating income	\$2,695	\$3,893	\$3,578
Other income	\$996	\$76	\$169
Net income	\$3,600	\$1,364	\$1,740

Energy Holdings' operating income in 2000 was affected by a shift in Energy Services' operations, due primarily to a larger percentage of profits being generated through storage transactions, which results in favorable timing of cash flows and higher interest income. Energy Holdings' operating income decreased and other income increased in 2000 due primarily to this shift in operations. In 2000, net income increased by \$2.2 million compared with last year, reflecting higher results from the investment in Iroquois, improved wholesale results and the gain from discontinued operations. The decrease in Energy Holdings' net income in 1999 was due primarily to lower margins from retail sales, which more than offset higher margins from daily gas sales and fuel management agreements.

Energy Holdings' revenues and related working capital accounts increased due to growth in Energy Services' wholesale marketing activities. Gas under management decreased to 119.8 Bcf in 2000, compared with 131.1 Bcf in 1999 and 82.9 Bcf in 1998. The decrease in 2000 was due primarily to the expiration of a fuel management contract. Retail gas sales were 3.7 Bcf in 2000, compared with 8 Bcf in 1999 and 6.7 Bcf in 1998. The decrease in retail sales in 2000 was due primarily to the November 1999 sale by Natural Energy of its commercial customer accounts. The increase in 1999 was due primarily to participation in residential pilot programs. Natural Energy had 13,318, 17,875 and 7,502 retail customers at September 30, 2000, 1999 and 1998, respectively.

NJR Energy's results include interest expense related to debt remaining after the discontinuance of the oil and natural gas production business in 1995. The Company plans to further reduce such debt from cash flow generated by its equity investments.

Future results are subject to Energy Holdings' ability to expand its wholesale marketing activities as well as the future results of the entities in which the Company has an equity investment.

NJR Development Operations

The financial results of NJR Development Corporation consist solely of the operations of Commercial Realty & Resources Corp. (CR&R), and are summarized as follows:

(Thousands)	2000	1999	1998
Revenues	\$1,103	\$989	\$758
Other income	\$609	\$692	\$2,525
Net (loss) income	\$(276)	\$76	\$487

The decrease in net income in 2000 was due primarily to marketing costs associated with CR&R's remaining undeveloped land portfolio. In addition, in 2000, CR&R completed the sale of 7.7 acres of undeveloped land for \$275,000 and incurred an after-tax loss of \$44,000.

The decrease in net income in 1999 was due primarily to the sale of a 280,000-square-foot office building, which generated \$1.5 million of Other income in 1998.

In 1996, CR&R entered into a sale-leaseback transaction, which generated a pre-tax gain of \$17.8 million, which is included in Deferred revenue and is being amortized to Other income over 25 years. The primary tenant of the facility, NJNG, is leasing the building under a long-term master lease agreement and continues to occupy the majority of the space in the building.

Other Operations

Other income in 2000 and 1999 included gains of \$55,000 and \$1 million, respectively, associated with the sale of investment securities by the Company.

The Year 2000 Issue

The Company developed and implemented a plan to address Year 2000 (Y2K) issues. The Company has not experienced any material incidents during the transition to Y2K. All computers, infrastructure and business systems have been running smoothly following the transition. The Company will continue to monitor Y2K issues and does not believe that there will be any future incidents.

Liquidity and Capital Resources**Consolidated**

The Company obtains its external common equity requirements, if any, through issuances of its common stock, including the proceeds from its Automatic Dividend Reinvestment Plan (DRP). In 1996, the DRP was amended to allow the Company, at its option, to use shares purchased on the open market or newly issued shares to satisfy its funding requirements.

In September 1996, the Company implemented a one-million share repurchase plan which was expanded to 1.5 million shares in October 1999. The Company has repurchased 1,220,670 shares through September 30, 2000.

The Company provides the debt requirements for its unregulated companies, while NJNG satisfies its debt needs by issuing short- and long-term debt based upon its own financial profile. In order to meet the working capital and external debt financing requirements of the unregulated companies, as well as its own working capital needs, the Company maintains committed credit facilities totaling \$90 million with a number of banks. The Company borrowed \$43.1 million and \$58.8 million at September 30, 2000 and 1999, respectively, to fund the debt requirements of its unregulated subsidiaries and its working capital and investment activity.

It is the Company's objective to maintain a consolidated capital structure that reflects the different characteristics of each business segment and provides adequate financial flexibility for accessing capital markets as required. Based upon its existing mix of investments, it is the Company's goal to maintain a common equity ratio between 50 percent and 55 percent, excluding short-term debt, which is consistent with maintaining its current short- and long-term credit ratings.

At September 30, the Company's consolidated capital structure was as follows:

	2000	1999
Common stock equity	53%	51%
Long-term debt	47	49
Total	100%	100%

NJNG

The seasonal nature of NJNG's operations creates large short-term cash requirements, primarily to finance gas purchases and customer accounts receivable. NJNG obtains working capital for these requirements, as well as for the temporary financing of construction and gas remediation expenditures and energy tax payments through the issuance of commercial paper and short-term bank loans. To support the issuance of commercial paper, NJNG maintains committed credit facilities totaling \$100 million.

Capital Requirements

NJNG's capital requirements for 1998 through 2000 and projected amounts through 2002 are as follows:

(Thousands)	Construction expenditures	Maturities and redemption of long-term debt	Redemption of preferred stock	Total
1998	\$42,847	\$38,192	\$120	\$81,159
1999	\$48,196	\$20,157	\$20,120	\$88,473
2000	\$48,826	\$318	\$120	\$49,264
2001	\$49,900	\$495	\$120	\$50,515
2002	\$49,700	\$529	\$120	\$50,349

The level of construction expenditures results primarily from the need for services, mains and meters to support NJNG's continued customer growth and general system maintenance. Optional redemption activity included \$20 million and \$38 million of First Mortgage Bonds in 1999 and 1998, respectively, and \$20 million of 7.72 percent Preferred Stock in 1999.

Financing

(Thousands)	2000	1999	1998
Cash flow	\$98,358	\$74,813	\$75,665
External financing			
Long-term debt	—	—	\$40,045

Cash flow, defined as net income adjusted for depreciation, amortization of deferred charges and the change in deferred income taxes, represents the cash generated from operations available for capital expenditures, dividends, working capital and other requirements. Cash flow increased in 2000 due primarily to higher earnings and deferred tax benefits. Cash flow decreased in 1999 due primarily to lower deferred tax benefits.

NJNG currently anticipates that its financing requirements in 2001 and 2002 will be met through internal generation, issuances of short term debt and the draw down of \$5 million and \$2.6 million of its Series GG Bonds, respectively. The timing and mix of any external financings will be geared toward maintaining a common equity ratio that is consistent with maintaining its current short- and long-term credit ratings.

Energy Holdings

Energy Holdings' capital requirements and financing activity for 1998 through 2000 were as follows:

(Thousands)	2000	1999	1998
Capital expenditures and equity investments	\$856	\$308	\$2,000
Cash flow	\$13,781	\$(526)	\$2,028
Intercompany debt	\$(35,550)	\$(28,334)	\$19,306

The decrease in intercompany debt in 2000 was due primarily to positive cash flow generated through storage transactions. The increase in cash flow in 2000 was due primarily to higher earnings and deferred tax benefits. The decrease in intercompany debt in 1999 reflected the impact of a renegotiated capacity contract that generated \$5 million in positive cash flow associated with various storage transactions and the allocation of DRP proceeds. The decrease in cash flow in 1999 was due primarily to the taxes associated with the renegotiated capacity contract.

NJR Energy has a \$2.3 million equity interest in Capstone, a developer of energy efficient, gas-fired microturbines that produce electricity. In June 2000, Capstone issued its initial public offering and, at September 30, 2000, this investment had a market value of \$24.6 million.

Energy Holdings does not currently anticipate any significant capital expenditures or external financing requirements in 2001.

NJR Development

CR&R's capital requirements and financing activity for 1998 through 2000 were as follows:

(Thousands)	2000	1999	1998
Capital expenditures	\$1,068	\$306	\$1,609
Cash flow	\$6	\$(569)	\$1,376
Asset sales	\$275	—	\$15,600
Intercompany debt	\$(980)	\$(1,873)	\$(11,580)

CR&R currently has 210 acres of undeveloped land and two fully occupied buildings totaling 25,000 square feet.

Proceeds from asset sales and the DRP have been used to reduce intercompany debt. Cash flow increased in 2000 due primarily to deferred tax benefits. The decrease in cash flow in 1999 reflects the tax payments related to the asset sales.

Capital expenditures each year are in connection with the fit-up of tenant space and investments made to preserve the value of real estate holdings. CR&R currently anticipates capital expenditures of \$2.7 million in 2001 in connection with the construction of a 35,000 square-foot, build-to-suit office building. CR&R has contracted to sell the building, subject to obtaining a certificate of occupancy, and adjacent undeveloped acreage, the terms of which would at least recover the construction costs and land investment.

Financial Risk Management**Commodity Market Risks**

The regulated and unregulated natural gas businesses of the Company and its subsidiaries are subject to market risk due to fluctuations in the price of natural gas. To hedge against such fluctuations, the Company and its subsidiaries have entered into futures contracts, options agreements and over-the-counter swap agreements. To manage these instruments, the Company has well-defined risk management policies and procedures, which include daily monitoring of volumetric limits and monetary guidelines. The Company's natural gas businesses are conducted through three of its operating subsidiaries. First, NJNG is a regulated utility whose recovery of gas costs is protected by the LGA, but to hedge against price fluctuations, NJNG utilizes futures, options and swaps. Second, Energy Services has hedged its commitments to purchase natural gas for sale to retail marketers and hedged purchases and sales of storage gas and fixed price sales to wholesale customers. Finally, NJR Energy has entered into several swap transactions to hedge an 18-year, fixed-price contract to sell approximately 22.6 Bcf of natural gas (Gas Sale Contract) to a gas marketing company at prices ranging from \$2.73 to \$4.41 per million British Thermal Unit (Mmbtu).

NJR Energy has hedged both its price and physical delivery risks associated with the Gas Sale Contract. To hedge its price risk, NJR Energy entered into two swap agreements effective in November 1995. Under the terms of these swap agreements, NJR Energy will pay to the counterparties the identical fixed price it receives from the gas marketing company in exchange for the payment by the counterparties of an index price plus a spread per Mmbtu for the total volumes under the Gas Sale Contract. In order to hedge its physical delivery risk, NJR Energy entered into a purchase contract with a second gas marketing company for the identical volumes that it is obligated to sell under the Gas Sale Contract, under which it pays the identical floating price it receives under the swap agreements mentioned above.

Natural gas is a nationally traded commodity, and its prices are effectively determined by the New York Mercantile Exchange (NYMEX) and over-the-counter markets. The prices on the NYMEX and over-the-counter markets generally reflect the notional balance of natural gas supply and demand, but are also influenced significantly from time to time by other events.

The following is a summary of NJNG's and Energy Services' commodity derivatives as of September 30, 2000:

	Volume in Bcf	Price per Mmbtu	Deferred Unrealized Gain (Thousands)
NJNG			
Futures	7.7	\$2.69-\$5.42	\$15,983
Swaps	2.1		\$159
Options	1.0	\$2.75-\$5.00	\$3,681
Energy Services			
Futures	0.3	\$2.13-\$4.69	\$16,655
Swaps	10.5		\$7,695
Options	0.2	\$2.25-\$4.50	\$11

All of the futures contracts, options and swap agreements described are held for hedging, rather than trading, purposes. With respect to the futures contracts, options and swap agreements, the Company has performed a sensitivity analysis to estimate its exposure to market risk arising from natural gas price fluctuations using the net positions, as shown in the table below. Futures, options and swap agreements are substantially all settled at the NYMEX settlement date and the related natural gas quantity is purchased or sold in the physical market and, therefore, their notional values, which represent the absolute sum of all outstanding contracts and agreements, as the case may be, are not accurate measures of risk to the Company from those contracts and agreements.

Summary of effects of a theoretical 10 percent change in market value:

(Thousands)	2000	1999
Futures	\$7,147	\$770
Swaps	\$369	\$2,800
Options	\$1,678	\$120

Any such additional changes in value under the futures contracts and the option and swap agreements would be offset substantially by a corresponding change in the related underlying contracts that are being hedged.

Interest Rate Risk

As of September 30, 2000, the Company had variable rate debt of \$43.1 million. If interest rates were to change by 100 basis points, annual interest expense, net of tax, would change by \$254,000. On October 2, 2000, the Company entered into an interest-rate swap agreement on \$20 million of variable rate debt, which fixes the interest rate at 6.97 percent for the next 12 months. As of September 30, 1999, the Company had variable rate debt outstanding of \$58.8 million.

At September 30, 2000, NJNG had total variable rate debt outstanding of \$97 million, of which \$56 million has been hedged by the purchase of a 6.5 percent interest rate cap through the year 2003. According to the Company's sensitivity analysis, NJNG's annual interest rate exposure on the \$56 million, based on the difference between current average rates and the 6.5 percent interest rate cap, is limited to \$1.1 and \$1.2 million, net of tax, as of September 30, 2000 and 1999, respectively. If interest rates were to change by 100 basis points on the remaining \$41 million of variable rate debt, NJNG's annual interest expense, net of tax, would change by \$242,000.

Effects of New Accounting Standards

Effective October 1, 2000, the Company has adopted SFAS No. 133 "Accounting for Derivative Investments and Hedging Activities" (SFAS 133). Under the terms of SFAS 133, the Company records the fair value of derivatives held as derivative assets and liabilities. The changes in the net value of the effective portion of derivatives qualifying as cash flow hedges are recorded, net of tax, in accumulated other comprehensive income. Under the terms of SFAS 133, the

Company also has certain derivative instruments that do not qualify as cash flow hedges. The change in net value of these derivatives are recorded in net income. In addition, the changes in net value of the ineffective portion of derivatives qualifying for hedge accounting are recorded as an increase or decrease in gas costs or interest expense, as applicable, based on the nature of the derivatives. Fair value of derivatives utilized by the Company's regulated subsidiary, NJNG, are recoverable under the LGA and will be recorded as a regulatory asset or liability. The Company has not utilized any derivatives for fair value hedging purposes.

Fair value of the derivative investments is determined by reference to quoted market prices of listed contracts, published quotations or quotations from independent parties. In the absence thereof, the Company utilizes mathematical models based on current and historical data.

At October 1, 2000, the effect of the adoption of SFAS 133 was as follows:

(Thousands)	
Fair value of derivative assets	\$56,963
Fair value of derivative liabilities	\$17,657
Regulatory liability	\$6,834
Cumulative effect on net income from a change in accounting, net of tax	\$(1,347)
Accumulated other comprehensive income, net of tax	\$20,530

The cumulative effect on net income from a change in accounting resulted from derivatives that do not qualify for hedge accounting. The amounts included in other comprehensive income related to natural gas instruments will reduce or be charged to gas costs as the related transaction occurs. Based on the amount recorded to other comprehensive income on the October 1, 2000 transition date, \$9.8 million is expected to be recorded as a reduction to gas costs in fiscal 2001. Those amounts related to interest rate instruments will reduce or be charged to interest expense as the future transaction occurs. There are no amounts in other comprehensive income related to interest rate instruments.

The cash flow hedges described above cover various periods of time ranging from November 2000 to October 2010.

Effects of Inflation

Although inflation rates have been relatively low to moderate in recent years, any change in price levels has an effect on operating results due to the capital-intensive and regulated nature of the Company's principal subsidiary. The Company attempts to minimize the effects of inflation through cost control, productivity improvements and regulatory actions where appropriate.

Consolidated Statements of Income

(Thousands, except per share data)

Fiscal years ended September 30,	2000	1999	1998
Operating Revenues	\$1,164,549	\$904,268	\$710,342
Operating Expenses			
Gas purchases	919,903	669,835	483,715
Operation and maintenance	84,895	80,970	77,990
Depreciation and amortization	30,997	29,455	27,835
Energy and other taxes	34,842	36,071	36,758
Total operating expenses	1,070,637	816,331	626,298
Operating Income	93,912	87,937	84,044
Other income	1,948	3,797	3,619
Interest Charges, Net			
Long-term debt	15,862	17,206	16,760
Short-term debt and other	2,888	2,771	2,873
Total interest charges, net	18,750	19,977	19,633
Income before Income Taxes	77,110	71,757	68,030
Income tax provision	29,147	26,835	24,688
Income before Preferred Stock Dividends	47,963	44,922	43,342
Preferred stock dividends	27	116	1,585
Income from Continuing Operations	47,936	44,806	41,757
Income from discontinued operations, net of tax (\$572)	828	—	—
Net Income	\$ 48,764	\$ 44,806	\$ 41,757
Earnings per Share - Basic			
Income from Continuing Operations	\$2.71	\$2.51	\$2.35
Net Income	\$2.76	\$2.51	\$2.35
Earnings per Share - Diluted			
Income from Continuing Operations	\$2.69	\$2.49	\$2.33
Net Income	\$2.74	\$2.49	\$2.33
Dividends per Common Share	\$1.72	\$1.68	\$1.64
Average Shares Outstanding - Basic	17,698	17,852	17,798
Average Shares Outstanding - Diluted	17,822	17,984	17,894

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows

(Thousands)

Fiscal years ended September 30,	2000	1999	1998
Cash Flows from Operating Activities			
Net income	\$ 48,764	\$ 44,806	\$ 41,757
Adjustments to reconcile net income to cash flows			
Depreciation and amortization	30,997	29,455	27,835
Amortization of deferred charges	5,663	2,692	2,716
Deferred income taxes	18,607	(2,785)	6,989
Manufactured gas plant remediation costs	(26,249)	(6,635)	(1,262)
Changes in working capital	45,402	49,188	(48,967)
Other, net	3,257	511	(7,789)
Net cash flows from operating activities	126,441	117,232	21,279
Cash Flows (used in) from Financing Activities			
Proceeds from long-term debt	—	—	75,345
Proceeds from common stock	8,490	9,059	6,579
Payments of long-term debt	(16,018)	(20,657)	(38,192)
Payments of preferred stock	(120)	(20,120)	(120)
Purchases of treasury stock	(14,630)	(11,712)	(9,240)
Payments of common stock dividends	(30,269)	(29,828)	(29,076)
Net change in short-term debt	(18,400)	1,000	12,700
Net cash flows (used in) from financing activities	(70,947)	(72,258)	17,996
Cash Flows used in Investing Activities			
Expenditures for			
Utility plant	(48,826)	(48,196)	(42,847)
Real estate properties and other	(2,067)	(676)	(1,830)
Equity investments	(250)	—	(9,498)
Cost of removal	(5,401)	(5,362)	(3,691)
Proceeds from sale of assets	831	8,907	15,600
Net cash flows used in investing activities	(55,713)	(45,327)	(42,266)
Net change in cash and temporary investments	(219)	(353)	(2,991)
Cash and temporary investments at beginning of the year	2,123	2,476	5,467
Cash and temporary investments at end of the year	\$ 1,904	\$ 2,123	\$ 2,476
Changes in Components of Working Capital			
Construction fund	\$ 4,500	\$ 3,900	\$(16,000)
Receivables	(21,974)	(31,604)	(810)
Inventories	(27,913)	17,208	(17,046)
Deferred gas costs	10,709	32,047	(3,730)
Purchased gas	74,720	31,368	(10,418)
Accrued and prepaid taxes, net	(6,281)	(1,977)	4,854
Accounts payable and other current liabilities	11,912	(1,207)	1,074
Other, net	(271)	(547)	(6,891)
Total	\$ 45,402	\$ 49,188	\$(48,967)
Supplemental Disclosures of Cash Flows Information			
Cash paid during the year for			
Interest (net of amounts capitalized)	\$17,612	\$18,978	\$18,287
Income taxes	\$15,996	\$36,875	\$10,660

The accompanying notes are an integral part of these statements.

Consolidated Balance Sheets

(Thousands)

September 30,	2000	1999
Assets		
Property, Plant and Equipment		
Utility plant, at cost	\$ 981,601	\$ 941,490
Real estate properties and other, at cost	28,016	26,326
	1,009,617	967,816
Accumulated depreciation and amortization	(279,033)	(262,372)
Property, plant and equipment, net	730,584	705,444
Current Assets		
Cash and temporary investments	1,904	2,123
Construction fund	7,600	12,100
Customer accounts receivable	103,618	80,974
Unbilled revenues	3,189	2,950
Allowance for doubtful accounts	(2,555)	(1,684)
Gas in storage, at average cost	63,799	35,718
Materials and supplies, at average cost	3,549	3,717
Prepaid state taxes	12,836	4,749
Other	8,922	8,598
Total current assets	202,862	149,245
Deferred Charges and Other		
Equity investments	29,515	8,813
Regulatory assets	87,291	64,063
Long-term deferred gas costs	14,112	9,744
Other	22,678	22,703
Total deferred charges and other	153,596	105,323
Total Assets	\$1,087,042	\$ 960,012
Capitalization and Liabilities		
Capitalization		
Common stock equity	\$ 328,128	\$302,169
Redeemable preferred stock	400	520
Long-term debt	291,528	287,723
Total capitalization	620,056	590,412
Current Liabilities		
Current maturities of long-term debt	495	20,318
Short-term debt	43,300	61,700
Purchased gas	153,549	78,829
Accounts payable and other	40,411	28,499
Dividends payable	7,595	7,465
Accrued taxes	1,135	2,138
Overrecovered gas costs	18,446	3,369
Customers' credit balances and deposits	16,286	15,470
Total current liabilities	281,217	217,788
Deferred Credits		
Deferred income taxes	95,809	65,559
Deferred investment tax credits	9,845	10,293
Deferred revenue	21,009	23,020
Other	59,106	52,940
Total deferred credits	185,769	151,812
Commitments and Contingent Liabilities (Note 11)		
Total Capitalization and Liabilities	\$1,087,042	\$960,012

The accompanying notes are an integral part of these statements.

Consolidated Statements of Capitalization

(Thousands)

September 30,	2000	1999
Common Stock Equity		
Common stock, \$2.50 par value, authorized 50,000,000 shares; issued shares 2000-18,499,464; 1999-18,470,886	\$ 46,249	\$ 46,177
Premium on common stock	223,256	221,703
Accumulated other comprehensive income, net of tax	13,514	37
Treasury stock at cost and other; shares 2000-905,733; 1999-730,027	(31,814)	(24,306)
Retained earnings	76,923	58,558
Total common stock equity	328,128	302,169
Redeemable Preferred Stock		
New Jersey Natural Gas Company		
\$100 par value, cumulative; authorized shares		
2000 - 314,000; 1999 - 315,200; outstanding shares		
5.65% series - 2000 - 4,000; 1999 - 5,200	400	520
Total redeemable preferred stock	400	520
Long-Term Debt		
New Jersey Natural Gas Company		
<u>First mortgage bonds</u>	<u>Maturity date</u>	
7.50% Series V	December 1, 2002	25,000
5.38% Series W	August 1, 2023	10,300
6.27% Series X	November 1, 2008	30,000
6.25% Series Y	August 1, 2024	10,500
8.25% Series Z	October 1, 2004	25,000
Variable Series AA	August 1, 2030	25,000
Variable Series BB	August 1, 2030	16,000
6.88% Series CC	October 1, 2010	20,000
Variable Series DD	September 1, 2027	13,500
Variable Series EE	January 1, 2028	9,545
Variable Series FF	January 1, 2028	15,000
Variable Series GG	April 1, 2033	18,000
Capital lease obligation		30,583
Total	248,428	248,923
New Jersey Resources Corporation		
Revolving credit agreements, at floating rates	October 1, 2001 - January 31, 2002	43,100
Total long-term debt		291,528
Total Capitalization	\$620,056	\$590,412

The accompanying notes are an integral part of these statements.

Consolidated Statements of Common Stock Equity

(Thousands)

	Number of Shares	Comprehensive Income	Common Stock	Premium on Common Stock	Accumulated Other Comprehensive Income	Treasury Stock and Other	Retained Earnings
Balance at September 30, 1997	17,880		\$45,385	\$210,385	\$ —	\$ (8,538)	\$31,204
Net income		\$41,757					41,757
Unrealized gains on equity investments, net		<u>54</u>			54		
Comprehensive income		\$41,811					
Common stock issued under stock plans	180		449	7,645			
Cash dividends declared							(29,219)
Treasury stock and other	(249)					(8,318)	
Balance at September 30, 1998	17,811		45,834	218,030	54	(16,856)	43,742
Net income		\$44,806					44,806
Unrealized losses on equity investments, net		<u>(17)</u>			(17)		
Comprehensive income		\$44,789					
Common stock issued under stock plans	250		343	3,673		4,972	
Cash dividends declared							(29,990)
Treasury stock and other	(320)					(12,422)	
Balance at September 30, 1999	17,741		46,177	221,703	37	(24,306)	58,558
Net income		\$48,764					48,764
Unrealized gains on equity investments, net		<u>13,477</u>			13,477		
Comprehensive income		\$62,241					
Common stock issued under stock plans	231		72	1,553		7,176	
Cash dividends declared							(30,399)
Treasury stock and other	(378)					(14,684)	
Balance at September 30, 2000	17,594		\$46,249	\$223,256	\$13,514	\$(31,814)	\$76,923

The accompanying notes are an integral part of these statements.

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Independent Auditors' Report

**Deloitte
& Touche***To the Shareowners and Board of Directors of New Jersey Resources Corporation.*

We have audited the accompanying consolidated balance sheets and consolidated statements of capitalization of New Jersey Resources Corporation and its subsidiaries (the Company) as of September 30, 2000 and 1999 and the related consolidated statements of income, common stock equity and cash flows for each of the three years in the period ended September 30, 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the Company at September 30, 2000 and 1999 and the results of their operations and their cash flows for each of the three years in the period ended September 30, 2000 in conformity with accounting principles generally accepted in the United States of America.

We have also previously audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated balance sheets and consolidated statements of capitalization as of September 30, 1998, 1997, 1996, and 1995, and the related consolidated statements of income, common stock equity and cash flows for each of the years ended September 30, 1997, 1996 and 1995 (none of which are presented herein) and we expressed unqualified opinions on those consolidated financial statements. In our opinion, the information set forth in the Selected Financial Data for each of the six years in the period ended September 30, 2000 for the Company, presented on page 28, is fairly stated in all material respects, in relation to the consolidated financial statements from which it has been derived.

Deloitte & Touche LLP

Parsippany, New Jersey
October 26, 2000

Notes to Consolidated Financial Statements

1. Summary of Significant Accounting Policies

Nature of the Business

New Jersey Resources Corporation (the Company) is an energy services holding company providing retail and wholesale natural gas and related energy services to customers from the Gulf Coast to New England. Its principal subsidiary, New Jersey Natural Gas Company (NJNG), provides regulated natural gas and appliance services in central and northern New Jersey and participates in the off-system sales and capacity release markets. Other operating subsidiaries include: NJR Energy Services Company (Energy Services) and NJR Natural Energy Company, formerly New Jersey Natural Energy Company (Natural Energy), the Company's unregulated fuel and capacity management and retail marketing subsidiaries; NJR Energy Corporation (NJR Energy), an investor in energy-related ventures; and, Commercial Realty and Resources Corp. (CR&R), a commercial real estate developer. The Company has formed NJR Home Services Company to provide appliance service and warranty contracts. Subject to written approval by the New Jersey Board of Public Utilities (BPU), the Company will transfer its existing appliance service business from NJNG to NJR Home Services Company.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries. Significant intercompany accounts and transactions have been eliminated.

Regulatory Accounting

NJNG maintains its accounts in accordance with the Uniform System of Accounts as prescribed by the BPU. As a result of the ratemaking process, the accounting principles applied by NJNG differ in certain respects from those applied by unregulated businesses.

Utility Plant and Depreciation

Depreciation is computed on a straight-line basis for financial statement purposes, using rates based on the estimated average lives of the various classes of depreciable property. The composite rate of depreciation was 3.38 percent of average depreciable property in 2000, 3.40 percent in 1999 and 3.36 percent in 1998. When depreciable properties are retired, the original cost thereof, plus cost of removal less salvage, is charged to accumulated depreciation.

Utility Revenue

Customers are billed through monthly cycle billings on the basis of actual or estimated usage. NJNG accrues estimated revenue for gas delivered to the end of the accounting period but not billed to customers.

Gas Purchases

NJNG's tariff includes a Levelized Gas Adjustment Clause (LGA), which is normally revised on an annual basis. Under the LGA, NJNG projects its cost of gas, net of supplier refunds, the impact of hedging activities and credits from non-firm sales and transportation activities, over the subsequent 12 months and recovers the excess, if any, of such projected costs over those included in its base rates through levelized charges to customers. Any under- or over-recoveries are deferred and reflected in the LGA in subsequent years.

State of New Jersey Tax Reform

In January 1998, the utility gross receipts and franchise tax formula was replaced with a state sales and income tax and a Transitional Energy Facilities Assessment (TEFA). The TEFA is being gradually phased out between 1999 and 2002. The new law requires that all energy providers in the state be subject to the state sales and income taxes. Previously, non-utility providers of energy were not subject to the gross receipts and franchise tax.

Income Taxes

Deferred income taxes are calculated in conformance with Statement of Financial Accounting Standards (SFAS) No. 109 "Accounting for Income Taxes" (SFAS 109) (See Note 7: Income Taxes).

Investment tax credits have been deferred and are being amortized as a reduction to the tax provision over the average lives of the related property.

Capitalized Interest

The Company's capitalized interest totaled \$1.1 million in 2000, \$735,000 in 1999 and \$714,000 in 1998.

Equity Investments

Equity investments, which were purchased as long-term investments, are classified as available for sale and are carried at their estimated fair value with any unrealized gains or losses included in other comprehensive income, a component of stockholders' equity.

Included in equity investments is the Company's less than 1 percent ownership interest in Capstone Turbine Corporation, a developer of microturbines, which issued its initial public offering in June 2000. Based on its market value on September 30, 2000 this investment generated \$13.5 million of other comprehensive income, net of tax, in 2000.

Regulatory Assets

Regulatory assets at September 30, 2000 and 1999 consisted of the following items:

(Thousands)	2000	1999
Remediation costs (Note 11)	\$82,352	\$57,736
Postretirement costs (Note 9)	3,919	4,559
Other	1,020	1,768
Total	\$87,291	\$64,063

Statements of Cash Flows

For purposes of reporting cash flows, all temporary investments with maturities of three months or less are considered cash equivalents.

Derivative Activities

Through September 30, 2000, the Company accounted for the results of its derivative activities for hedging purposes utilizing the settlement method. The settlement method provides for recognizing the gains or losses from derivatives when the related physical transaction has been completed. Derivatives that were not for hedging purposes were valued at fair value utilizing quoted market prices. Changes in fair value were recorded in net income.

Effective October 1, 2000, the Company has adopted SFAS No. 133 "Accounting for Derivative Investments and Hedging Activities" (SFAS 133). Under SFAS 133, the Company records the fair value of derivatives held as assets and liabilities. The changes in net value of the effective portion of derivatives qualifying as cash flow hedges are recorded, net of tax, in accumulated other comprehensive income. Under SFAS 133, the Company also has certain derivative instruments that do not qualify as cash flow hedges. The change in net value of these derivatives are recorded in net income. In addition, the changes in net value of the ineffective portion of derivatives qualifying for hedge accounting are recorded as an increase or decrease in gas costs or interest expense, as applicable, based on the nature of the derivatives. Fair value of derivatives utilized by NJNG are recoverable under its LGA and are recorded as a regulatory asset or liability. The Company has not utilized any derivatives for fair value hedging purposes.

Fair value of the derivative investments is determined by reference to quoted market prices of listed contracts, published quotations or quotations from independent parties. In the absence thereof, the Company utilizes mathematical models based on current and historical data. (See Note 10: Financial Instruments and Risk Management)

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year reporting.

Use of Estimates

The consolidated financial statements of the Company include estimates and assumptions of certain assets, liabilities, revenues and expenses and the disclosure of certain contingent assets and liabilities. Actual results in the future may differ from such estimates.

2. Discontinued Operations

In May 1995, the Company adopted a plan to exit the oil and natural gas production business and pursue the sale of the reserves and related assets of NJR Energy and its subsidiary, New Jersey Natural Resources Company (NJNR). The Company accounted for this segment as a discontinued operation and, in 1995, recorded an after-tax charge of \$8.7 million, or \$.49 per share. This charge was based on estimates of the anticipated loss from operations until the assets were sold, the estimated loss on the sale of the remaining reserves and other costs related to the closing of its offices. Based upon actual proceeds received from the sale of the assets and costs incurred, net of insurance recoveries received in January 2000, the Company closed out its reserve balance and reported income from discontinued operations of \$828,000, or \$.05 per share, in the quarter ended March 31, 2000.

3. Common Stock

At September 30, 2000, there were 1,117,997 shares reserved for issuance under the Company's Automatic Dividend Reinvestment, Employee Stock Ownership and Retirement Savings Plans.

A total of 1.5 million shares are reserved for issuance to employees under the Long-Term Incentive Compensation Plan (Plan) at the discretion of the Board of Directors. At September 30, 2000, there were 670,463 shares remaining for issuance or grant under the Plan. The Company issued 9,600 and 22,461 shares in 1999 and 1997 under the Plan, with a related annual expense of approximately \$118,000 and \$224,000, respectively, which vest over a three-year period and are subject to the Company achieving certain performance targets. In 2000, the Company issued an additional 13,964 shares related to the 1997 award, based on exceeding certain performance targets. The related expense of \$559,000 was recognized in 1999.

All options granted under the Plan have been non-qualified stock options. They give the holder a right to purchase the Company's common stock at prices no less than the closing price on the date of the grant. Generally, no option can be exercised before one year or more than ten years from the date of each grant.

A total of 175,000 shares are reserved for issuance to outside directors under the Restricted Stock and Stock Option Program for Outside Directors and Supplemental Stock Option Program. Under these programs, each director receives an award of 200 shares of restricted stock, which vests over four years, and is granted 5,000 options upon joining the Board, and receives an annual grant of 1,500 options. In 2000, 400 shares were issued and none were forfeited. At September 30, 2000, there were 16,550 shares remaining for issuance or grant under these programs. All options granted under these programs allow for purchase of common stock at prices equal to the closing price on the date of grant, and no option can be exercised before one year or more than ten years from the date of each grant.

The Company has adopted SFAS No. 128 "Earnings Per Share", which establishes standards for computing and presenting basic and diluted earnings per share (EPS). The incremental shares required for inclusion in the denominator for the diluted EPS calculation were 124,044, 132,061 and 96,205 in 2000, 1999 and 1998, respectively. These shares relate to stock options and restricted stock and were calculated using the treasury stock method. The numerator for each applicable basic and diluted calculation was income from continuing operations and net income.

As permitted by SFAS No. 123 "Accounting for Stock-Based Compensation" (SFAS 123), the Company will continue to apply Accounting Principles Board Opinion No. 25 and its related interpretations in accounting for its stock-based plans and provide the pro forma disclosures required by SFAS 123. No compensation expense has been recognized for its stock-based plans except for performance-based awards. If compensation expense had been determined based on the fair value of stock options at the date of grant consistent with the methodology of SFAS 123, the Company's net income would have been reduced by approximately \$331,000 (\$.02 EPS - Basic and Diluted) in 2000, \$151,000 (\$.01 EPS - Basic and Diluted) in 1999 and \$171,000 (\$.01 EPS - Basic and Diluted) in 1998.

The following table summarizes the stock option activity for the past three years:

	Shares	Price Range	Weighted Average Exercise Price
Outstanding at September 30, 1997	367,355	\$22.25 - \$33.75	\$27.74
Granted	36,431	22.25 - 37.50	35.42
Exercised	(12,019)	22.25 - 32.00	26.15
Forfeited	(11,366)	22.88 - 34.44	28.54
Outstanding at September 30, 1998	380,401	22.25 - 37.50	28.51
Granted	327,537	36.94 - 39.50	37.02
Exercised	(17,864)	22.25 - 35.44	26.26
Forfeited	(3,499)	27.75 - 38.00	29.40
Outstanding at September 30, 1999	686,575	22.25 - 39.50	32.62
Granted	146,180	37.88 - 41.19	39.03
Exercised	(16,550)	22.25 - 38.00	28.39
Forfeited	(17,088)	22.88 - 40.00	35.62
Outstanding at September 30, 2000	799,117	\$22.25 - \$41.19	\$33.82
Exercisable at September 30, 2000	379,611	\$22.25 - \$39.50	\$30.49

The weighted average remaining option contractual life is 6.7 years.

The following table summarizes the assumptions used in the Black-Scholes option pricing model and the resulting weighted average fair value of the stock options for the past three years:

	2000	1999	1998
Dividend yield	4.2%	4.2%	4.6%
Volatility	19.04%	19.31%	30.95%
Expected life (years)	8.2	8.5	7.6
Weighted average fair value	\$2.89	\$2.60	\$5.26

In September 1996, the Board of Directors authorized the repurchase of up to one million of the Company's common shares. In October 1999, the plan was expanded to 1.5 million shares. As of September 30, 2000, the Company has repurchased 1,220,670 shares of its common stock at a cost of \$43.6 million.

4. Redeemable Preferred Stock

In July 1996, the Board of Directors adopted a shareholder rights plan that provides for the distribution of one right for each share of common stock outstanding on or after August 15, 1996. Each right entitles its holder to purchase 1/1000 of one share of the Series A Stock, as defined below, at an exercise price of \$55.

The rights plan provides that, after a person or group acquires 10 percent or more of the Company's common stock, each of the rights, except for those held by the 10 percent holder, which become void once the holder reaches the 10 percent threshold, becomes the right to acquire shares of the Company's common stock having a market value equal to twice the exercise price. If a person or group acquires at least 10 percent, but less than 50 percent, the Board of Directors may exchange each right for one share of the Company's common stock. The rights may be redeemed for \$.01 per right at any time prior to the first public announcement or communication to the Company that a person or group has crossed the 10 percent threshold.

The Company has 400,000 shares of authorized and unissued \$100 par value preferred stock. The Company has created and reserved for issuance 50,000 shares of Series A Junior Participating Cumulative Preferred Stock (Series A Stock) in connection with the adoption of the shareholder rights plan.

5. Long-Term Debt, Dividends and Retained Earnings Restrictions

Annual redemption requirements for the next five years are as follows: 2001, \$495,000; 2002, \$43.6 million; 2003, \$25.6 million; 2004, \$604,000 and 2005, \$25.6 million.

NJNG's mortgage secures its First Mortgage Bonds and represents a lien on substantially all of its property, including gas supply contracts. Certain indentures supplemental to the mortgage include restrictions as to cash dividends and other distributions on NJNG's common stock, which restrictions apply so long as certain series of First Mortgage Bonds are outstanding. Under the most restrictive provision, approximately \$81.7 million of NJNG's retained earnings was available for such purposes at September 30, 2000.

In June 1999, NJNG redeemed its \$20 million 10.10 percent Series S First Mortgage Bonds.

NJNG has entered into loan agreements with the New Jersey Economic Development Authority (EDA) in which the EDA issues bonds to the public. To secure its loans from the EDA, NJNG issues First Mortgage Bonds with interest rates and maturity dates identical to the EDA's Bonds. In April 1998, NJNG entered into a loan agreement whereby the EDA loaned NJNG the proceeds from its \$18 million Natural Gas Facilities Revenue Bonds, Series 1998C (1998 Bonds). The rates of interest on the 1998 Bonds are variable, currently set at a weekly mode, and may be changed by NJNG to daily, weekly, flexible or long-term interest rate modes, not to exceed 10 percent per year. The 1998 Bonds mature on April 1, 2033. The proceeds from the 1998 Bonds were deposited

into a project construction fund. NJNG may obtain such funds in reimbursement of its qualified expenditures relating to the project upon delivering an equivalent amount of its Adjustable Rate Series GG First Mortgage Bonds (Series GG Bonds) to the indenture trustee. NJNG drew down \$4.5 million and \$3.9 million from the construction fund and issued like amounts of its Series GG Bonds in 2000 and 1999, respectively.

At September 30, 2000, NJNG had total variable rate debt outstanding of \$97 million, of which \$56 million has been hedged by the purchase of a 6.5 percent interest rate cap through the year 2003.

In December 1995, the BPU approved NJNG's petition to enter into a master lease agreement for its headquarters building for a 25.5 year term with two, five-year renewal options. The present value of the agreement's minimum lease asset payments is reflected as both a capital lease and a capital lease obligation, which are included in Utility Plant and Long-Term Debt, respectively, in the Consolidated Balance Sheets. In accordance with its ratemaking treatment, NJNG records rent expense as if the lease was an operating lease. Minimum annual lease payments are \$2.6 million in 2001 through 2004 and \$2.7 million in 2005, with \$52.8 million over the remaining term of the lease. Approximately 23 percent of the building, representing approximately \$500,000 of lease payments in 2000, is presently subleased to other tenants.

The Company has five committed revolving credit agreements totaling \$90 million, which provide for bank loans at negotiable rates at or below the prime rate. At September 30, 2000, a total of \$43.1 million was outstanding under these agreements, with a weighted average interest rate of 7.3 percent. On October 2, 2000, the Company entered into an interest-rate-swap agreement on a notional amount of \$20 million, which effectively fixes the interest rate on \$20 million of variable rate debt at 6.97 percent for 12 months. As of September 30, 1999 the Company had variable rate debt outstanding of \$58.8 million.

6. Short-Term Debt and Credit Facilities

Committed credit facilities of NJNG support the issuance of commercial paper and provide for bank loans at negotiable rates at or below the prime rate. These credit facilities total \$100 million and require commitment fees on the unused amounts. A comparison of pertinent data follows:

(Thousands)	2000	1999	1998
Bank credit facilities	\$100,000	\$80,000	\$90,000
Maximum amount outstanding	\$111,000	\$106,000	\$99,000
Average daily amount outstanding			
Notes payable to banks	\$2,400	\$4,200	\$6,100
Commercial paper	\$50,400	\$53,500	\$50,900
Weighted average interest rate			
Notes payable to banks	6.56%	5.40%	5.81%
Commercial paper	6.04%	5.15%	5.67%
Amount outstanding at year end			
Commercial paper	\$43,300	\$61,700	\$60,700
Interest rate at year end			
Commercial paper	6.57%	5.34%	5.53%

7. Income Taxes

The Company's federal income tax returns have been examined by the Internal Revenue Service (IRS) through 1995 and all significant matters have been settled.

Income tax expense differs from the amount computed by applying the statutory federal income tax rate of 35 percent to pre-tax income for the following reasons:

(Thousands)	2000	1999	1998
Statutory income tax expense	\$26,989	\$25,115	\$23,811
Change resulting from			
State income taxes	4,797	4,445	3,060
Depreciation and cost of removal	(1,799)	(1,478)	(1,201)
Investment tax credits	(448)	(335)	(335)
Other	(392)	(912)	(647)
Income tax provision	\$29,147	\$26,835	\$24,688

The Income tax provision was composed of the following:

(Thousands)	2000	1999	1998
Current			
Federal	\$ 6,512	\$28,854	\$11,097
State	4,976	9,385	4,209
Deferred			
Federal	15,703	(8,522)	9,218
State	2,404	(2,547)	499
Investment tax credits	(448)	(335)	(335)
Income tax provision	\$29,147	\$26,835	\$24,688

The tax effects of significant temporary differences comprising the Company's net deferred income tax liability at September 30, 2000 and 1999, were as follows:

(Thousands)	2000	1999
Current		
Deferred gas costs	\$ (491)	\$ (1,540)
Weather normalization clause	3,273	3,198
Other	(3,484)	(2,606)
Current deferred tax liability, net	\$ (702)	\$ (948)
Non-current		
Property-related items	\$74,166	\$77,209
Customer contributions	(4,418)	(4,412)
Capitalized overhead and interest	(2,356)	(3,369)
Deferred gas costs	4,922	3,382
Unamortized investment tax credits	(3,602)	(3,602)
Remediation costs	12,647	(4,031)
Weather normalization clause and other	14,450	382
Non-current deferred tax liability, net	\$95,809	\$65,559

8. Regulatory Issues

In July 2000, NJNG amended a September 1999 LGA filing in response to a significant increase in the wholesale cost of gas. The amended filing requested an approximate 16 percent increase in rates for firm sales customers through an increase in the Gas Cost Recovery (GCR) and Remediation Adjustment (RA) factors, which was slightly offset by a decrease in the Prior Gas Cost Adjustment (PGCA) and Transportation Education and Implementation (TEI) factors. The filing proposed the Demand Side Management (DSM) and Weather Normalization Clause (WNC) factors remain the same. The rates for transportation customers would remain relatively stable as a result of the changes requested in the filing. The filing also

requested that the monthly and annual limits of a Flexible Pricing Mechanism (FPM) be expanded. In November 2000, the BPU approved the 16 percent increase to the LGA and also authorized the expansion of the FPM, which allows NJNG to make additional pricing adjustments on a monthly basis to reflect market changes. The BPU also approved two additional increases of up to 2 percent each on December 1, 2000 and January 1, 2001, under the FPM. NJNG is required to file an updated LGA filing on December 1, 2000, with a public hearing in January 2001. Subject to the results of the filing and the public hearing, NJNG would be able to increase rates by up to an additional 2 percent on February 1, March 1 and April 1 of 2001. The FPM will allow NJNG to decrease rates if market conditions allow.

In August 1999, NJNG filed a Comprehensive Resource Analysis (CRA) plan pursuant to a BPU order. The CRA, which will replace NJNG's current DSM program, includes funding for certain technologies that utilizes renewable sources of energy to produce electricity (e.g., fuel cells and solar), and has a program cost of \$2.9 million recoverable through rates. The BPU is currently evaluating two separate stipulations filed in this proceeding.

In February 1999, the Electric Discount and Energy Competition Act (Act), which provides the framework for the restructuring of New Jersey's energy markets, became law. In January 2000, the BPU verbally approved a stipulation agreement among various parties to fully open NJNG's residential markets to competition, restructure its rates to segregate its Basic Gas Supply (BGS) service and Delivery (i.e., transportation) service prices as required by the Act, and expand an incentive for residential and small commercial customers to switch to transportation service. The stipulation agreement also extended incentives for NJNG's off-system sales and capacity management programs through December 31, 2002. Additionally, NJNG received approval to recover carrying costs on its expenditures associated with remediating its former manufactured gas plants (MGP). These expenditures are recovered over rolling seven-year periods and are subject to annual BPU review and approval. The BPU is expected to issue a written order by December 31, 2000.

The Act also allows continuation of each utility's role as a gas supplier at least until December 31, 2002. The BPU must determine the ongoing role of each utility in providing BGS service by January 1, 2002. The Act also allows natural gas utilities to provide competitive services (e.g., appliance services). In July 2000, NJNG filed a stipulation agreement among various parties resolving the customer account service proceedings. The stipulation continues NJNG's current third party billing policies and delays until January 2003, absent a significant breakthrough in metering technology, any further decision on meter reading and other potentially competitive services. The stipulation also provides for NJNG's existing appliance service business to be transferred from NJNG to an unregulated subsidiary of the Company.

In November 2000, the BPU verbally approved this stipulation and is expected to issue a written order by December 31, 2000.

In March 2000, the BPU issued interim Affiliate Relations, Fair Competition and Accounting Standards and Related Reporting Requirements. As required, NJNG filed a compliance plan related to these standards. The audit division of the BPU and a consulting firm are currently finalizing an audit of the Company's compliance with the standards.

9. Employee Benefit Plans

The Company has two trustee, non-contributory defined benefit retirement plans covering all regular, full-time employees with more than one year of service. Plan benefits are based on years of service and average compensation during the last five years of employment. The Company makes annual contributions to the plans consistent with the funding requirements of federal law and regulations. The Company also provides postretirement medical and life insurance benefits to employees who are eligible for retirement through the Company's pension plan.

Pension Plans

The components of the net pension cost were as follows:

(Thousands)	2000	1999	1998
Service cost	\$1,728	\$ 2,028	\$ 1,467
Interest cost	4,101	3,816	3,791
Expected return on plan assets	(5,542)	(5,044)	(4,711)
Amortization of prior service cost	87	87	154
Recognized actuarial (gain) loss	(68)	28	—
Recognized net initial obligation	(306)	(306)	(306)
Net periodic pension cost	\$ —	\$ 609	\$ 395

Plan assets consist primarily of corporate equities and obligations, U.S. Government obligations and cash equivalents. A reconciliation of the funded status of the plans to the amounts recognized in the Consolidated Balance Sheets is presented below:

(Thousands)	2000	1999
<i>Change in benefit obligation</i>		
Benefit obligation at beginning of year	\$57,195	\$62,725
Service cost	1,728	2,028
Interest cost	4,101	3,816
Plan participants' contributions	73	58
Actuarial gain	(4,567)	(8,718)
Benefits paid	(3,047)	(2,714)
Benefit obligation at end of year	\$55,483	\$57,195

Change in plan assets

Fair value of plan assets at beginning of year	\$64,614	\$55,666
Actual return on plan assets	6,742	11,604
Plan participants' contributions	73	58
Benefits paid	(3,047)	(2,714)
Fair value of plan assets at end of year	\$68,382	\$64,614

Funded status	\$ 12,899	\$ 7,419
Unrecognized net gain	(15,776)	(10,077)
Unrecognized prior service cost	663	750
Unrecognized net initial obligation	(1,138)	(1,444)
Net amount recognized	\$ (3,352)	\$ (3,352)

The weighted average assumptions are as follows:

	2000	1999
Discount rate	8.00%	7.50%
Expected asset return	9.50%	9.50%
Compensation increase	3.50%	3.50%

Other Postretirement Benefits

The Company's transition obligation associated with these benefits was \$8.6 million, which is being amortized over 20 years, and its annual expense increased from approximately \$400,000 in 1994 to \$2.2 million beginning in 1999, of which over 95 percent relates to NJNG.

Effective October 1, 1998, the BPU approved the recovery of an additional \$945,000 of annual Other Postretirement Benefit costs and \$4.9 million of deferred costs, which is included in Regulatory assets in the Consolidated Balance Sheets, over 15 years.

The components of the net postretirement benefit cost are as follows:

(Thousands)	2000	1999	1998
Service cost	\$ 670	\$ 743	\$ 607
Interest cost	1,389	1,219	1,204
Expected return on plan assets	(413)	(222)	(160)
Amortization of			
Transition obligation	430	430	430
Prior service cost	124	124	97
Loss	45	181	63
Deferred expense	—	—	(1,374)
Total net periodic benefit cost	\$2,245	\$2,475	\$ 867

A reconciliation of the accumulated postretirement benefit obligation (APBO) to the amounts recognized in the Consolidated Balance Sheets at September 30, 2000 and 1999 is presented below:

(Thousands)	2000	1999
<i>Change in benefit obligation</i>		
Benefit obligation at beginning of year	\$19,006	\$19,403
Service cost	670	743
Interest cost	1,389	1,219
Plan amendments	—	137
Actuarial gain	(247)	(1,791)
Benefits paid	(743)	(705)
Benefit obligation at end of year	\$20,075	\$19,006

Change in plan assets

Fair value of plan assets at beginning of year	\$3,919	\$1,930
Actual return on plan assets	428	382
Employer contributions	1,188	1,607
Fair value of plan assets at end of year	\$5,535	\$3,919
Funded status	\$ (14,540)	\$ (15,087)
Unrecognized transition obligation	5,590	6,020
Unrecognized prior service cost	1,361	1,485
Unrecognized net loss	2,464	2,771
Net amount recognized in Other deferred credits	\$ (5,125)	\$ (4,811)

The weighted average assumptions are as follows:

(Thousands)	2000	1999
Discount rate	8.00%	7.50%
Expected asset return	9.00%	9.00%
Compensation increase	3.50%	3.50%

Effect of a one-percentage point increase in the health care cost trend rate on:

(Thousands)	2000	1999
Year end benefit obligation	\$3,349	\$3,146
Total of service and interest cost components	\$427	\$389

Effect of a one-percentage point decrease in the health care cost trend rate on:

(Thousands)	2000	1999
Year end benefit obligation	\$(2,674)	\$(2,512)
Total of service and interest cost components	\$(333)	\$(302)

The assumed health care cost trend rate used in measuring the APBO as of September 30, 2000 was 8 percent, gradually declining to 6 percent in 2003, and then remaining constant thereafter for participants under age 65. For participants age 65 and older, the trend rate was 7 percent in 2000, declining to 6 percent in 2003, and then remaining constant thereafter.

Defined Contribution Plan

The Company offers an Employee Retirement Savings Plan to eligible employees. The Company contributes an amount equal to 50 percent for non-represented participants and 25 percent for represented participants on contributions up to 6 percent of base compensation. The amount expended for the matching provision of the plan was \$678,000, \$646,000 and \$495,000 in 2000, 1999 and 1998, respectively.

10. Financial Instruments and Risk Management

NJNG and Energy Services are subject to market risk due to fluctuations in the price of natural gas. To hedge against such fluctuations, NJNG and Energy Services enter into futures contracts, option agreements and over-the-counter swap agreements. NJNG's recovery of gas costs is protected by the LGA, but to hedge against price fluctuations, NJNG utilizes futures, options and swaps through its corporate financial risk management program. Energy Services hedges its commitments to purchase natural gas for sale to retail marketers, purchases and sales of storage gas and fixed price sales to wholesale customers.

The following is a summary of NJNG's and Energy Services' commodity derivatives as of September 30, 2000:

	Volume in Bcf	Price per Mmbtu	Deferred Unrealized Gain (Thousands)
NJNG			
Futures	7.7	\$2.69-\$5.42	\$15,983
Swaps	2.1		\$159
Options	1.0	\$2.75-\$5.00	\$3,681
Energy Services			
Futures	0.3	\$2.13-\$4.69	\$16,655
Swaps	10.5		\$7,695
Options	0.2	\$2.25-\$4.50	\$11

In March 1992, NJR Energy entered into long-term, fixed-price contracts to sell natural gas to a gas marketing company. In October 1994, in conjunction with a shift in capital allocation policy, NJR Energy entered into a swap agreement that hedged its risk for sales volumes under the contract, which were in excess of the estimated production from natural gas reserves owned at that time. NJR Energy subsequently sold its natural gas reserves pursuant to a plan to exit the oil and natural gas production business. In order to hedge its risk for sales volumes under such contract that would have otherwise been fulfilled by its producing reserve base, NJR Energy entered into a second swap agreement in June 1995. In connection with the second swap, NJR Energy received \$3.3 million, which is included in Deferred revenue and is being amortized to income over the 15-year life of the agreement. Under the terms of the swap agreements, NJR Energy will pay to the counterparties the identical fixed price it receives from the gas marketing company in exchange for the payment by the counterparties of an index price plus a spread per Mmbtu (i.e., floating price) for the total volumes under the gas sales contract. The swap agreements were effective as of November 1995 and will expire on the same date as the underlying gas sales contract. As of September 30, 2000, NJR Energy would receive approximately \$9.8 million to terminate these swap agreements.

In order to secure the physical gas supply to meet the delivery requirements under its gas sales contracts, NJR Energy entered into a long-term purchase contract effective November 1995 with a second gas marketing company for the identical volumes that it is obligated to sell under the above-mentioned gas sales contract. NJR Energy has agreed to pay the supplier the identical floating price that it is receiving under the swap agreements. In conjunction with this contract, NJR Energy received \$1.9 million, which is included in Deferred revenue and is being amortized to income over the life of the agreement.

The net result of the above swap agreements and purchase contract is that NJR Energy has hedged both its price and volume risk associated with its long-term, fixed-price sales contract. The respective obligations of NJR Energy and the counterparties under the swap agreements are guaranteed, subject to a maximum amount, by the Company and the respective counterparties' parent corporations. In the event of

nonperformance by the counterparties and their parent corporations, NJR Energy's financial results would be effected by the difference, if any, between the fixed price it is receiving under the gas sales contract compared with the floating price that it is paying under the purchase contract. However, the Company does not anticipate nonperformance by the counterparties.

The fair value of cash and temporary investments, accounts 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. The estimated fair value of long-term debt is based on quoted market prices for similar issues. The carrying amount of long-term debt was \$260.9 million and \$256.6 million, with a fair market value of \$257.7 million and \$253.8 million at September 30, 2000 and 1999, respectively.

Effective October 1, 2000, the Company adopted SFAS 133. (See Note 1: Summary of Significant Accounting Policies - Derivative Activities)

At October 1, 2000, the effect of adopting of SFAS 133 was as follows:

(Thousands)	
Fair value of derivative assets	\$56,963
Fair value of derivative liabilities	\$17,657
Regulatory liability	\$6,834
Cumulative effect on net income from a change in accounting, net of tax	\$(1,347)
Accumulated other comprehensive income, net of tax	\$20,530

The cumulative effect on net income from a change in accounting resulted from derivatives that do not qualify for hedge accounting.

The amounts included in other comprehensive income related to natural gas instruments will reduce or be charged to gas costs as the related transaction occurs. Based on the amount recorded to other comprehensive income on the October 1, 2000 transition date, \$9.8 million is expected to be recorded as a reduction to gas costs in fiscal 2001. Those amounts related to interest rate instruments will reduce or be charged to interest expense as the future transaction occurs. There are no amounts in other comprehensive income related to interest rate instruments.

The cash flow hedges described above cover various periods of time ranging from November 2000 to October 2010.

11. Commitments and Contingent Liabilities

NJNG has entered into long-term contracts for the supply, storage and delivery of natural gas with pipeline companies that expire at various dates through 2014. These contracts include fixed charges of approximately \$90 million per year, which are recovered through the LGA.

Capital expenditures are estimated at \$50 million in both fiscal 2001 and 2002, and consist primarily of NJNG's construction program to support its customer growth and maintain its distribution system.

NJNG has been sharing the cost of environmental investigations and remedial actions at ten former MGP sites with the former owner. In September 2000, a revised agreement was executed whereby NJNG is responsible for two of the sites, while the former owner is responsible for the remaining eight sites. Also in September 2000, NJNG purchased a 20-year cost containment insurance policy for these two sites. NJNG continues to participate in the investigation and remedial action for one MGP site that was not originally shared. Through the RA approved by the BPU, NJNG is recovering expenditures incurred through June 1998 over a seven-year period. Costs incurred subsequent to June 30, 1998 will be reviewed annually and recovered over rolling seven-year periods, subject to BPU approval. In September 1999, NJNG filed for recovery of expenditures incurred through June 30, 1999. With the assistance of an outside consulting firm, NJNG updated an environmental review of the sites, including a review of its potential liability for investigation and remedial action. On the basis of such review, NJNG estimates that, exclusive of any insurance recoveries, total future expenditures to remediate and monitor known MGP sites will range from \$45.2 million to \$77.5 million. NJNG's estimates of these liabilities are based upon currently available facts, existing technology and presently enacted laws and regulations. Where available information is sufficient to estimate the amount of the liability, it is NJNG's policy to accrue the full amount of such estimate. 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 NJNG's policy to accrue the lower end of the range. Accordingly, NJNG has recorded an accrued liability, included in Other deferred credits, and a corresponding Regulatory asset of \$45.2 million, in the Consolidated Balance Sheets. The actual costs to be incurred by NJNG are dependent upon several factors, including final determination of remedial action, changing technologies and governmental regulations, the ultimate ability of other responsible parties to pay and any insurance recoveries. NJNG will continue to seek recovery of such costs through the RA.

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

12. Business Segment Data

Information related to the Company's various business segments, excluding capital expenditures, which are presented in the Consolidated Statements of Cash Flows, is detailed below.

The Company has adopted SFAS No. 131 "Disclosures About Segments of an Enterprise and Related Information", which requires changes in how a business identifies its segments and the type of information to be disclosed for each segment.

The NJNG segment consists of the regulated energy, appliance service and off-system and capacity management operations. The Energy Holdings segment consists primarily of unregulated fuel and capacity management and marketing subsidiaries. The NJR Development and other segment consists of the operations of CR&R, a commercial real estate developer, and corporate activities.

(Thousands)	2000	1999	1998
Fiscal years ended September 30.			
Operating Revenues			
NJNG	\$ 748,225	\$644,550	\$575,971
Energy Holdings	416,848	268,599	151,118
NJR Development	1,103	989	758
Total before eliminations	1,166,176	914,138	727,847
Intersegment revenues	(1,627)	(9,870)	(17,505)
Total	\$1,164,549	\$904,268	\$710,342
Depreciation and Amortization			
NJNG	\$30,541	\$29,036	\$27,520
Energy Holdings	322	251	177
NJR Development and other	134	168	138
Total	\$30,997	\$29,455	\$27,835
Operating Income			
NJNG	\$87,448	\$82,096	\$79,969
Energy Holdings	2,695	3,893	3,578
NJR Development and other	3,769	1,948	497
Total	\$93,912	\$87,937	\$84,044
Assets at Year End			
NJNG	\$ 959,261	\$883,072	\$866,269
Energy Holdings	96,449	46,371	38,106
NJR Development and other	31,332	30,569	38,643
Total	\$1,087,042	\$960,012	\$943,018

13. Selected Quarterly Data (Unaudited)

A summary of financial data for each fiscal quarter of 2000 and 1999 follows. Due to the seasonal nature of the Company's natural gas business, quarterly amounts vary significantly during the year. In the opinion of management, the information furnished reflects all adjustments necessary for a fair presentation of the results of the interim periods.

(Thousands, except per share data)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2000				
Operating revenues	\$263,438	\$368,988	\$247,949	\$284,174
Operating income	\$30,825	\$55,485	\$8,942	\$(1,340)
Income from continuing operations	\$16,171	\$31,841	\$3,116	\$(3,192)
Net income	\$16,171	\$32,669	\$3,116	\$(3,192)
Earnings per share from continuing operations				
Basic	\$.91	\$ 1.80	\$.18	\$(.18)
Diluted	\$.90	\$ 1.79	\$.18	\$(.18)
Earnings per share				
Basic	\$.91	\$ 1.85	\$.18	\$(.18)
Diluted	\$.90	\$ 1.84	\$.18	\$(.18)
1999				
Operating revenues	\$244,590	\$327,315	\$159,486	\$172,877
Operating income	\$29,599	\$53,389	\$7,715	\$(2,766)
Net income	\$15,152	\$30,337	\$3,060	\$(3,743)
Earnings per common share				
Basic	\$.85	\$ 1.70	\$.17	\$(.21)
Diluted	\$.84	\$ 1.69	\$.17	\$(.21)

Directors and Officers

New Jersey Resources Corporation

Directors

Nina Aversano, 55 (A,B)

President

Global Commercial Markets

Lucent Technologies (1998)

Lawrence R. Codey, 56 (A,D)

President & Chief Operating Officer

(retired)

Public Service Electric & Gas Company
(2000)

Leonard S. Coleman, 51 (B,C,D)

Senior Advisor

The National League of Professional
Baseball Players (1995)

Laurence M. Downes, 43 (C)

Chairman of the Board &
Chief Executive Officer

New Jersey Resources Corporation (1985)

Joe B. Foster, 66 (B,E)

Non-Executive Chairman

Newfield Exploration Company (1994)

Hazel S. Gluck, 66 (B,D)

President

The GluckShaw Group (1995)

James T. Hackett, 46 (A,D)

Chairman, President &

Chief Executive Officer

Ocean Energy, Inc. (1999)

Lester D. Johnson, 68 (A,C,D,E)

Vice Chairman & Chief Financial

Officer (retired)

Consolidated Natural Gas Company (1996)

Dorothy K. Light, 63 (A,B,C,E)

Chairman & Chief Executive Officer

Alden Enterprises, LLC (1990)

William H. Turner, 60 (A,D)

Chairman

PNC Bank, N.A. New Jersey Region (2000)

Gary W. Wolf, 62 (A,B,C)

Senior Partner

Cahill, Gordon & Reindel (1996)

George R. Zoffinger, 52 (C,D,E)

President & Chief Executive Officer

Constellation Capital Corporation (1996)

Duncan Thecker, 85

President

Duncan Thecker Associates

Director Emeritus (1982)

Officers

Laurence M. Downes, 43 (C)

Chairman of the Board &

Chief Executive Officer (1985)

Oleta J. Harden, 51

Senior Vice President, General Counsel

& Corporate Secretary (1984)

Glenn C. Lockwood, 39

Senior Vice President &

Chief Financial Officer (1988)

(A) Member of Audit Committee

(B) Member of Corporate Governance
Committee

(C) Member of Executive Committee

(D) Member of Financial Policy Committee

(E) Member of Management Development
& Compensation Committee

Date represents year of affiliation with an
NJR Company.

Directors and Officers

New Jersey Resources Corporation Subsidiaries

New Jersey Natural Gas Company

Directors

Laurence M. Downes, 43 (1985)
 Hazel S. Gluck, 66 (1995)
 Lester D. Johnson, 68 (1996)
 Gary W. Wolf, 62 (1996)
 George R. Zoffinger, 52 (1996)

Officers

Laurence M. Downes, 43
*Chairman of the Board &
 Chief Executive Officer (1985)*

Gary A. Edinger, 50
*Senior Vice President
 Energy Delivery (1972)*

Oleta J. Harden, 51
*Senior Vice President &
 Corporate Secretary (1984)*

Timothy C. Hearne Jr., 44
*Senior Vice President &
 Treasurer (1985)*

Thomas J. Kononowitz, 58
*Senior Vice President
 Marketing Services (1963)*

Kevin A. Moss, 50
*Senior Vice President
 Regulatory Affairs (1990)*

Joseph P. Shields, 43
*Senior Vice President
 Energy Services (1983)*

Barbara C. Roma, 54
*Vice President
 Customer Services (1967)*

NJR Service Corporation

Laurence M. Downes, 43
*President & Chief Executive
 Officer (1985)*

Oleta J. Harden, 51
*Senior Vice President,
 General Counsel & Secretary (1984)*

Timothy C. Hearne Jr., 44
Senior Vice President & Treasurer (1985)

Glenn C. Lockwood, 39
*Senior Vice President & Chief Financial
 Officer (1988)*

Hugo C. Bottino, 49
*Vice President
 Human Resources (1981)*

Deborah G. Zilai, 47
*Vice President
 Integrated Business Solutions (1996)*

NJR Energy Services Company

Laurence M. Downes, 43
*President & Chief Executive
 Officer (1985)*

Glenn C. Lockwood, 39
*Vice President & Chief Financial
 Officer (1988)*

Oleta J. Harden, 51
Secretary (1984)

Joseph P. Shields, 43
Senior Vice President (1983)

NJR Home Services Company

Wayne K. Tarney, 59
President (1996)

Oleta J. Harden, 51
Secretary (1984)

NJR Power Services Corporation

Wayne K. Tarney, 59
President (1996)

Oleta J. Harden, 51
Secretary (1984)

NJR Natural Energy Company

Wayne K. Tarney, 59
President (1996)

Oleta J. Harden, 51
Secretary (1984)

Commercial Realty & Resources Corp.

John Lishak Jr., 60
President (1981)

Glenn C. Lockwood, 39
*Vice President & Chief Financial
 Officer (1988)*

Oleta J. Harden, 51
Secretary (1984)

*Date represents year of affiliation with an
 NJR Company.*

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

FORM 10-K

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

For the fiscal year ended September 30, 2000 Commission file number 1-8359

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

NEW JERSEY (State or other jurisdiction of incorporation or organization)	22-2376465 (I.R.S. Employer Identification Number)
1415 WYCKOFF ROAD, WALL, NEW JERSEY - 07719 (Address of principal executive offices)	732-938-1480 (Registrant's telephone number, including area code)

Securities registered pursuant to Section 12 (b) of the Act:

COMMON STOCK - \$2.50 PAR VALUE (Title of each class)	NEW YORK STOCK EXCHANGE (Name of each exchange on which registered)
--	--

Securities registered pursuant to Section 12 (g) of the Act:

NONE

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

YES: NO:

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the Registrant's knowledge, in definitive proxy information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

YES: NO:

The aggregate market value of the Registrant's Common Stock held by non-affiliates was \$739,694,401 based on the closing price of \$42.125 per share on December 8, 2000.

The number of shares outstanding of \$2.50 par value Common Stock as of December 8, 2000 was 17,638,097.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's 2000 Annual Report to Stockholders are incorporated by reference into Part I and Part II of this report.

Portions of the Registrant's definitive Proxy Statement for the Annual Meeting of Stockholders to be held January 24, 2001, are incorporated by reference into Part I and Part III of this report.

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ITEM 1. BUSINESS

ORGANIZATIONAL STRUCTURE

New Jersey Resources Corporation (the Company or NJR) is a New Jersey corporation formed in 1982 pursuant to a corporate reorganization. The Company is an energy services holding company providing retail and wholesale natural gas and related energy services to customers from the Gulf Coast to New England. The Company is an exempt holding company under Section 3(a)(1) of the Public Utility Holding Company Act of 1935. Its subsidiaries include:

- 1) New Jersey Natural Gas Company (NJNG), a local natural gas distribution company that provides regulated energy service to more than 409,000 residential and commercial customers in central and northern New Jersey and participates in the off-system sales and capacity release markets. In November 2000, NJNG transferred its appliance service business to NJR Home Services Company, a newly formed unregulated subsidiary of the Company;
- 2) NJR Energy Services Company (Energy Services), formerly a wholly-owned subsidiary of NJR Energy Holdings Corporation, formed in 1996 to provide unregulated fuel and capacity management and other wholesale marketing services;
- 3) NJR Retail Holdings Corporation (Retail Holdings), a sub-holding company of NJR formed in November 2000 as an unregulated affiliate to consolidate the Company's unregulated retail operations. Retail Holdings includes the following wholly-owned subsidiaries:

NJR Home Services Company (Home Services), a company formed in August 1998 to provide appliance service repair and contract services. In November 2000, NJNG received approval from the New Jersey Board of Public Utilities (BPU) to transfer its appliance service business, which consists of more than 134,000 customers under protection plan contracts, to Home Services; and

NJR Natural Energy Company (Natural Energy), formerly New Jersey Natural Energy Company and a wholly-owned subsidiary of NJR Energy Holdings Corporation, formed in 1995 to participate in the unregulated retail marketing of natural gas; and

NJR Power Services Company (Power Services), a company formed in May 2000 that is involved in the distribution of alternative sources of energy (e.g., fuel cells and microturbines);

- 4) NJR Capital Corporation (Capital), formerly NJR Development Corporation, a sub-holding company of NJR formed to consolidate the Company's energy-related and real estate investments. Capital includes the following wholly-owned subsidiaries:

Commercial Realty & Resources Corp. (CR&R), a company formed in May 1966 to develop commercial real estate; and

NJR Investment Company, a company formed in October 2000 to make certain energy-related equity investments; and

NJR Energy Holdings Corporation, formerly a sub-holding company of NJR, which includes NJR Energy Corporation (NJR Energy), an investor in energy-related ventures through its operating subsidiaries, New Jersey Natural Resources Company (NJNR) and NJNR Pipeline Company (Pipeline).

- 5) NJR Service Corporation (Service Corp.), a company formed in August 2000 to provide shared administrative services, including Corporate Communications, Financial and Administrative, Internal Audit, Legal and Technology for all subsidiaries.

BUSINESS SEGMENTS

See Note 12 to the Consolidated Financial Statements - Business Segment Data in the Company's 2000 Annual Report, for business segment financial information.

NEW JERSEY NATURAL GAS COMPANY

General

NJNG provides natural gas service to more than 409,000 customers. Its service territory encompasses 1,436 square miles, covering 104 municipalities with an estimated population of 1.3 million.

NJNG's service territory is primarily suburban, with a wide range of cultural and recreational activities, highlighted by approximately 100 miles of New Jersey seacoast. It is in proximity to New York, Philadelphia and the metropolitan areas of northern New Jersey and is accessible through a network of major roadways and mass transportation. These factors have contributed to NJNG adding 12,558, 11,890 and 11,819 new customers in 2000, 1999 and 1998, respectively. This annual growth rate of 3 percent is expected to continue with projected additions of 36,000 new customers over the next three years. See Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) - Liquidity and Capital Resources - NJNG in the Company's 2000 Annual Report for a discussion of NJNG's projected capital expenditure program associated with this growth in 2001 and 2002.

In assessing the potential for future growth in its service area, NJNG uses information derived from county and municipal planning boards that describes housing developments in various stages of approval. In addition, builders in NJNG's service area are surveyed to determine their development plans for future time periods. In addition to customer growth through new construction, NJNG's business strategy includes aggressively pursuing conversions from other fuels, such as electricity and oil. It is estimated that approximately 40 percent of NJNG's projected customer growth will consist of conversions. NJNG will also continue to pursue off-system sales and non-peak sales, such as natural gas-fueled electric generating projects.

5
Throughput

For the fiscal year ended September 30, 2000, operating revenues and throughput by customer class were as follows:

	Operating Revenues		Throughput	
	(Thousands)		(Bcf)	
	-----	-----	-----	-----
Residential	\$302,736	40%	35.6	18%
Commercial and other	64,623	9	8.0	4
Firm transportation	37,101	5	10.6	6
	-----	-----	-----	-----
Total residential and commercial	404,460	54	54.2	28
Interruptible	7,775	1	9.6	5
	-----	-----	-----	-----
Total system	412,235	55	63.8	33
Off-system	324,676	43	132.2	67
Appliance service revenue	11,314	2	--	--
	-----	-----	-----	-----
Total	\$748,225	100%	196.0	100%
	=====	=====	=====	=====

See MD&A - NJNG Operations in the Company's 2000 Annual Report for a discussion of gas and transportation sales. Also see NJNG Operating Statistics in the Company's 2000 Annual Report for information on operating revenues and throughput for the past six years. During this period, no single customer represented more than 10 percent of operating revenues.

Seasonality of Gas Revenues

As a result of the heat-sensitive nature of NJNG's residential customer base, therm sales are significantly affected by weather conditions. Specifically, customer demand substantially increases during the winter months when natural gas is used for heating purposes. See MD&A - Liquidity and Capital Resources - NJNG in the Company's 2000 Annual Report for a discussion of the impact of seasonality on cash flow.

The impact of weather on the level and timing of NJNG's revenues and cash flows has been affected by a weather-normalization clause (WNC), which provides for a revenue adjustment if the weather varies by more than one-half of 1 percent from normal, or 20-year-average, weather. The WNC does not fully protect the Company from factors such as unusually warm weather and declines in customer usage patterns, which were set in January 1994. The accumulated adjustment from one heating season (i.e., October-May) is billed or credited to customers in subsequent periods. See MD&A - NJNG Operations in the Company's 2000 Annual Report and Item 1. Business - State Regulation and Rates for additional information with regard to the WNC.

Appliance Service Business

In November 2000, NJNG received approval from the BPU to transfer its existing appliance service business to Home Services, a newly formed unregulated subsidiary of the Company. The transfer includes more than 134,000 customers under protection plan contracts.

Gas Supply

A) Firm Natural Gas Supplies

NJNG currently purchases a diverse gas supply portfolio consisting of long-term (over seven months), winter-term (for the five winter months) and short-term contracts. In 2000, NJNG purchased gas from 69 suppliers under contracts ranging from one month to eleven years. NJNG has five long-term firm gas purchase contracts and purchased approximately 10 percent of its gas in 2000 under one long-term firm gas purchase contract with Alberta Northeast Gas Limited, which expires in 2006. NJNG does not purchase more than 10 percent of its total gas supplies under any other single long-term firm gas purchase contract. NJNG believes that its supply strategy should adequately meet its expected firm load over the next several years.

B) Firm Transportation and Storage Capacity

In order to deliver the above supplies, NJNG maintains agreements for firm transportation and storage capacity with several interstate pipeline companies. The pipeline companies that provide firm transportation service to NJNG's city gate stations in New Jersey, the maximum daily deliverability of that capacity and the contract expiration dates are as follows:

Pipeline -----	Maximum Daily Deliverability (Dths) -----	Expiration Date -----
Texas Eastern Transmission Corp.	307,949	Various dates after 2001
Iroquois Gas Transmission System, L.P.	40,000	2011
Transcontinental Gas Pipe Line Corp.	22,531	Various dates after 2000
Tennessee Gas Pipeline Co.	10,894	2003
Columbia Gas Transmission Corp.	10,000	2009
Algonquin Gas Transmission Co.	5,000	2001

	396,374	
	=====	

The pipeline companies that provide firm transportation service to NJNG and feed the above pipelines are: Texas Gas Transmission Corporation, Dominion Transmission Corporation and Columbia Gulf Transmission Corporation.

In addition, NJNG has storage and related transportation contracts that provide additional maximum daily deliverability of 206,000 dekatherms (Dths) from storage fields in its Northeast market area. The significant storage suppliers, the maximum daily deliverability of that storage capacity and the contract expiration dates are as follows:

Pipeline -----	Maximum Daily Deliverability (Dths) -----	Expiration Date -----
Texas Eastern Transmission Corp.	94,557	Various dates after 2000
Transcontinental Gas Pipe Line Corp.	8,384	2005

	102,941	
	=====	

NJNG also has storage contracts with Dominion Transmission Corporation (maximum daily deliverability of 103,661 Dths), but utilizes NJNG's existing transportation contracts to transport that gas from the storage fields to its city gate.

C) Peaking Supply

To meet its increased winter peak day demand, NJNG, in addition to utilizing the previously mentioned firm storage services, maintains two liquefied natural gas (LNG) facilities. See Item 2 - Properties - NJNG for additional information regarding the LNG storage facilities. NJNG presently has LNG storage deliverability of 140,000 Dths per day, which represents approximately 21 percent of its peak day sendout.

D) Commodity Prices

Over the past six months, wholesale natural gas prices have increased by over 175 percent with increased price volatility. While NJNG has been able to mitigate price increases to its customers through the use of hedging instruments, NJNG's prices have increased and this trend is expected to continue. Despite these price increases, natural gas remains competitive compared with alternative fuels.

See Item 1 - Regulation and Rates A) State, for a discussion of NJNG's Levelized Gas Adjustment Clause (LGA) clause which provides for the recovery of these commodity costs.

E) Future Supplies

NJNG expects to meet the current level of gas requirements of its existing and projected firm customers for the foreseeable future. Nonetheless, NJNG's ability to provide supply for its present and projected sales will depend upon its suppliers' ability to obtain and deliver additional supplies of natural gas, as well as NJNG's ability to acquire supplies directly from new sources. Factors beyond the control of NJNG, its suppliers and the independent suppliers who have obligations to provide gas to certain NJNG customers, may affect NJNG's ability to deliver such supplies. These factors include other parties' control over the drilling of new wells and the facilities to transport gas to NJNG's city gate, competition for the acquisition of gas, priority allocations, the regulatory and pricing policies of federal and state regulatory agencies, as well as the availability of Canadian reserves for export to the United States. Proposed energy deregulation legislation discussed immediately below may increase competition among natural gas utilities and impact the quantities of natural gas requirements needed for residential services. If NJNG's gas requirements decrease, NJNG expects to resell any unnecessary supplies that it is required to purchase under existing agreements with its suppliers.

Regulation and Rates

A) State

NJNG is subject to the jurisdiction of the BPU with respect to a wide range of matters, such as rates, the issuance of securities, the adequacy of service, the manner of keeping its accounts and records, the sufficiency of gas supply, pipeline safety and the sale or encumbrance of its properties.

Over the last five years, NJNG has been granted one increase in its base tariff rates, and various increases and decreases in its LGA. The base rate increase related to the recognition of costs for postretirement benefits other than pensions (OPEB). Through its LGA billing factor, which is reviewed annually, NJNG recovers the cost of six adjustment clauses. They are: (i) the Gas Cost Recovery (GCR) factor, which reflects purchased gas costs that are in excess of the level included in its base rates, (ii) Prior Gas Cost Adjustment Surcharge (PGCA) factor, which is designed to recover

\$34.9 million of unrecovered gas costs from September 1997 and earlier, (iii) Demand Side Management (DSM) factor for recovery of conservation-related costs, (iv) Remediation Adjustment (RA) factor, which recovers the costs of remediating former manufactured gas plant sites, (v) Transportation Education and Implementation (TEI) factor for recovery of incremental costs incurred in administering a transportation program and (vi) the WNC factor, which credits or surcharges margins accrued from the past heating season weather. LGA recoveries do not include an element of profit and, therefore, have no impact on earnings.

The following table sets forth information with respect to these rate changes:

(\$ in 000's)		Annualized Amount Per Filing	Annualized Amount Granted	Effective Date
Date of Filing	Type	-----	-----	-----
July 1997	Base Rates-OPEB	\$1,300	\$900	October 1998
November 2000	LGA - FPM	8,900	8,900	December 2000
July 2000	Amended LGA	61,900	61,900	November 2000
September 1999	LGA	(1,900)	-	Pending *
September 1998	LGA	0	(11,300)	July 1999
July 1997	LGA	0	11,600	October 1998
July 1997	LGA	0	11,100	January 1998
July 1996	LGA	8,000	7,900	December 1996
July 1995	LGA	(4,800)	(5,200)	December 1995

* The RA, PGCA, TEI, DSM and WNC factors included in the initial September 1999 filing are still pending.

See Note 8 to the Consolidated Financial Statements - Regulatory Issues in the Company's 2000 Annual Report for additional information regarding NJNG's rate proceedings.

In July 2000, the Company amended a September 1999 LGA filing in response to a significant increase in the wholesale cost of gas. The amended filing requested an approximate 16 percent increase in rates for firm sales customers through an increase in the GCR and RA factors, which was slightly offset by a decrease in the PGCA and TEI factors. The filing proposed that the DSM and WNC factors remain the same. The rates for transportation customers would remain relatively stable as a result of the changes requested in the filing. The filing also requested that the monthly and annual limits of a Flexible Pricing Mechanism (FPM) be expanded to allow the Company to increase or decrease rates up to approximately 2 percent monthly based on projections of future market conditions. In November 2000, the BPU approved the 16 percent increase to the GCR and also approved two additional increases of up to 2 percent each on December 1, 2000 and January 1, 2001, under the FPM. On December 1, 2000, the Company filed testimony seeking the ability to implement under the FPM an increase of approximately 2 percent per month from February 1, 2001 to July 1, 2001 and 2 percent increases beginning again on December 1, 2001.

In August 1999, the Company filed a Comprehensive Resource Analysis (CRA) plan pursuant to a BPU order. The CRA, which will replace the Company's current DSM program, includes funding for certain technologies that utilizes renewable sources of energy to produce electricity (e.g., fuel cells and

solar), and has a program cost of \$2.9 million recoverable through rates. The BPU is currently evaluating two separate stipulations filed in this proceeding.

In March 2000, the BPU issued interim Affiliate Relations, Fair Competition and Accounting Standards and Related Reporting Requirements. As required, the Company filed a compliance plan related to these standards. The audit division of the BPU has issued an audit of the Company's compliance with the standards in which NJNG has filed comments. The Company is awaiting the procedural schedule for BPU review and approval of the audit report.

B) Federal

The Federal Energy Regulatory Commission (FERC) regulates rates charged by interstate pipeline companies for the transportation and storage of natural gas, which affects NJNG agreements for the purchase of such services with several interstate pipeline companies.

Franchises

NJNG holds non-exclusive franchises granted by the municipalities it serves that give it the right to lay, maintain and operate public utility property in order to provide natural gas service within these municipalities. Of these franchises, 47 are perpetual and the balance expire between 2002 and 2038. The Company will continue to make timely application for renewal of the franchises.

Competition

Although its franchises are non-exclusive, NJNG is not currently subject to competition from other natural gas distribution utilities with regard to the transportation of natural gas in its service territory. Due to significant distances between NJNG's current large industrial customers and the nearest interstate natural gas pipelines, as well as the availability of its transportation tariff, NJNG currently does not believe it has significant exposure to the risk that its distribution system will be bypassed. Competition does exist from suppliers of oil, coal, electricity and propane. At the present time, natural gas enjoys an advantage over alternate fuels as the preferred choice of fuels in over 95 percent of new construction due to its efficiency and reliability. As deregulation of the natural gas industry continues, prices will be determined by market supply and demand, and, while NJNG believes natural gas will remain competitive with alternate fuels, no assurance can be given in this regard.

Through a series of stipulation agreements starting in January 1997 and ending in December 1998, the BPU allowed for up to 40,000 residential customers to choose their natural gas supplier. On December 22, 1999, the BPU allowed all customers the ability to choose their natural gas supplier beginning January 1, 2000. Based on its current and projected level of transportation customers, the Company does not expect any problems meeting its obligations under its firm transportation and storage capacity agreements.

In February 1999, the Electric Discount and Energy Competition Act (Act), which provides the framework for the restructuring of New Jersey's energy markets, became law. In January 2000, the BPU verbally approved a stipulation agreement among various parties to fully open NJNG's residential markets to competition, restructure its rates to segregate its Basic Gas Supply (BGS) service and Delivery (i.e., transportation) service prices as required by the Act, and expand an incentive for residential and small commercial customers to switch to transportation service. The stipulation

agreement also extended incentives for NJNG's off-system sales and capacity management programs through December 31, 2002. Additionally, NJNG received approval to recover carrying costs on its expenditures associated with remediating its former manufactured gas plants. These expenditures are recovered over rolling seven-year periods and are subject to annual BPU review and approval. The BPU is expected to issue a written order by December 31, 2000.

The Act also allows continuation of each utility's role as a gas supplier at least until December 31, 2002. The BPU must determine the ongoing role of each utility in providing BGS service by January 1, 2002. The Act also allows natural gas utilities to provide competitive services (e.g., appliance services). In July 2000, NJNG filed a stipulation agreement among various parties resolving the customer account service proceedings. The stipulation continues NJNG's current third party billing policies and delays until January 2003, absent a significant breakthrough in metering technology, any further decision on meter reading and other potentially competitive services. The stipulation also provides for NJNG's existing appliance service business to be transferred from NJNG to an unregulated subsidiary of the Company. In November 2000, the BPU verbally approved this stipulation and is expected to issue a written order by December 31, 2000.

At September 30, 2000, NJNG had 30,649 residential and 3,924 commercial and industrial customers utilizing the transportation service.

See MD&A - NJNG Operations in the Company's 2000 Annual Report for a discussion of NJNG's financial results.

NJR ENERGY HOLDINGS CORPORATION

Through September 30, 2000, Energy Holdings included the operations of Energy Services, Natural Energy and NJR Energy. As discussed under Organizational Structure of this ITEM 1, effective in fiscal 2001 Energy Services is a direct wholly-owned subsidiary of NJR, Natural Energy is a wholly-owned subsidiary of Retail Holdings, and NJR Energy and its subsidiaries are wholly-owned subsidiaries of Capital.

Energy Services provides fuel and capacity management services to wholesale customers, purchases natural gas for Natural Energy and trades natural gas and pipeline capacity, under risk management guidelines, primarily in Northeast markets.

Natural Energy markets natural gas to retail customers. As of September 30, 2000, Natural Energy marketed natural gas to 13,307 residential and 11 interruptible customers. In November 1999, Natural Energy sold its commercial contracts to a third party.

NJR Energy and its subsidiaries were involved in oil and natural gas development, production, transportation, storage and other energy-related ventures. In 1996, the Company exited the oil and natural gas production business and sold the reserves and related assets of NJR Energy and NJNR. NJR Energy's continuing operations consist of Pipeline's 2.8 percent equity investment in the Iroquois Gas Transmission System, L.P., a 375-mile natural gas pipeline from the Canadian border to Long Island, and an equity investment of less than 1 percent ownership interest in Capstone Turbine Corporation (Capstone), a developer of microturbines, which issued its initial public offering in June 2000.

See MD&A - Energy Holdings in the Company's 2000 Annual Report for a discussion of Energy Services, Natural Energy and NJR Energy's consolidated financial results.

NJR DEVELOPMENT CORPORATION

Through September 30, 2000, NJR Development consisted of CR&R, a commercial real estate developer. As discussed under Organizational Structure of this ITEM 1, effective in fiscal 2001, NJR Development's name was changed to NJR Capital Corporation.

As of September 30, 2000, CR&R's remaining portfolio consisted of two fully-occupied buildings totaling 25,000 square feet and 210 acres of undeveloped land.

See Item 2 - Properties - NJR Development Corporation for additional information regarding CR&R's remaining real estate assets.

See MD&A - NJR Development Operations in the Company's 2000 Annual Report for a discussion of CR&R's financial results.

ENVIRONMENT

The Company and its subsidiaries are subject to legislation and regulation by federal, state and local authorities with respect to environmental matters. The Company believes that it is in substantial compliance with all applicable environmental laws and regulations.

CR&R is the owner of certain undeveloped acreage in the Monmouth Shores Corporate Park (MSCP), located in Monmouth County, New Jersey. This acreage is regulated by the provisions of the Freshwater Wetlands Protection Act, which restricts building in areas defined as "freshwater wetlands" and their transition areas.

Based upon an environmental engineer's delineation of the wetland and transition areas in accordance with the provisions of the Freshwater Wetlands Protection Act, CR&R will file for a Letter of Interpretation from the New Jersey Department of Environmental Protection (NJDEP) as parcels of land are selected for development. Based upon the environmental engineer's revised estimated developable yield for MSCP, the Company does not believe that a reserve against this property was necessary as the estimated future cash flows from the development of each site exceeds the current investment in each site as of September 30, 2000.

Although the Company cannot estimate with certainty future costs of environmental compliance, which, among other factors, are subject to changes in technology and governmental regulations, the Company does not presently anticipate any additional significant future expenditures, other than the activities described in Note 10 to the Consolidated Financial Statements - Commitments and Contingent Liabilities in the Company's 2000 Annual Report, for compliance with existing environmental laws and regulations that would have a material effect upon the capital expenditures, earnings or competitive position of the Company or its subsidiaries.

See Item 3 - Legal Proceedings - a. Gas Remediation for additional information regarding environmental activities.

EMPLOYEE RELATIONS

The Company and its subsidiaries employed 756 and 776 employees at September 30, 2000 and 1999, respectively. NJNG had 445 and 452 union employees at September 30, 2000 and 1999, respectively. On October 1, 2000, Home Services reached agreement with the union on a two-and-one-half-year collective bargaining agreement, which provides, among other things, for an annual increase in wages of 5.14 percent with an additional 1 percent if certain performance measures are met. In fiscal 2002, the annual increase in wages is 4.25 percent with an additional 2 percent if certain performance measures are met. Effective October 1, 2002 thru April 2, 2003, the six-month increase in wages is 1.63 percent with an additional 2 percent if certain performance measures are met. On December 6, 2000, NJNG reached an agreement with the union on a three-year collective bargaining agreement which provides, among other things, for annual wage increases of 3.5, 3.5 and 3.25 percent, effective December 4, 2000, 2001 and 2002, respectively. The union is also eligible for an additional 1.5, 1.75 and 2 percent of base in fiscal 2001, 2002 and fiscal 2003, respectively, if certain performance measure are met.

EXECUTIVE OFFICERS OF THE REGISTRANT

Office(1) -----	Name ----	Age ---	First Elected an Officer -----
Chairman, President and Chief Executive Officer	Laurence M. Downes	43	1/86
Senior Vice President, General Counsel and Corporate Secretary	Oleta J. Harden	51	6/84
Senior Vice President and Chief Financial Officer	Glenn C. Lockwood	39	1/90

(1) All terms of office are one year.

There is no arrangement or understanding between the officers listed above and any other person pursuant to which they were selected as an officer. The following is a brief account of their business experience during the past five years:

Laurence M. Downes
Chairman, President and Chief Executive Officer

Mr. Downes has held the position of Chairman since September 1996. He has held the position of President and Chief Executive Officer since July 1995. From January 1990 to July 1995, he held the position of Senior Vice President and Chief Financial Officer. Additional information concerning Mr. Downes appears at page 4 in the Company's definitive proxy statement for the Annual Meeting of Stockholders to be held on January 24, 2001, which was filed with the Securities and Exchange

Commission (SEC) pursuant to Regulation 14A on December 18, 2000 and such information is incorporated herein by reference.

Oleta J. Harden
Senior Vice President, General Counsel and Corporate Secretary

Mrs. Harden has held her present position since January 1987, except for the position of General Counsel which she has held since April 1996.

Glenn C. Lockwood
Senior Vice President and Chief Financial Officer

Mr. Lockwood has held the position of Chief Financial Officer since September 1995 and the added position of Senior Vice President since January 1996. From January 1994 to September 1995, he held the position of Vice President, Controller and Chief Accounting Officer. From January 1990 to January 1994, he held the position of Assistant Vice President, Controller and Chief Accounting Officer. In December 1997, Mr. Lockwood (along with three other current or former officers of the Company) entered into a settlement with the SEC in which he consented without admitting or denying the SEC's findings, to an administrative order finding that he was a cause of the Company not fully complying with Section 13(a) of the Securities Exchange Act of 1934 in connection with the Company's reporting of certain 1992 Company subsidiary transactions. No fines or monetary penalties were imposed on him, nor was his ability to act as an officer or director of a public company otherwise limited.

ITEM 2. PROPERTIES

NJNG (All properties are in New Jersey)

NJNG owns 11,859 miles of distribution main and services, 215 miles of transmission main and approximately 412,984 meters. Mains are primarily located under public roads. Where mains are located under private property, NJNG has obtained easements from the owners of record.

In addition to mains and services, NJNG owns and operates two LNG storage plants located in Stafford Township, Ocean County, and Howell Township, Monmouth County. The two LNG plants have an estimated maximum capacity of 19,200 and 150,000 Dths per day, respectively. These facilities are used for peaking supply and emergencies.

NJNG owns four service centers located in Rockaway Township, Morris County; Atlantic Highlands and Wall Township, Monmouth County; and Lakewood, Ocean County. These service centers house storerooms, garages, gas distribution and appliance service operations and administrative offices. NJNG leases its headquarters facilities in Wall Township, customer service offices located in Asbury Park and Wall Township, Monmouth County and a service center in Manahawkin, Ocean County. These customer service offices support customer contact, marketing and other functions. NJNG also owns an equipment storage facility in Long Branch, Monmouth County.

Substantially all of NJNG's properties, not expressly excepted or duly released, are subject to the lien of an Indenture of Mortgage and Deed of Trust to Harris Trust and Savings Bank, Chicago, Illinois,

dated April 1, 1952, as amended by twenty-nine supplemental indentures (Indenture), as security for NJNG's bonded debt, which totaled approximately \$218 million at September 30, 2000. In addition, under the terms of its Indenture, NJNG could have issued approximately \$287 million of additional first mortgage bonds as of September 30, 2000.

See Note 5 to the Consolidated Financial Statements - Long-Term Debt, Dividends and Retained Earnings Restrictions in the Company's 2000 Annual Report for additional information regarding NJNG's bonded debt.

Energy Holdings

NJR Energy has a \$2.3 million equity interest in Capstone Turbine Corporation, a developer of energy efficient, gas-fired microturbines that produce electricity. Pipeline has a 2.8 percent equity interest in the Iroquois Gas Transmission System, L.P. which owns and operates the Iroquois pipeline project, a 375-mile pipeline located from the Canadian border in upstate New York to Long Island.

NJR Development Corporation (All properties are in New Jersey)

At September 30, 2000, CR&R owned 210 acres of undeveloped land and two fully-occupied buildings. The buildings consisted of 25,000 square feet of commercial office and mixed-use commercial/industrial space.

In 2000, CR&R completed the sale of 7.7 acres of undeveloped land for \$275,000 and incurred an after-tax loss of \$44,000.

See Item 1. - Environment for a discussion of regulatory matters concerning one of the business parks owned by CR&R.

Capital Expenditure Program

See MD&A - Liquidity and Capital Resources in the Company's 2000 Annual Report for a discussion of the Company's anticipated 2001 and 2002 capital expenditures for each business segment.

ITEM 3. LEGAL PROCEEDINGS

a. Gas Remediation

NJNG has identified eleven former manufactured gas plant (MGP) sites, dating back to the late 1800's and early 1900's, which contain contaminated residues from the former gas manufacturing operations. Ten of the eleven sites in question were acquired by NJNG in 1952. All of the gas manufacturing operations ceased at these sites at least by the mid-1950's and in some cases had been discontinued many years earlier, and all of the old gas manufacturing facilities were subsequently dismantled by NJNG or the former owners. NJNG is currently involved in administrative proceedings with the New Jersey Department of Environmental Protection (NJDEP) and local government authorities with respect to the plant sites in question, and is participating in various studies and investigations by outside consultants to determine the nature and extent of any such contaminated residues and to develop appropriate programs of remedial action, where warranted. Since October

1989, NJNG has entered into Administrative Consent Orders or Memoranda of Agreement with the NJDEP covering all eleven sites. These documents establish the procedures to be followed by NJNG in developing a final remedial clean-up plan for each site.

Until September 2000, most of the cost of such studies and investigations had been shared under an agreement with the former owner and operator of ten of the MGP sites. In September 2000, a revised agreement was executed pursuant to which NJNG is responsible for two of the sites, while the former owner is responsible for the remaining eight sites. Also in September 2000, NJNG purchased a 20-year cost containment insurance policy for these two sites. NJNG continues to participate in the investigation and remedial action for one MGP site that was not subject to the original cost-sharing agreement. Through a Remediation Rider approved by the BPU, NJNG is recovering its expenditures incurred through June 30, 1998 over a seven-year period. Costs incurred subsequent to June 30, 1998, including carrying costs on the deferred expenditures as noted above, will be reviewed annually and recovered over rolling seven-year periods, subject to BPU approval. In September 1999, NJNG filed for recovery of expenditures incurred through June 30, 1999. See Note 11 to the Consolidated Financial Statements - Commitments and Contingent Liabilities in the Company's 2000 Annual Report for additional information regarding estimated costs of remediation.

In March 1995, NJNG filed a complaint in the New Jersey Superior Court against various insurance carriers for declaratory judgment and for damages arising from such defendants' breach of their contractual obligations to defend and/or indemnify NJNG against liability for claims and losses (including defense costs) alleged against NJNG relating to environmental contamination at the former MGP sites and other sites. NJNG is seeking (i) a declaration of the rights, duties and liabilities of the parties under various primary and excess liability insurance policies purchased from the defendants by NJNG from 1951 through 1985, and (ii) compensatory and other damages, including costs and fees arising out of defendants' obligations under such insurance policies. The complaint was amended in July 1996 to name Kaiser-Nelson Steel & Salvage Company (Kaiser-Nelson) and its successors as additional defendants. The Company is seeking (a) a declaration of the rights, duties and liabilities of the parties under agreements with respect to claims against the Company that allege property damage caused by various substances used, handled or generated by NJNG or the predecessor in title that were removed from several of the MGP sites by Kaiser-Nelson, and (b) money damages or compensatory relief for the harm caused by Kaiser-Nelson's aforementioned actions. Discovery is proceeding in this matter. There can be no assurance as to the outcome of these proceedings.

b. South Brunswick Asphalt, L.P.

NJNG has been named as a defendant in a civil action commenced in the New Jersey Superior Court by South Brunswick Asphalt, L.P. (SBA) and its affiliated companies seeking damages arising from alleged environmental contamination at three sites owned or occupied by SBA and its affiliated companies. Specifically, the suit charges that tar emulsion removed from 1979 to 1983 by an affiliate of SBA (Seal Tite Corp.) from NJNG's former gas manufacturing plant sites has been alleged by the NJDEP to constitute a hazardous waste and that the tar emulsion has contaminated the soil and ground water at the three sites in question. In February 1991, the NJDEP issued letters classifying the tar emulsion/sand and gravel mixture at each site as dry industrial waste, a non-hazardous classification. In April 1996, in a meeting with all parties to the litigation and the judge assigned to the case, the NJDEP confirmed the non-hazardous classification, which will allow for conventional disposal. In May 1997, SBA submitted applications to NJDEP for permits to allow SBA to recycle the tar emulsion/sand and gravel mixture at each site into asphalt, to be used as a paving materials. In July

1998, SBA filed an amended complaint adding NJDEP to the proceedings to facilitate the resolution of these applications. Following service of SBA's amended complaint, NJDEP filed a motion for dismissal of the amended complaint, but has not formally granted or denied SBA's permit applications. In March 1999, the court granted NJDEP's motion in part and denied NJDEP's motion in part, and directed SBA to file a more definite statement of its claims for equitable relief against NJDEP, including its request that a mandatory injunction be imposed compelling NJDEP to issue the subject permits. SBA has filed a more definite statement of its claims, and NJDEP has renewed its motion to dismiss the amended complaint. In its motion, NJDEP alleges, among other things, that it has not acted upon SBA's applications for permits to recycle the tar emulsion/sand and gravel mixture because SBA has not submitted completed applications for these permits. This allegation is denied by SBA. NJDEP's motion to dismiss is pending in the Superior Court and it is not known when the Court will issue a decision. The Company does not believe that the ultimate resolution of these matters will have a material adverse effect on its consolidated financial condition or results of operations

c. Combe Fill South Landfill

NJNG has been joined as a third-party defendant in two civil actions commenced in October 1998 in the U.S. District Court for the District of New Jersey by the U.S. Environmental Protection Agency and NJDEP. These two actions seek recovery of costs expended in connection with, and for continuation of the cleanup of, the Combe Fill South Landfill, a Superfund site in Chester, New Jersey. The plaintiffs claim that hazardous waste NJNG is alleged to have generated was sent to the site. There are approximately 180 defendants and third-party defendants in the actions thus far. Each third-party complaint seeks damages under CERCLA Section 113 and the New Jersey Spill Act, declaratory relief holding each third-party defendant strictly liable, and contribution and indemnification under the common law of the United States and New Jersey. No specific monetary demands or scope of cleanup work have been set forth to date. NJNG is in the process of investigating the allegations, formulating its position with respect thereto and has agreed to participate in an alternate dispute resolution process encouraged by the Court. Its insurance carriers have been notified and one has agreed to assume responsibility for the legal expenses, while reserving its rights with regard to liability. NJNG is currently unable to predict the extent, if any, to which it may have cleanup or other liability with respect to these civil actions, but would seek recovery of any such costs through the ratemaking process. No assurance can be given as to the timing or extent of the ultimate recovery of any such costs.

d. Various

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

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None

INFORMATION CONCERNING FORWARD-LOOKING STATEMENTS

Certain statements contained in this report (other than the financial statements and other statements of historical fact), including, without limitation, statements as management expectations and belief

presented in Part I under the captions "New Jersey Natural Gas Company - General; - Gas Supply; - Regulation and Rates; - Competition," "Environment" and "Legal Proceedings", are forward looking statements. Forward-looking statements can also be identified by the use of forward-looking terminology such as "may", "intend", "expect", or "continue" or comparable terminology and are made based upon management's expectations and beliefs concerning future developments and their potential effect upon the Company. There can be no assurance that future developments will be in accordance with management's expectations or that the effect of future developments on the Company will be those anticipated by management.

The Company cautions readers that the assumptions that form the basis for forward-looking statements regarding financial results and capital requirements for fiscal 2001 and thereafter include many factors that are beyond the Company's ability to control or estimate precisely, such as estimates of future market conditions and the behavior of other market participants. Among the factors that could cause actual results to differ materially from estimates reflected in such forward-looking statements are weather and economic conditions, demographic changes in NJNG's service territory, fluctuations in energy commodity prices, energy conversion activity and other marketing efforts, the conservation efforts of NJNG's customers, the ability to extend certain fuel management contracts, the pace of deregulation of retail gas markets, competition for the acquisition of gas, the regulatory and pricing policies of federal and state regulatory agencies, changes due to legislation at the federal and state level, the availability of Canadian reserves for export to the United States and other regulatory changes.

The Company does not, by including this statement, assume any obligation to review or revise any particular forward-looking statement referenced herein in light of future events.

PART II

Information for Items 5 through 9 of this report appears below or in the Company's 2000 Annual Report as indicated on the following table and the 2000 Annual Report information is incorporated herein by reference, as follows:

	Annual Report Page -----
ITEM 5.	
Market for the Registrant's Common Equity and Related Stockholder Matters	
Market Information - Exchange	Inside back cover
- Stock Prices & Dividends	23
Dividend Restrictions	44
Holders of Common Stock - 17,350 Shareowner accounts	
ITEM 6.	28
Selected Financial Data	
ITEM 7.	30-35
Management's Discussion and Analysis of Financial Condition and Results of Operations	
ITEM 7A.	34-35
Quantitative and Qualitative Disclosures about Market Risk	
ITEM 8	30-50
Financial Statements and Supplementary Data	
ITEM 9.	
Changes in and Disagreements with Accountants on Accounting and Financial Disclosure - None	

PART III

Information for Items 10 through 13 of this report is incorporated herein by reference to the Company's definitive proxy statement for the Annual Meeting of Stockholders to be held on January 24, 2001, which was filed with the SEC pursuant to Regulation 14A on December 18, 2000.

	Proxy Page -----
ITEM 10. Directors and Executive Officers of the Registrant	3 - 7
ITEM 11. Executive Compensation	10 - 14
ITEM 12. Security Ownership of Certain Beneficial Owners and Management	2
ITEM 13. Certain Relationships and Related Transactions	4, 5 & 7

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a) (1) The following Financial Statements of the Registrant and Independent Auditors' Report, included in the Company's 2000 Annual Report, are incorporated by reference in Item 8 above:

Consolidated Balance Sheets as of September 30, 2000 and 1999

Consolidated Statements of Income for the Years Ended September 30, 2000, 1999 and 1998

Consolidated Statements of Cash Flows for the Years Ended September 30, 2000, 1999 and 1998

Consolidated Statements of Capitalization as of September 30, 2000 and 1999

Consolidated Statements of Common Stock Equity for the Years Ended September 30, 2000, 1999 and 1998

Notes to Consolidated Financial Statements

Independent Auditors' Report

(2) Financial Statement Schedules - See Index to Financial Statement Schedules on page 18.

(3) Exhibits - See Exhibit Index on page 22.

(b) No reports on Form 8-K were filed by the Company during the quarter ended September 30, 2000.

Schedule II - Valuation and qualifying accounts and reserves for each of the three years in the period ended September 30, 2000

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Schedules other than those listed above are omitted because they are not required or are not applicable, or the required information is shown in the financial statements or notes thereto.

NEW JERSEY RESOURCES CORPORATION
VALUATION AND QUALIFYING
YEARS ENDED SEPTEMBER 30, 2000, 1999 and 1998

CLASSIFICATION	BALANCE AT BEGINNING OF YEAR	ADDITIONS CHARGED TO EXPENSE	OTHER	BALANCE AT END OF YEAR

(S000)				
2000				
Allowance for Doubtful Accounts	\$1,684	\$2,614	\$(1,743) (1)	\$2,555
	=====	=====	=====	=====
1999:				
Allowance for Doubtful Accounts	\$1,907	\$2,269	\$(2,482) (1)	\$1,694
	=====	=====	=====	=====
1998:				
Allowance for Doubtful Accounts	\$1,527	\$1,755	\$(1,375) (1)	\$1,907
	=====	=====	=====	=====

Notes: (1) Uncollectible accounts written off, less recoveries.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

NEW JERSEY RESOURCES CORPORATION
(Registrant)

Date: December 22, 2000

By: /s/ Glenn C. Lockwood

Glenn C. Lockwood
Senior Vice President and
Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant in the capacities and on the dates indicated:

Dec. 22, 2000	/s/ Laurence M. Downes ----- Laurence M. Downes Chairman, President and Chief Executive Officer	Dec. 22, 2000	/s/ James T. Hackett ----- James T. Hackett Director
Dec. 22, 2000	/s/ Glenn C. Lockwood ----- Glenn C. Lockwood Senior Vice President and Chief Financial Officer (Principal Accounting Officer)	Dec. 22, 2000	/s/ Lester D. Johnson ----- Lester D. Johnson Director
Dec. 22, 2000	/s/ Nina Aversano ----- Nina Aversano Director	Dec. 22, 2000	/s/ Dorothy K. Light ----- Dorothy K. Light Director
Dec. 22, 2000	/s/ Lawrence R. Codey ----- Lawrence R. Codey Director	Dec. 22, 2000	/s/ William H. Turner ----- William H. Turner Director
Dec. 22, 2000	/s/ Leonard S. Coleman ----- Leonard S. Coleman Director	Dec. 22, 2000	/s/ Gary W. Wolf ----- Gary W. Wolf Director
Dec. 22, 2000	/s/ Joe B. Foster ----- Joe B. Foster Director	Dec. 22, 2000	/s/ George R. Zoffinger ----- George R. Zoffinger Director
Dec. 22, 2000	/s/ Hazel S. Gluck Hazel S. Gluck Director		

To the Shareholders and Board of Directors of New Jersey Resources Corporation:

We have audited the consolidated financial statements of New Jersey Resources Corporation as of September 30, 2000 and 1999 and for each of the three years in the period ended September 30, 2000, and have issued our report thereon dated October 26, 2000; such consolidated financial statements and report are included in your 2000 Annual Report and are incorporated herein by reference. Our audits also included the consolidated financial statement schedule of New Jersey Resources Corporation, listed in Item 14. This consolidated financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion based on our audits. In our opinion, such consolidated financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects the information set forth therein.

DELOITTE & TOUCHE LLP
Parsippany, New Jersey
October 26, 2000

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in Registration Statements No. 33-52409 and No. 333-59013 on Form S-8 and No. 33-57711 on Form S-3 of New Jersey Resources Corporation of our reports dated October 26, 2000 included in and incorporated by reference in this Annual Report on Form 10-K of New Jersey Resources Corporation for the year ended September 30, 2000.

DELOITTE & TOUCHE LLP
Parsippany, New Jersey
December 22, 2000

EXHIBIT INDEX

Exhibit No.	Reg. S-K Item 801 Reference	Document Description	Previous Filing	
			Registration Number	Exhibit
3-1	3	Restated Certificate of Incorporation of the Company, as amended	Note (8)	3-1
3-2		By-laws of the Company, as presently in effect	333-59013	5-1
4-1	4	Specimen Common Stock Certificates	33-21870	4-1
4-2		Indenture of Mortgage and Deed of Trust with Harris Trust and Savings Bank, as Trustee, dated April 1, 1952	2-9569	4(g)
4-2A		Twenty-First Supplemental Indenture, dated as of August 1, 1993	Note (5)	4-2U
4-2B		Twenty-Second Supplemental Indenture, dated as of October 1, 1993	Note (5)	4-2V
4-2C		Twenty-Third Supplemental Indenture, dated as of August 15, 1994	Note (6)	4-2W
4-2D		Twenty-Fourth Supplemental Indenture, dated as of October 1, 1994	Note (6)	4-2X
4-2E		Twenty-Fifth Supplemental Indenture, dated as of July 15, 1995	Note (7)	4-2Y
4-2F		Twenty-Sixth Supplemental Indenture, dated as of October 1, 1995	Note (7)	4-2Z
4-2G		Twenty-Seventh Supplemental Indenture, dated as of September 1, 1997	Note (9)	4-2J
4-2H		Twenty-Eighth Supplemental Indenture, dated as of January 1, 1998	Note (10)	4-2K
4-2I		Twenty-Ninth Supplemental Indenture, dated as of April 1, 1998	Note (10)	4-2L
4-5		Amended and Restated Note and Credit Agreement between New Jersey Resources Corporation and First Union National Bank, successor to First Fidelity Bank, dated May 7, 1993	The Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1993	4-5

EXHIBIT INDEX

Exhibit No.	Reg. S-K Item # Reference	Document Description	Previous Filing	
			Registration Number	Exhibit
4-5A		Dated as of August 29, 1995	Note (8)	4-5A
4-5B		Dated as of April 2, 1996	Note (8)	4-5B
4-5C		Dated as of September 10, 1996	Note (8)	4-5C
4-5D		Dated as of September 26, 1997	Note (9)	4-5D
4-5E		Dated as of August 10, 1999	Note (11)	4-5E
4-5F		Dated as of September 29, 2000 (filed herewith)		
4-7		Revolving Credit and Term Loan Agreement between New Jersey Resources Corporation and PNC Bank, successor to Midlantic Bank, N.A., dated December 20, 1990	Note (3)	4-7
4-7A		Dated as of January 31, 1997	Note (9)	4-7A
4-7B		Dated as of January 31, 1998	Note (10)	4-7B
4-7C		Dated as of October 10, 2000 (filed herewith)		
4-10		Shareholder Rights Plan	The Company's Form S-K filed on August 2, 1996	
4-11		Credit Agreement between New Jersey Resources Corporation and Summit Bank of New Jersey, dated December 22, 1999	Note (11)	4-11
4-11A		Dated October 11, 2000 (filed herewith)		
10-2		Retirement Plan for Represented Employees, as amended October 1, 1984	2-73181	10(f)
10-3		Retirement Plan for Non-Represented Employees, as amended October 1, 1985	2-73181	10(g)

EXHIBIT INDEX

Exhibit No.	Reg. S-K Item # Reference	Document Description	Previous Filings	
			Registration Number	Exhibit
10-4		Supplemental Retirement Plans covering all Executive Officers as described in the Registrant's definitive proxy statement incorporated herein by reference	Note (1)	10-9
10-5		Agreements between NJNG and Texas Eastern Transmission Company	Note (8)	10-5
10-5A		Dated June 21, 1995	Note (8)	10-5A
10-5B		Dated June 21, 1995	Note (8)	10-5B
10-5C		Dated November 15, 1995	Note (8)	10-5C
10-6		Officer Incentive Plan effective as of October 1, 1986	Note (8)	10-6
10-7		Lease Agreement between NJNG as Lessee and State Street Bank and Trust Company of Connecticut, National Association as Lessor for NJNG's Headquarters Building dated December 21, 1995	Note (8)	10-7
10-10		Long-Term Incentive Compensation Plan as amended	Company's proxy statement on Schedule 14A for the 1996 Meeting Annual Meeting	
10-12		Employment Continuation Agreement of Laurence M. Downes dated June 5, 1996	Note (8)	10-12
10-12A		Amendment dated as of December 1, 1997	Note (9)	10-12A
10-12B		Revised Schedule of Officer Employee Continuation Agreements	Note (9)	10-12B
10-13		Agreements between NJNG and Alberta Northeast Gas Limited, dated February 7, 1991	Note (4)	10-13
10-14		Agreement between NJNG and Iroquois Gas Transmission System, L.P., dated February 7, 1991	Note (4)	10-14
10-15		Agreements between NJNG and CNG Transmission	Note (8)	10-15

EXHIBIT INDEX

Exhibit No.	Reg. F-K Item Reference	Document Description	Previous Filings	
			Registration Number	Exhibit
10-15A		Dated December 1, 1993	Note (8)	10-15A
10-15B		Dated December 1, 1993, as amended December 21, 1995	Note (8)	10-15B
13-1	13	2000 Annual Report to Stockholders. Such Exhibit includes only those portions thereof which are expressly incorporated by reference in this Form 10-K (filed herewith)		
21-1	21	Subsidiaries of the Registrant (filed herewith)		
23-1	23	Independent Auditors' Consent and Report on Schedule (filed herewith) See page 21		
27-1	27	Financial Data Schedule (filed herewith)		

Note (1) 1986 Form 10-K File No. 1-8359
 Note (2) 1989 Form 10-K File No. 1-8359
 Note (3) 1991 Form 10-K File No. 1-8359
 Note (4) 1992 Form 10-K File No. 1-8359
 Note (5) 1993 Form 10-K File No. 1-8359
 Note (6) 1994 Form 10-K File No. 1-8359
 Note (7) 1995 Form 10-K File No. 1-8359
 Note (8) 1996 Form 10-K File No. 1-8359
 Note (9) 1997 Form 10-K File No. 1-8359
 Note (10) 1998 Form 10-K File No. 1-8359
 Note (11) 1999 Form 10-K File No. 1-8359

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended December 31, 2000

Commission file number 1-8359

NEW JERSEY RESOURCES CORPORATION
(Exact name of registrant as specified in its charter)NEW JERSEY
(State or other jurisdiction of incorporation or organization)22-2376465
(I.R.S. Employer Identification Number)1415 WYCKOFF ROAD, WALL, NEW JERSEY - 07719
(Address of principal executive offices)732-938-1480
(Registrant's telephone number, including area code)

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

YES: X

NO:

The number of shares outstanding of \$2.50 par value Common Stock as of February 9, 2001 was 17,698,302.

PART I-FINANCIAL INFORMATION
 ITEM 1. FINANCIAL STATEMENTS
 CONSOLIDATED STATEMENTS OF INCOME
 (unaudited)

(Thousands, except per share data)	THREE MONTHS ENDED DECEMBER 31,	
	2000	1999
	-----	-----
OPERATING REVENUES.....	\$667,487	\$263,438
	-----	-----
OPERATING EXPENSES		
Gas purchases.....	585,657	193,981
Operation and maintenance.....	23,918	20,607
Depreciation and amortization.....	8,223	7,981
Energy and other taxes.....	13,424	10,044
	-----	-----
Total operating expenses.....	631,222	232,613
	-----	-----
OPERATING INCOME.....	36,265	30,825
Other income.....	593	701
Interest charges, net.....	5,669	5,176
	-----	-----
INCOME BEFORE INCOME TAXES.....	31,189	26,350
Income tax provision.....	12,133	10,179
	-----	-----
INCOME BEFORE CUMULATIVE EFFECT OF A CHANGE IN ACCOUNTING.....	19,056	16,171
Cumulative effect of a change in accounting for derivatives, net of tax of \$930	(1,347)	-
	-----	-----
NET INCOME.....	\$17,709	\$16,171
	=====	=====
EARNINGS PER COMMON SHARE-BASIC		
INCOME BEFORE CUMULATIVE EFFECT OF A CHANGE IN ACCOUNTING.....	\$1.08	\$.91
	=====	=====
NET INCOME.....	\$1.00	\$.91
	=====	=====
EARNINGS PER COMMON SHARE-DILUTED		
INCOME BEFORE CUMULATIVE EFFECT OF A CHANGE IN ACCOUNTING.....	\$1.07	\$.90
	=====	=====
NET INCOME.....	\$1.00	\$.90
	=====	=====
DIVIDENDS PER COMMON SHARE.....	\$.44	\$.43
	=====	=====
AVERAGE SHARES OUTSTANDING		
BASIC.....	17,628	17,780
	=====	=====
DILUTED.....	17,743	17,914
	=====	=====

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

	THREE MONTHS ENDED	
	DECEMBER 31,	
	2000	1999
	----	----
CASH FLOWS USED IN OPERATING ACTIVITIES		
Net income	\$ 17,709	\$ 16,171
Adjustments to reconcile net income to cash flows		
Depreciation and amortization	8,223	7,981
Amortization of deferred charges	1,459	1,512
Deferred income taxes	4,534	(2,905)
Manufactured gas plant remediation costs	(2,517)	(2,507)
Change in working capital	(108,894)	(41,224)
Other, net	(275)	4,782
	-----	-----
Net cash flows used in operating activities	(79,761)	(16,190)
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term debt	72,800	5,300
Proceeds from common stock	3,289	2,056
Repurchase of treasury stock	(1,643)	(2,803)
Payments of common stock dividends	(7,595)	(7,465)
Net change in short-term debt	24,700	35,300
	-----	-----
Net cash flows from financing activities	91,551	32,388
	-----	-----
CASH FLOWS USED IN INVESTING ACTIVITIES		
Expenditures for		
Utility plant	(10,326)	(14,215)
Real estate properties and other	(1,205)	(118)
Cost of removal	(423)	(1,735)
Proceeds from asset sales	3,620	556
	-----	-----
Net cash flows used in investing activities	(8,334)	(15,512)
	-----	-----
Net change in cash and temporary investments	3,456	686
Cash and temporary investments at September 30	1,904	2,123
	-----	-----
Cash and temporary investments at December 31	\$ 5,360	\$ 2,809
	=====	=====
CHANGES IN COMPONENTS OF WORKING CAPITAL		
Receivables	\$ (226,296)	\$ (44,830)
Inventories	29,106	4,471
Underrecovered gas costs	(509)	1,940
Purchased gas	92,029	(2,536)
Prepaid and accrued taxes, net	18,015	11,890
Customers' credit balances and deposits	(939)	554
Accounts payable	(21,640)	(3,886)
Other, net	1,340	(8,827)
	-----	-----
Total	\$ (108,894)	\$ (41,224)
	=====	=====
SUPPLEMENTAL DISCLOSURES OF CASH FLOWS INFORMATION		
Cash paid for		
Interest (net of amounts capitalized)	\$ 7,110	\$ 6,742
Income taxes	\$ 70	\$ 547

See Notes to Consolidated Financial Statements

CONSOLIDATED BALANCE SHEETS

ASSETS

	DECEMBER 31, 2000 (unaudited)	SEPTEMBER 30, 2000	DECEMBER 31, 1999 (unaudited)
	-----	-----	-----
		(Thousands)	
PROPERTY, PLANT AND EQUIPMENT			
Utility plant, at cost	\$ 986,515	\$ 981,601	\$ 954,751
Real estate properties and other, at cost	28,259	28,016	26,437
	-----	-----	-----
	1,014,774	1,009,617	981,188
Accumulated depreciation and amortization	(282,838)	(279,033)	(267,695)
	-----	-----	-----
Property, plant and equipment, net	731,936	730,584	713,493
	-----	-----	-----
CURRENT ASSETS			
Cash and temporary investments	5,360	1,904	2,809
Construction fund	7,600	7,600	12,100
Customer accounts receivable	300,108	103,618	101,080
Unbilled revenues	33,811	3,189	28,061
Allowance for doubtful accounts	(3,398)	(2,555)	(2,021)
Gas in storage, at average cost	35,332	63,799	31,451
Materials and supplies, at average cost	2,910	3,549	3,513
Prepaid state taxes	--	12,836	--
Underrecovered gas costs	10,656	12,436	--
Derivatives	61,470	--	--
Other	11,180	5,599	15,921
	-----	-----	-----
Total current assets	465,029	211,975	192,914
	-----	-----	-----
DEFERRED CHARGES AND OTHER			
Equity investments	20,367	35,271	15,085
Regulatory assets	88,557	87,291	65,610
Underrecovered gas costs	2,557	268	6,781
Derivatives	29,363	--	--
Other	10,643	16,922	17,525
	-----	-----	-----
Total deferred charges and other	151,487	139,752	105,001
	-----	-----	-----
Total assets	\$ 1,348,452	\$ 1,082,311	\$ 1,011,408
	=====	=====	=====

See Notes to Consolidated Financial Statements

CONSOLIDATED BALANCE SHEETS
CAPITALIZATION AND LIABILITIES

	DECEMBER 31, 2000 (unaudited)	SEPTEMBER 30, 2000	DECEMBER 31, 1999 (unaudited)
	-----	-----	-----
	(Thousands)		
CAPITALIZATION			
Common stock equity	\$ 363,780	\$ 328,128	\$ 310,426
Redeemable preferred stock	400	400	520
Long-term debt	414,328	291,528	313,023
	-----	-----	-----
Total capitalization	778,508	620,056	623,969
	-----	-----	-----
CURRENT LIABILITIES			
Current maturities of long-term debt	495	495	318
Short-term debt	18,000	43,300	97,000
Purchased gas	245,488	153,459	75,328
Accounts payable and other	32,576	54,216	24,613
Dividends payable	7,762	7,595	7,649
Accrued taxes	12,588	5,964	7,928
Overrecovered gas costs	--	--	3,311
Customers' credit balances and deposits	15,347	16,286	16,024
	-----	-----	-----
Total current liabilities	332,256	281,315	232,171
	-----	-----	-----
DEFERRED CREDITS			
Deferred income taxes	111,212	90,980	64,167
Deferred investment tax credits	9,758	9,845	10,106
Deferred revenue	20,514	21,009	22,514
Derivatives	24,207	--	--
Manufactured gas plant remediation	45,219	45,219	45,219
Regulatory liability and other	26,778	13,887	13,262
	-----	-----	-----
Total deferred credits	237,688	180,940	155,268
	-----	-----	-----
Total capitalization and liabilities	\$1,348,452	\$1,082,311	\$1,011,408
	=====	=====	=====

See Notes to Consolidated Financial Statements

1. General

The preceding financial statements have been prepared without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (the SEC). The September 30, 2000 balance sheet data is derived from the audited financial statements of New Jersey Resources Corporation (the Company). Although management believes that the disclosures are adequate to make the information presented not misleading, it is recommended that these financial statements be read in conjunction with the financial statements and the notes thereto included in the Company's 2000 Annual Report on Form 10-K.

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

Certain prior year amounts have been reclassified to conform with current year reporting.

2. Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries - New Jersey Natural Gas Company (NJNG), NJR Energy Services Company (Energy Services), formerly a wholly-owned subsidiary of NJR Energy Holdings Corporation (Energy Holdings), NJR Retail Holdings Corporation (Retail Holdings), NJR Capital Corporation (Capital), formerly NJR Development Corporation, and NJR Service Corporation (Service Corp.).

NJR Home Services Company (Home Services), NJR Natural Energy Company (Natural Energy), formerly New Jersey Natural Energy Company and a wholly-owned subsidiary of Energy Holdings, and NJR Power Services Company (Power Services), are wholly-owned subsidiaries of Retail Holdings.

Commercial Realty & Resources Corp. (CR&R), NJR Investment Corporation, and Energy Holdings, formerly a sub-holding company of the Company, which includes NJR Energy Corporation (NJR Energy), New Jersey Natural Resources Company (NJNR), and NJNR Pipeline Company (Pipeline), are wholly-owned subsidiaries of Capital. Significant intercompany accounts and transactions have been eliminated.

On December 6, 2000, the BPU approved the transfer of NJNG's appliance service business to Home Services. The Company commenced accounting for these operations in Home Services, effective October 1, 2000, and all prior year reporting has been reclassified to be consistent with current year presentation.

3. Derivative Activities

The regulated and unregulated natural gas businesses of the Company and its subsidiaries are subject to market risk due to fluctuations in the price of natural gas. To hedge against such fluctuations, the Company and its subsidiaries have entered into futures contracts, options agreements and over-the-counter swap agreements. The Company's natural gas businesses are conducted through three of its operating subsidiaries. First, NJNG is a regulated utility whose recovery of gas costs is protected by the LGA, but to further hedge against price fluctuations, utilizes futures and options through its financial risk management program. Second, Energy Services has hedged its commitments to purchase natural gas for sale to retail marketers, purchases and sales of storage gas and fixed price sales to wholesale customers. Finally, NJR Energy has entered into swap agreements to hedge a long-term, fixed-price contract.

The Company also utilizes interest rate caps and swaps to manage the risk of variable interest rate debt.

Through September 30, 2000, the Company accounted for the results of its derivative activities for hedging purposes utilizing the settlement method. The settlement method provides for recognizing the gains or losses from derivatives when the related physical transaction has been completed. Derivatives that were not for hedging purposes were valued at fair value utilizing quoted market prices. Changes in fair value were recorded in net income.

Effective October 1, 2000, the Company has adopted Statement of Financial Accounting Standards (SFAS) No.133 "Accounting for Derivative Investments and Hedging Activities, as amended" (SFAS 133). Under SFAS 133, the Company records the fair value of derivatives held as assets and liabilities. The changes in net value of the effective portion of derivatives qualifying as cash flow hedges are recorded, net of tax, in other comprehensive income, a component of Common stock equity. Under SFAS 133, the Company also has certain derivative instruments that do not qualify as cash flow hedges. The changes in net value of these derivatives are recorded in net income. In addition, the changes in net value of the ineffective portion of derivatives qualifying for hedge accounting are recorded as an increase or decrease in gas costs or interest expense, as applicable, based on the nature of the derivatives. NJNG utilizes derivatives to hedge its gas purchasing activities which are recoverable through its Levelized Gas Adjustment (LGA) clause. Accordingly, the offset to the changes in fair value of these derivatives is recorded as a regulatory asset or liability. The Company has not designated any derivatives as fair value hedges.

Fair value of the derivative investments is determined by reference to quoted market prices of listed contracts, published quotations or quotations from independent parties. In the absence thereof, the Company utilizes mathematical models based on current and historical data.

4. Capitalized Interest

The Company's capitalized interest totaled \$266,000 and \$254,000 for the three months ended December 31, 2000 and 1999, respectively.

5. Legal and Regulatory Proceedings

a. Energy Deregulation Legislation

In February 1999, the Electric Discount and Energy Competition Act (Act), which provides the framework for the restructuring of New Jersey's energy markets, became law. In January 2000, the New Jersey Board of Public Utilities (BPU), verbally approved a stipulation agreement among various parties to fully open NJNG's residential markets to competition, restructure its rates to segregate its Basic Gas Supply (BGS) service and Delivery (i.e., transportation) service prices as required by the Act, and expand an incentive for residential and small commercial customers to switch to transportation service.

The Act also allows continuation of each utility's role as a gas supplier at least until December 31, 2002. The BPU must determine the ongoing role of each utility in providing BGS service by January 1, 2002. The Act also allows natural gas utilities to provide competitive services (e.g., appliance services). In July 2000, NJNG filed a stipulation agreement among various parties resolving the customer account service proceedings. The stipulation continues NJNG's current third-party billing policies and delays until January 2003, absent a significant breakthrough in metering technology, any further decision on meter reading and other potentially competitive services.

On December 6, 2000, the BPU signed a written Order resolving the customer account service proceeding and also approving the transfer of NJNG's existing appliance service business to Home Services, a newly formed unregulated subsidiary of the Company.

b. LGA and Other Adjustment Clauses

In July 2000, NJNG amended a September 1999 LGA filing in response to a significant increase in the wholesale cost of gas. The amended filing requested an approximate 16 percent increase in rates for firm sales customers through an increase in the Gas Cost Recovery (GCR) and Remediation Adjustment (RA) factors, to be slightly offset by a decrease in the Prior Gas Cost Adjustment (PGCA) and Transportation Education and Implementation (TEI) factors. The filing proposed that the Demand Side Management (DSM) and Weather Normalization Clause (WNC) factors remain the same. The rates for transportation customers would remain relatively stable as a result of the changes requested in the filing. The filing also requested that the monthly and annual limits of a Flexible Pricing Mechanism (FPM), which allows NJNG to make additional pricing adjustments on a monthly basis to reflect market changes, be expanded. In November 2000, the BPU approved a 16 percent increase to the GCR and also authorized the expansion of the FPM. The BPU has also approved increases of 2 percent each on December 1, 2000, January 1, 2001 and February 1, 2001 under the FPM. NJNG filed an updated LGA filing on December 1, 2000, and held a public hearing in January 2001. Subject to the results of the filing and the public hearing, NJNG would be able to increase rates by up to an additional 2 percent on March 1 and April 1 of 2001. Additionally, NJNG has requested that the FPM be extended through July 2001. The BPU plans to rule on additional LGA increases in the first quarter of 2001. The FPM also allows NJNG to decrease rates if market conditions allow.

Pursuant to a previous BPU Order, NJNG currently recovers its carrying costs on its underrecovered gas costs balance through December 2001. NJNG has requested that recovery of its carrying costs be extended.

In August 1999, NJNG filed a Comprehensive Resource Analysis (CRA) plan pursuant to a BPU order. The CRA, which will replace NJNG's current DSM program, includes funding for certain technologies that utilize renewable sources of energy to produce electricity (e.g., fuel cells and solar), and

has a program cost of \$2.9 million recoverable through rates. The BPU is currently evaluating two separate stipulations filed in this proceeding.

c. Gas Remediation

NJNG has identified eleven former manufactured gas plant (MGP) sites, dating back to the late 1800's and early 1900's, which contain contaminated residues from the former gas manufacturing operations. Ten of the eleven sites in question were acquired by NJNG in 1952. All of the gas manufacturing operations ceased at these sites at least by the mid-1950's and in some cases had been discontinued many years earlier, and all of the old gas manufacturing facilities were subsequently dismantled by NJNG or the former owners. NJNG is currently involved in administrative proceedings with the New Jersey Department of Environmental Protection (NJDEP) and local government authorities with respect to the plant sites in question, and is participating in various studies and investigations by outside consultants to determine the nature and extent of any such contaminated residues and to develop appropriate programs of remedial action, where warranted. Since October 1989, NJNG has entered into Administrative Consent Orders or Memoranda of Agreement with the NJDEP covering all eleven sites. These documents establish the procedures to be followed by NJNG in developing a final remedial clean-up plan for each site.

NJNG had been sharing the cost of environmental investigations and remedial actions at ten of the former MGP sites with the former owner. In September 2000, a revised agreement was executed whereby NJNG is responsible for two of the sites, while the former owner is responsible for the remaining eight sites. Also in September 2000, NJNG purchased a 20-year cost containment insurance policy for these two sites. NJNG continues to participate in the investigation and remedial action for one MGP site that was not originally shared.

Through a Remediation Rider approved by the BPU, NJNG is recovering its expenditures incurred through June 30, 1998 over a seven-year period. Costs incurred subsequent to June 30, 1998, including carrying costs on the deferred expenditures will be reviewed annually and recovered over rolling seven-year periods, subject to BPU approval. In September 1999, NJNG filed for recovery of expenditures incurred through June 30, 1999 and a BPU decision is expected in the spring of 2001. On January 11, 2001, NJNG filed for recovery of expenditures incurred through June 30, 2000.

In March 1995, NJNG filed a complaint in New Jersey Superior Court against various insurance carriers for declaratory judgment and for damages arising from such defendants' breach of their contractual obligations to defend and/or indemnify NJNG against liability for claims and losses (including defense costs) alleged against NJNG relating to environmental contamination at the former MGP sites and other sites. NJNG is seeking (i) a declaration of the rights, duties and liabilities of the parties under various primary and excess liability insurance policies purchased from the defendants by NJNG from 1951 through 1985, and (ii) compensatory and other damages, including costs and fees arising out of defendants' obligations under such insurance policies. The complaint was amended in July 1996 to name Kaiser-Nelson Steel & Salvage Company (Kaiser-Nelson) and its successors as additional defendants. The Company is seeking (a) a declaration of the rights, duties and liabilities of the parties under agreements with respect to claims against the Company that allege property damage caused by various substances used, handled or generated by NJNG or the predecessor in title that were removed from several of the MGP sites by Kaiser-Nelson, and (b) money damages or compensatory relief for the harm caused

by Kaiser-Nelson's aforementioned actions. Discovery is proceeding in this matter. There can be no assurance as to the outcome of these proceedings.

d. South Brunswick Asphalt, L.P.

NJNG has been named as a defendant in a civil action commenced in New Jersey Superior Court by South Brunswick Asphalt, L.P. (SBA) and its affiliated companies seeking damages arising from alleged environmental contamination at three sites owned or occupied by SBA and its affiliated companies. Specifically, the suit charges that tar emulsion removed from 1979 to 1983 by an affiliate of SBA (Seal Tite Corp.) from NJNG's former MGP sites has been alleged by the NJDEP to constitute a hazardous waste and that the tar emulsion has contaminated the soil and ground water at the three sites in question. In February 1991, the NJDEP issued letters classifying the tar emulsion/sand and gravel mixture at each site as dry industrial waste, a non-hazardous classification. In April 1996, in a meeting with all parties to the litigation and the judge assigned to the case, the NJDEP confirmed the non-hazardous classification, which will allow for conventional disposal. In May 1997, SBA submitted applications to NJDEP for permits to allow SBA to recycle the tar emulsion/sand and gravel mixture at each site into asphalt, to be used as a paving materials. In July 1998, SBA filed an amended complaint adding NJDEP to the proceedings to facilitate the resolution of these applications. Following service of SBA's amended complaint, NJDEP filed a motion for dismissal of the amended complaint, but has not formally granted or denied SBA's permit applications. In March 1999, the court granted NJDEP's motion in part and denied NJDEP's motion in part, and directed SBA to file a more definite statement of its claims for equitable relief against NJDEP, including its request that a mandatory injunction be imposed compelling NJDEP to issue the subject permits. SBA has filed a more definite statement of its claims, and NJDEP has renewed its motion to dismiss the amended complaint. In its motion, NJDEP alleges, among other things, that it has not acted upon SBA's applications for permits to recycle the tar emulsion/sand and gravel mixture because SBA has not submitted completed applications for these permits. This allegation is denied by SBA. NJDEP's motion to dismiss is pending in the Superior Court and it is not known when the Court will make a decision. The Company does not believe that the ultimate resolution of these matters will have a material adverse effect on its consolidated financial condition or results of operations

e. Combe Fill South Landfill

NJNG has been joined as a third-party defendant in two civil actions commenced in October 1998 in the U.S. District Court for the District of New Jersey by the U.S. Environmental Protection Agency and NJDEP. These two actions seek recovery of costs expended in connection with, and for continuation of the cleanup of the Combe Fill South Landfill, a Superfund site in Chester, New Jersey. The plaintiffs claim that hazardous waste NJNG is alleged to have generated was sent to the site. There are approximately 180 defendants and third-party defendants in the actions thus far. Each third-party complaint seeks damages under CERCLA Section 113 and the New Jersey Spill Act, declaratory relief holding each third-party defendant strictly liable, and contribution and indemnification under the common law of the United States and New Jersey. No specific monetary demands or scope of cleanup work have been set forth to date. NJNG is in the process of investigating the allegations, formulating its position with respect thereto and has agreed to participate in an alternate dispute resolution process encouraged by the Court. Its insurance carriers have been notified and one has agreed to assume responsibility for the legal expenses, while reserving its rights with regard to liability. NJNG is currently unable to predict the extent, if any, to which it may have cleanup or other liability with respect to these civil actions, but would

seek recovery of any such costs through the ratemaking process. No assurance can be given as to the timing or extent of the ultimate recovery of any such costs.

f. Various

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

6. Earnings Per Share

The incremental shares required for inclusion in the denominator for the diluted EPS calculation were 115,080 and 133,620 for the three months ended December 31, 2000 and 1999, respectively. These shares relate to stock options and restricted stock and were calculated using the treasury stock method. The numerator for each applicable basic and diluted calculation was income before cumulative effect of a change in accounting and net income, respectively.

7. Long-Term Debt

On January 5, 2001, the Company closed on \$260 million of revolving credit agreements with several banks. The parent company facility consists of \$135 million with a three-year term and will be used to finance non-regulated operations. The \$125 million NJNG facility consists of \$50 million with a 364-day term and \$75 million with a three-year term. The NJNG facility will be used to support its commercial paper borrowings. Consistent with management's intent to maintain its commercial paper on a long-term basis, and as supported by its long-term revolving credit facility, at December 31, 2000, the Company included \$50 million of commercial paper borrowings as Long-term debt on the Consolidated Balance Sheet.

In April 1998, NJNG entered into a loan agreement whereby the New Jersey Economic Development Authority (EDA) loaned NJNG the proceeds from its \$18 million Natural Gas Facilities Revenue Bonds, Series 1998C, which were deposited into a construction fund. NJNG may draw down these funds in reimbursement for certain qualified expenditures. NJNG drew down \$4.5 million and \$3.9 million from the construction fund and issued a like amount of its Series GG Bonds in 2000 and 1999, respectively.

8. Segment Reporting

The segment data has been reclassified to reflect the new business segments that are discussed in Note 2: Principles of Consolidation. The Natural gas distribution segment consists of the regulated energy and the off-system and capacity management operations. The Energy Services segment consists primarily of unregulated fuel capacity management and other wholesale marketing services. The Retail Holdings segment consists primarily of appliance service repair and contract services and unregulated retail marketing. The NJR Capital and Other segment consists of CR&R, which develops commercial real estate, NJR Energy, which invests in energy-related ventures and NJR Investment Company, which makes energy-related equity investments. It also includes Service Corp., which provides shared administrative services and the parent company's operations.

(Thousands)	Three Months Ended December 31,	
	2000	1999
	----	----
Operating Revenues		
Natural gas distribution	\$ 324,799	\$ 197,440
Energy Services	338,344	62,672
Retail Holdings	5,424	7,191
NJR Capital and Other	905	619
	-----	-----
Subtotal	669,472	267,922
Intersegment revenues	(1,985)	(4,484)
	-----	-----
Total	\$ 667,487	\$ 263,438
	=====	=====
Operating Income		
Natural gas distribution	\$ 31,193	\$ 28,936
Energy Services	4,071	895
Retail Holdings	(287)	(68)
NJR Capital and Other	1,288	1,062
	-----	-----
Total	\$ 36,265	\$ 30,825
	=====	=====

(Thousands)	As of	As of	As of
	December 31, 2000	September 30, 2000	December 31, 1999
	-----	-----	-----
Assets			
Natural gas distribution	\$ 1,063,269	\$ 940,725	\$ 940,413
Energy Services	220,208	63,775	23,691
Retail Holdings	6,522	1,982	4,719
NJR Capital and Other	58,453	75,829	42,585
	-----	-----	-----
Total	\$ 1,348,452	\$ 1,082,311	\$ 1,011,408
	=====	=====	=====

9. Investments

Equity investments, which were purchased as long-term investments, are classified as available for sale and are carried at the estimated fair value with any unrealized gains or losses included in other comprehensive income, a component of Common stock equity. Joint ventures and investments in which the Company can exercise a significant influence over operations and management are accounted for under the equity method. For investments in which significant influence does not exist the cost method of accounting is applied. Included in Equity investments on the Consolidated Balance Sheet is the Company's less than 1 percent ownership interest in the Capstone Turbine Corporation, a developer of microturbines, which completed its initial public offering in June 2000. Other comprehensive income for the three months ended December 31, 2000, includes an after-tax unrealized loss of \$8.7 million associated with the Capstone investment. Through December 31, 2000, accumulated other comprehensive income includes an after-tax unrealized gain of \$4.5 million related to Capstone.

10. Comprehensive Income

	Three Months Ended December 31,	
	2000	1999
	-----	-----
(Thousands)		
Net income	\$ 17,709	\$ 16,171
	-----	-----
Other comprehensive income:		
Change in fair value of equity investments, net of tax of \$(5,971) and \$162	\$ (8,649)	\$ 196
Change in fair value of derivatives, net of tax of \$8,040	11,840	--
Cumulative effect of a change in accounting for derivatives, net of tax of \$14,177	20,530	--
	-----	-----
Total other comprehensive income	\$ 23,721	\$ 196
	-----	-----
Comprehensive income	\$ 41,430	\$ 16,367
	=====	=====

11. Change in accounting

Effective October 1, 2000, the Company adopted SFAS 133 (See Note 3: Derivative Activities).

At October 1, 2000, the effect of adopting of SFAS 133 was as follows:

(Thousands)	Increase/ (Decrease)
Fair value of derivative assets	\$ 56,963
Fair value of derivative liabilities	\$ 17,657
Regulatory liability	\$ 6,834
Cumulative effect of a change in accounting on net income, net of tax of \$930	\$ (1,347)
Cumulative effect of a change in accounting for on other comprehensive income, net of tax of \$14,177	\$ 20,530

The cumulative effect on net income from a change in accounting resulted from derivatives that do not qualify for hedge accounting.

The amounts included in other comprehensive income related to natural gas instruments will reduce or be charged to gas costs as the related transaction occurs. Based on the amount recorded to other comprehensive income on the October 1, 2000 transition date, \$9.8 million is expected to be recorded as a

reduction in gas costs in 2001. In the quarter ended December 31, 2000, \$1 million pre-tax was charged to gas costs. Those amounts related to interest rate instruments will reduce or be charged to interest expense as the future transaction occurs. In the quarter ended December 31, 2000 there is a \$113,000 charge to other comprehensive income related to interest rate instruments which will reverse by September 30, 2001.

The cash flow hedges described above cover various periods of time ranging from February 2001 to October 2010.

12. Other

At December 31, 2000 there were 17,657,259 shares of common stock outstanding and the book value per share was \$20.60.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS
THREE MONTHS ENDED DECEMBER 31, 2000

A. RESULTS OF OPERATIONS

Consolidated income before cumulative effect of a change in accounting for the quarter ended December 31, 2000 increased 17.9 percent to \$19.1 million, compared with \$16.2 million for the same period last year. Basic EPS before cumulative effect of a change in accounting increased 18.7 percent to \$1.08, compared with \$.91 last year. Diluted EPS before cumulative effect of a change in accounting also increased 18.9 percent to \$1.07, compared with \$.90 last year.

The increase in consolidated earnings before cumulative effect of a change in accounting was primarily attributable to continued profitable customer growth at the Company's principal subsidiary, NJNG, and improved wholesale natural gas marketing results.

Consolidated net income for the quarter ended December 31, 2000 includes a charge of \$1.3 million, or \$.08 per share, resulting from the cumulative effect of a change in accounting for derivatives under SFAS 133.

NJNG OPERATIONS

NJNG is a local natural gas distribution company that provides regulated energy service to more than 411,000 residential and commercial customers in central and northern New Jersey and participates in the off-system sales and capacity release markets.

NJNG's financial results are summarized as follows:

	Three Months Ended December 31,	
	2000	1999
	-----	-----
(Thousands)		
Gross margin		
Residential and commercial	\$49,357	\$44,300
		=====
Firm transportation	9,550	9,249

Total firm margin	58,907	53,549
Interruptible	192	220
Off-system and capacity management	1,325	1,564

Total gross margin	\$60,424	\$55,333
		=====
Operating income	\$31,193	\$28,936
		=====
Income before cumulative effect of a change in accounting	\$16,726	\$15,341
		=====
Net income	\$16,451	\$15,341
		=====

Gross Margin

Gross margin is defined as gas revenues less gas costs, sales tax and a Transitional Energy Facilities Assessment (TEFA). Gross margin provides a more meaningful basis for evaluating utility operations, since gas costs, sales tax and TEFA are passed through to customers and, therefore, have no effect on earnings. Gas costs are charged to operating expenses on the basis of therm sales at the rates included in NJNG's tariff. The LGA clause allows NJNG to recover gas costs that exceed the level reflected in its base rates. Sales tax is calculated at 6 percent of revenue and excludes off-system sales, sales to other utilities and federal accounts. TEFA is calculated on a per therm basis and excludes sales to other utilities, off-system sales and federal accounts.

Firm Margin

Residential and commercial (i.e., firm) gross margin is subject to the WNC, which provides for a revenue adjustment if the weather varies by more than one-half of 1 percent from normal, or 20-year average, weather. The WNC does not fully protect NJNG from factors such as unusually warm weather and declines in customer usage patterns, which were set at the conclusion of NJNG's last base rate case in January 1994. The accumulated adjustment from one heating season (i.e., October-May) is billed or credited to customers in subsequent periods. This mechanism reduces the variability of both customer bills and NJNG's earnings due to weather fluctuations.

The components of gross margin from firm customers are affected by customers switching between sales service and firm transportation service. NJNG's total gross margin is not negatively impacted by customers who utilize its firm transportation service and purchase their gas from another supplier. This is due to NJNG's tariff, which is designed such that no profit is earned on the commodity portion of sales to firm customers, while all customers who purchase gas from another supplier continue to utilize NJNG for transportation service.

Total firm margin increased \$5.4 million, or 10 percent for the three months ended December 31, 2000, compared with the same periods last year, reflecting customer growth and higher average customer usage.

The weather for the three months ended December 31, 2000 was 15.6 percent colder than normal, which, in accordance with the WNC, resulted in \$3.2 million of gross margin being deferred for future refunds to customers. At December 31, 2000, NJNG had \$14.3 million in accrued WNC margin to be collected from its customers in fiscal 2001 and 2002, due primarily to warmer weather in prior fiscal years.

Gross margin from sales to firm customers increased \$5.1 million, or 11.4 percent, for the three months ended December 31, 2000, compared with the same period last year. Sales to firm customers were 16.8 billion cubic feet (Bcf) for the three months ended December 31, 2000, compared with 12.6 Bcf for the same period last year. The increase in gross margin and sales was due primarily to the impact of 13,127 customer additions during the twelve months ended December 31, 2000, and the colder weather.

Gross margin from firm transportation increased \$300,000, or 3.3 percent, for the three months ended December 31, 2000, compared with the same period last year. NJNG transported 3.6 Bcf and 3.2 Bcf for the three months ended December 31, 2000 and 1999, respectively. The increase in margin was due primarily to the colder weather, which more than offset customers switching back to sales service.

NJNG had 24,967 and 30,527 residential customers and 3,632 and 4,248 commercial customers using transportation service at December 31, 2000 and 1999, respectively. The decrease in the number of transportation customers was due primarily to higher wholesale commodity prices, which resulted in customers returning to sales service from transportation service.

Interruptible

NJNG services 54 customers through interruptible sales and/or transportation tariffs. Sales made under the interruptible sales tariff are priced on market-sensitive oil and gas parity rates. Although therms sold and transported to interruptible customers represented 5 percent and 4 percent of total therm throughput in the three months ended December 31, 2000 and 1999, respectively, they accounted for less than 1 percent of the total gross margin in each period due to the regulated margin-sharing formulas that govern these sales. Under these formulas, NJNG retains 10 percent of the gross margin from the interruptible sales and 5 percent of the gross margin from transportation sales, with the balance credited to firm sales customers through the LGA clause.

Off-System and Capacity Management

In order to reduce the overall cost of its gas supply commitments, NJNG has entered into contracts to sell gas to customers outside its franchise territory when the gas is not needed for system requirements. These off-system sales enable NJNG to spread its fixed demand costs, which are charged by pipelines to access their supplies year round, over a larger and more diverse customer base. NJNG also participates in the capacity release market on the interstate pipeline network when the capacity is not needed for its firm system requirements. Effective October 1, 1998 through December 31, 2002, NJNG retains 15 percent of the gross margin from these sales, with the balance credited to firm sales customers through the LGA clause.

A new incentive mechanism designed to reduce the fixed cost of NJNG's gas supply portfolio became effective October 1, 1998. Any savings achieved through the permanent reduction or replacement of capacity or other services will be shared between customers and shareowners. Under this program, NJNG retains 40 percent of the savings for the first 12 months following any transaction and retains 15 percent for the remaining period through December 31, 2002, with the balance credited to firm sales customers through the LGA clause.

NJNG's off-system and capacity management sales totaled 29.2 Bcf and generated \$1.3 million of gross margin, for the three months ended December 31, 2000, compared with 36 Bcf and \$1.6 million of gross margin for the respective period last year. The decrease in margin and volume was attributable to the colder weather, as more supplies were needed for core customers.

Operating Income

Operating income increased \$2.3 million, or 7.8 percent, for the three months ended December 31, 2000, compared with the same periods last year, due primarily to the increase in gross margin which more than offset a \$2.6 million, or 12.7 percent, increase in operation and maintenance (O&M) expenses. O&M expenses were higher due to a \$600,000 increase in bad debt expense, which is attributable to increased revenues. Revenues increased by \$124.2 million, or 38.2 percent, reflecting a significant increase in the wholesale cost of gas.

Net Income

Net income increased \$1.1 million, or 7.2 percent, for the three months ended December 31, 2000, compared with the same periods last year, due primarily to the higher operating income discussed above, which more than offset a \$275,000 charge related to the cumulative effect of a change in accounting and lower other income.

ENERGY SERVICES OPERATIONS

Energy Services, formerly a wholly-owned subsidiary of Energy Holdings, it provides unregulated fuel capacity management and other wholesale marketing services.

Energy Service's financial results are summarized as follows:

	Three Months Ended December 31,	
	2000	1999
	-----	-----
(Thousands)		
Revenues	\$338,344	\$ 62,672
	=====	=====
Operating income	\$ 4,071	\$ 895
	=====	=====
Income before cumulative effect of a change in accounting	\$ 2,625	\$ 652
	=====	=====
Net income	\$ 1,937	\$ 652
	=====	=====

Energy Services' revenues, operating income and net income increased for the three months ended December 31, 2000, compared with the same period last year, due primarily to a three-fold increase in wholesale natural gas prices and a more than two-fold increase in volume which generated higher margins.

Energy Services' gas under management totaled 55.7 Bcf and 25.5 Bcf for the three months ended December 31, 2000 and 1999, respectively.

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 RETAIL HOLDINGS OPERATIONS

Retail Holdings consist of Home Services, which provide appliance service repair and contract services, Natural Energy, which participates in unregulated retail marketing of natural gas, and Power Services, which is involved in the distribution of alternative sources of energy.

Retail Holdings consolidated financial results are summarized as follows:

	Three Months Ended December 31,	
	2000	1999
	-----	-----
(Thousands)		
Revenues	\$ 5,424	\$ 7,191
	=====	=====
Operating loss	\$ (287)	\$ (68)
	=====	=====
Net (loss) income	\$ (133)	\$ 153
	=====	=====

Retail Holdings' revenues have decreased due primarily to the sale of Natural Energy's commercial accounts in November 1999 and a reduction in the number of retail and interruptible customers, which was partially offset by increased revenue at Home Services. Operating loss and net loss have increased due primarily to lower margins experienced by Natural Energy's' retail sales.

Home Services provides approximately 130,000 customers with home-appliance repair and contract warranty services. Natural Energy currently serves approximately 8,000 residential customers.

Retail Holdings' retail gas totaled .6 Bcf and 1.2 Bcf for the three months ended December 31, 2000 and 1999, respectively.

NJR CAPITAL AND OTHER OPERATIONS

NJR Capital and Other operations include Capital, formerly NJR Development Corporation, which consists of CR&R, which develops commercial real estate, NJR Energy, an investor in energy-related ventures, which consist primarily of its equity investments in the Capstone Turbine Corporation (Capstone) and the Iroquois Gas Transmission System, L.P. (Iroquois), NJR Investment Company, which makes certain energy-related equity investments, Service Corp., which provides shared administrative services for all of the subsidiaries, and the parent company's operations.

NJR Capital and Others consolidated financial results are summarized as follows:

	Three Months Ended December 31,	
	2000	1999
	-----	-----
(Thousands)		
Revenues	\$ 905	\$ 619
	=====	=====
Operating income	\$ 1,288	\$ 1,062
	=====	=====
Income before cumulative effect of a change in accounting	\$ (162)	\$ 25
	=====	=====
Net (loss) income	\$ (546)	\$ 25
	=====	=====

In December 2000, CR&R sold 11 acres of vacant land for \$1.2 million, which approximated book value.

NJR Energy's results include interest expense related to debt remaining after the discontinuance of the oil and natural gas production business in 1995. The Company plans to further reduce such debt from cash flow generated by its equity investments.

In 1996, CR&R entered into a sale-leaseback transaction which generated a pre-tax gain of \$17.8 million, which is included in Deferred revenue and is being amortized to Other income over 25 years, the term of the lease. The primary tenant of the facility, NJNG, is leasing the building under a long-term master lease agreement and continues to occupy a majority of the space in the building.

B. LIQUIDITY AND CAPITAL RESOURCES'

In order to meet the working capital and external debt financing requirements of its unregulated subsidiaries, as well as its own working capital needs, the Company maintains committed credit facilities with a number of banks totaling \$135 million. At December 31, 2000, \$115.9 million was outstanding under these agreements. NJNG satisfies its debt needs by issuing short-term and long-term debt based upon its own financial profile. The Company meets the common equity requirements of each subsidiary, if any, through new issuances of the Company's common stock, including the proceeds from its Automatic Dividend Reinvestment Plan (DRP). The DRP also allows for the purchase of shares in the open market to satisfy the plan's needs. The Company can switch funding options every 90 days.

The use of futures and options in NJNG and Energy Services hedging activities necessitates the use of margin accounts. Fluctuations in the prices of the underlying natural gas commodity may have an impact on cash requirements for margin calls.

NJNG

The seasonal nature of NJNG's operations creates large short-term cash requirements, primarily to finance gas purchases and customer accounts receivable. NJNG obtains working capital for these requirements, as well as for the temporary financing of construction expenditures, sinking fund needs and energy tax payments, through the issuance of commercial paper and short-term bank loans. To support the issuance of commercial paper, NJNG maintains committed credit facilities totaling \$125 million.

Remaining fiscal 2001 construction expenditures are estimated at \$38.5 million. These expenditures will be incurred for services, mains and meters to support NJNG's continued customer growth, and general system renewals and improvements. NJNG has incurred \$2.5 million in remediating its former manufactured gas plants during the three months ended December 31, 2000. NJNG estimates additional remediation expenditures of approximately \$19.2 million, exclusive of any insurance recoveries, for the remaining nine months of fiscal 2001.

NJNG expects to finance these expenditures through internal generation, the issuance of short-term debt and the draw down of approximately \$4 million from its EDA construction fund. The timing and mix of any external financings will be geared toward maintaining a common equity ratio, which is consistent with maintaining its current short- and long-term credit ratings.

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ENERGY SERVICES

Energy Services does not currently expect any material capital expenditures or external financing requirements in fiscal 2001.

RETAIL HOLDINGS

Retail Holdings does not currently expect any material capital expenditures or external financing requirements in fiscal 2001.

NJR CAPITAL AND OTHER

CR&R's remaining capital expenditures in connection with the construction of a 35,000 square-foot build-to-suit office building are projected to be \$1.5 million in 2001. CR&R has contracted to sell the building, subject to obtaining a certificate of occupancy, and adjacent undeveloped acreage. CR&R expects that the proceeds of the sale will at least recover the construction costs and land investment.

ITEM 3. QUANTITATIVE AND QUALITATIVE
DISCLOSURES ABOUT MARKET RISK

FINANCIAL RISK MANAGEMENT

Commodity Market Risks

The regulated and unregulated natural gas businesses of the Company and its subsidiaries are subject to market risk due to fluctuations in the price of natural gas. To hedge against such fluctuations, the Company and its subsidiaries have entered into futures contracts, options agreements and over-the-counter swap agreements. The Company's natural gas businesses are conducted through three of its operating subsidiaries. First, NJNG is a regulated utility whose recovery of gas costs is protected by the LGA, but to further hedge against price fluctuations, utilizes futures and options through its financial risk management program. Second, Energy Services has hedged its commitments to purchase natural gas for sale to retail marketers, purchases and sales of storage gas and fixed price sales to wholesale customers. Finally, NJR Energy has entered into swap agreements to hedge a long-term, fixed-price contract to sell approximately 22.6 Bcf of natural gas to a gas marketing company at prices ranging from \$2.87 to \$4.41 per Mmbtu.

Natural gas is a nationally traded commodity, and its prices are effectively determined by the New York Mercantile Exchange (NYMEX) and over-the-counter markets. The prices on the NYMEX and over-the-counter markets generally reflect the notional balance of natural gas supply and demand, but are also influenced significantly from time to time by other events.

Summary of commodity derivatives as of December 31, 2000:

		Volume in Bcf -----	Price per Mmbtu -----	Amounts included in Derivatives in Thousands -----
NJNG				
	Futures	5.3	\$2.84-\$8.80	\$24,222
	Swaps	(41.2)		\$(6,164)
	Options	.1	\$2.258-\$25.00	\$(6,402)
Energy Services				
	Futures	11.9	\$2.45-\$9.82	\$33,876
	Swaps	10.5		\$18,365
NJR Energy				
	Swaps	22.6	\$2.87-\$4.41	\$2,643

NJR Energy has hedged both its price and physical delivery risks associated with its long-term, fixed-price sales contract with a gas marketing company (the "Gas Sale Contract"). To hedge its price risk, NJR Energy entered into two swap agreements. Under the terms of these two swap agreements, NJR Energy will pay to the counterparties the identical fixed price it receives from the gas marketing company in exchange for the payment by the counterparties of an index price plus a spread per Mmbtu for the total volumes under the Gas Sale Contract. The swap agreements were effective as of November 1995. In order to hedge its physical delivery risk, NJR Energy entered into a purchase contract with a second gas marketing company for the identical volumes it is obligated to sell under the Gas Sale Contract. NJR Energy has agreed to pay this second gas marketing company the identical floating price it receives under the swap agreements mentioned above.

To manage these instruments, the Company has well-defined risk management policies and procedures, which include volumetric limits and monetary guidelines.

With respect to the futures contracts, options and swap agreements described above, the Company has performed a sensitivity analysis to estimate its exposure to market risk arising from natural gas price fluctuations using the net futures positions and the net swaps positions. Futures contracts, options and swap agreements are substantially all settled at the NYMEX settlement date and the related natural gas quantity is purchased or sold in the physical market and, therefore, their notional values, which represent the absolute sum of all outstanding natural gas futures contracts or swap agreements, as the case may be, are not accurate measurements of risk to the Company from those futures contracts or swap agreements.

Summary of effects of theoretical 10 percent change in market value:

	2000 ----	December 31, 1999 ----
	(Thousands)	
Futures	\$16,008	\$800
Swaps	\$ 2,159	\$100
Options	\$ 2,987	\$106

Any such additional changes in value under the futures contracts and the swap agreements would be substantially offset by a corresponding change on the related underlying contracts that are being hedged.

Interest Rate Risk

NJNG has total variable rate, long-term debt of \$147 million, of which \$56 million has been hedged by the purchase of a 6.5 percent interest rate cap through 2003. According to the Company's sensitivity analysis, NJNG's annual interest rate exposure on the \$56 million, based on the difference between current average rates and the 6.5 percent interest rate cap, is limited to \$1 million, net of tax. If interest rates were to change by 100 basis points on the remaining \$91 million of variable rate debt, NJNG's interest expense, net of tax, would change by \$537,000. The Company also has variable rate debt of \$115.9 million, of which \$20 million is being hedged through an interest rate swap agreement which fixes

interest at 6.97 percent through September 30, 2001. According to the Company's sensitivity analysis, if interest rates were to change by 100 basis points on the remaining \$95.9 million, annual interest expense, net of tax, would change by \$566,000. Subsequent to the expiration of the interest rate swap agreement in September 2001, a 100 basis point change would result in an additional \$118,000 annual change in interest expense, net of tax.

INFORMATION CONCERNING FORWARD LOOKING STATEMENTS

Certain of the statements contained in this report (other than the financial statements and other statements of historical fact), including, without limitation, expected disposition of legal and regulatory proceedings, effect of new accounting standards, expected capital expenditures and expected sale of the office building are forward-looking statements. Forward-looking statements can also be identified by the use of forward-looking terminology such as "may," "intend," "expect," or "continue" or comparable terminology and are made based upon management's expectations and beliefs concerning future developments and their potential effect upon the Company. There can be no assurance that future developments will be in accordance with management's expectations or that the effect of future developments on the Company will be those anticipated by management.

The Company wishes to caution readers that the assumptions which form the basis for forward-looking statements with respect to or that may impact earnings for fiscal 2001 and thereafter include many factors that are beyond the Company's ability to control or estimate precisely, such as estimates of future market conditions, the behavior of other market participants and changes in interest rates. Among the factors that could cause actual results to differ materially from estimates reflected in such forward-looking statements are weather conditions, economic conditions in NJNG's service territory, fluctuations in energy-related commodity prices, conversion activity and other marketing efforts, the conservation efforts of NJNG's customers, the pace of deregulation of retail gas markets, competition for the acquisition of gas, the regulatory and pricing policies of federal and state regulatory agencies, changes due to legislation at the federal and state levels, the availability of Canada's reserves for export to the United States and other regulatory changes.

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

PART II - OTHER INFORMATION

ITEM 1. Legal Proceedings

Information required by this Item is incorporated herein by reference to Part I, Item 1, Note 5 - Legal and Regulatory Proceedings.

ITEM 4. Submission of Matters to a Vote of Security Holders

(a) An annual meeting of stockholders was held on January 24, 2001.

(c) The stockholders voted upon the following matters at the January 24, 2001 annual stockholders meeting:

(i) The election of four (4) directors, each to serve for three-year terms expiring in 2004, and until their respective successors are duly elected and are qualified. The results of the voting were as follows:

Director -----	For ---	Withheld -----
Lawrence R. Codey	14,007,628	488,121
Laurence M. Downes	13,967,211	528,538
Joe B. Foster	14,020,230	475,519
William H. Turner	14,004,650	491,099

(ii) The amendment to the Restricted Stock and Stock Option Program for Outside Directors. The results of the voting were as follows:

For -----	Against -----	Abstain -----
12,544,529	1,347,509	603,711

(iii) The approval of the action to retain Deloitte & Touche LLP as auditors for the fiscal year ending September 30, 2001. The votes were as follows:

For ---	Against -----	Abstain -----
14,024,734	73,614	397,401

ITEM 6. Exhibits and Reports on Form 8-K

(a) Exhibits

None.

(b) Reports on Form 8-K

On December 12, 2000, a report on Form 8-K was filed by the Company furnishing under Item 9 information disclosed pursuant to Regulation FD.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

NEW JERSEY RESOURCES CORPORATION

Date: February 14, 2001

/s/Glenn C. Lockwood

Glenn C. Lockwood
Senior Vice President
and Chief Financial Officer

SCHEDULE 14A INFORMATION

PROXY STATEMENT PURSUANT TO SECTION 14(A) OF THE SECURITIES EXCHANGE ACT OF 1934 (AMENDMENT NO.)

Filed by the Registrant [X]

Filed by a Party other than the Registrant []

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to Section 240.14a-12

New Jersey Resources Corporation

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

NEW JERSEY RESOURCES CORPORATION
1415 WYCKOFF ROAD
WALL, NEW JERSEY 07719

PROXY STATEMENT AND
NOTICE OF 2001 ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD ON JANUARY 24, 2001

The Annual Meeting (the "Meeting") of Shareholders of New Jersey Resources Corporation (the "Company") will be held at 10:30 a.m., Wednesday, January 24, 2001, at the Robert B. Meyner Reception Center at the PNC Bank Arts Center, Exit 116 on the Garden State Parkway, Holmdel, New Jersey 07733, for the following purposes:

1. To elect four directors to the Board of Directors.
2. To amend the Restricted Stock and Stock Option Program for Outside Directors (the "Outside Directors Program") to: a) increase from 175,000 to 275,000 the number of shares of the Company's Common Stock authorized for awards thereunder and, b) permit the Board of Directors of the Company to amend, suspend or terminate the Outside Directors Program or any portion thereof at any time, without a vote of shareholders, unless such a vote is required by law.
3. To approve the action of the Board of Directors in retaining Deloitte & Touche LLP as auditors for the fiscal year ending September 30, 2001.
4. To transact any other business that may properly be brought before the Meeting or any adjournment or adjournments thereof.

The Board of Directors has fixed the close of business on December 8, 2000, as the record date for the determination of the shareholders entitled to notice of and to vote at the Meeting. Accordingly, only shareholders of record at the close of business on that date will be entitled to vote at the Meeting.

A copy of the Company's Annual Report for fiscal 2000 is being mailed concurrently with this proxy material to all shareholders of record.

A cordial invitation is extended to you to attend the Meeting. If you do not expect to attend the Meeting, please vote by telephone, the Internet, or sign, date and return the enclosed proxy promptly to the Secretary in the enclosed envelope. Please refer to the enclosed Proxy Card for instructions about the use of each of these options.

OLETA J. HARDEN
Secretary

Wall, New Jersey
December 18, 2000

PROXY STATEMENT

NEW JERSEY RESOURCES CORPORATION

1415 WYCKOFF ROAD
WALL, NEW JERSEY 07719

ANNUAL MEETING OF SHAREHOLDERS

JANUARY 24, 2001

This proxy statement sets forth certain information with respect to the accompanying proxy to be used at the Annual Meeting (the "Meeting") of Shareholders of New Jersey Resources Corporation (the "Company"), or at any adjournment or adjournments thereof, for the purposes set forth in the accompanying Notice of Annual Meeting. The Board of Directors of the Company (the "Board") solicits this proxy and urges you to vote immediately.

The proxies hereby solicited vest in the proxy holders voting rights with respect to the election of directors (unless the shareholder marks the proxy to withhold that authority) and on all other matters voted upon at the Meeting. As provided by New Jersey law, if you abstain from or withhold your vote (whether directly or through your broker), your shares will not be included in the total number of votes cast, and therefore will have no effect on the vote.

Whether you vote by telephone, Internet or by mail, you may later revoke your proxy at any time before it is exercised by: (i) submitting a properly signed proxy with a later date; (ii) voting by telephone or the Internet at a later time, or (iii) voting in person at the Annual Meeting. See the enclosed Proxy Card for instructions. This proxy statement and the accompanying proxy materials are being mailed to shareholders on or about December 18, 2000.

PLACE OF ANNUAL MEETING

The Board has designated the Robert B. Meyner Reception Center at the PNC Bank Arts Center, Exit 116 on the Garden State Parkway, Holmdel, New Jersey 07733, as the place of the Meeting. The Meeting will be called to order at 10:30 a.m., local time, on Wednesday, January 24, 2001.

VOTING OF SECURITIES AND SHAREHOLDER INFORMATION

Only holders of record of the Company's outstanding Common Stock at the close of business on December 8, 2000 are entitled to notice of and to vote at the Meeting. At the close of business on December 8, 2000, there were 17,638,097 outstanding shares of Common Stock. Each share is entitled to one vote. No person, to the knowledge of the Company, held beneficially 5% or more of the Company's Common Stock as of December 8, 2000.

The following table sets forth, as of December 8, 2000, the beneficial ownership of equity securities of the Company of each of the directors and each of the executive officers of the Company listed in the Summary

Compensation Table below, and of all directors and executive officers of the Company as a group. The shares owned by all such persons as a group constitute approximately 2% of the total shares outstanding.

NAME	TITLE OF SECURITY	AMOUNT AND NATURE OF BENEFICIAL OWNERSHIP(1) (2)		
-----	-----	-----		
Nina Aversano.....	Common Stock	5,437 shares	--	Direct
Lawrence R. Codey.....	Common Stock	1,200 shares	--	Direct
Leonard S. Coleman.....	Common Stock	10,567 shares	--	Direct
Laurence M. Downes.....	Common Stock	121,433 shares	--	Direct
		1,920 shares	--	Indirect
Joe B. Foster.....	Common Stock	10,002 shares	--	Direct
		2,000 shares	--	Indirect
Hazel S. Gluck.....	Common Stock	10,488 shares	--	Direct
James T. Hackett.....	Common Stock	4,701 shares	--	Direct
Oleta J. Harden.....	Common Stock	30,953 shares	--	Direct
		70 shares	--	Indirect
Timothy C. Hearne.....	Common Stock	26,673 shares	--	Direct
		132 shares	--	Indirect
Lester D. Johnson.....	Common Stock	11,441 shares	--	Direct
Dorothy K. Light.....	Common Stock	13,551 shares	--	Direct
		42 shares	--	Indirect
Glenn C. Lockwood.....	Common Stock	40,067 shares	--	Direct
Joseph P. Shields.....	Common Stock	23,447 shares	--	Direct
		10 shares	--	Indirect
William H. Turner.....	Common Stock	953 shares	--	Direct
Gary W. Wolf.....	Common Stock	7,973 shares	--	Direct
George R. Zoffinger.....	Common Stock	17,383 shares	--	Direct
		200 shares	--	Indirect(3)
		300 shares	--	Indirect
All Directors and Executive Officers as a Group.....	Common Stock	423,539 shares	--	Direct
		4,714 shares	--	Indirect

(1) Information as to the amount and nature of beneficial ownership not within the knowledge of the Company, has been furnished by each individual.

(2) Includes shares subject to currently exercisable options or any options exercisable within the next 60 days, deferred stock units ("Units") in the Directors' fee deferral plan, and restricted stock units awarded pursuant to the Long-Term Incentive Compensation Plan ("LTIP Units") as follows: Ms. Aversano -- 3,500 options and 696 Units; Mr. Codey -- 0; Mr. Coleman -- 9,500 options and 635 Units; Mr. Downes -- 107,723 options and 4,200 LTIP Units; Mr. Foster -- 4,500 options; Ms. Gluck -- 9,500 options and 754 Units; Mr. Hackett -- 3,500 options and 911 Units; Mrs. Harden -- 23,186 options and 400 LTIP Units; Mr. Hearne -- 20,311 options, 400 LTIP Units; Mr. Johnson -- 10,000 options and 213 Units; Mrs. Light -- 8,500 options and 213 Units; Mr. Lockwood -- 33,733 options and 800 LTIP Units; Mr. Shields -- 19,600 options, 400 LTIP Units; Mr. Turner -- 253 Units; Mr. Wolf -- 7,500 options; Mr. Zoffinger -- 7,500 options and 1,655 Units; and all directors and executive officers as a group 336,738 options, 5,329 Units and 7,600 LTIP Units.

(3) Mr. Zoffinger disclaims beneficial ownership of these securities.

ELECTION OF DIRECTORS

{ITEM (1) ON PROXY CARD}

ITEM 1

The Board of Directors currently consists of twelve members divided into three classes with overlapping three-year terms. Four individuals have been nominated for election as directors at the Meeting, each to serve for three-year terms expiring 2004 and each until their respective successors are elected and have qualified. Each of the nominees is now serving as a director of the Company. Unless otherwise indicated on a proxy, the proxy holders intend to vote the shares it represents for all of the nominees for election as directors.

The affirmative vote of a plurality of the shares of the Company's Common Stock, present or represented by proxy and voted at the Meeting, is required for the election of directors.

The votes applicable to the shares represented by proxies in the accompanying form will be cast in favor of the nominees listed below. While it is not anticipated that any of the nominees will be unable to serve, if any should be unable to serve, the proxy holders reserve the right to substitute any other person approved by the Board of Directors.

NOMINEE FOR ELECTION AS
DIRECTOR WITH TERMS EXPIRING IN 2004

NAME AND PERIOD
SERVED AS DIRECTOR

[Codey photo]
Lawrence R. Codey
Director since May 2000
Age 56

BUSINESS EXPERIENCE DURING PAST FIVE YEARS AND OTHER AFFILIATIONS

Retired. Formerly President & Chief Operating Officer, Public Service Electric & Gas Company from September 1991 through February 2000. Director, The Trust Company of New Jersey, a financial institution, United Water Resources, Inc., a utility holding company with subsidiaries providing water and wastewater services, Horizon Blue Cross Blue Shield of New Jersey, a health care insurance provider and Sealed Air Corporation, a manufacturer and seller of food and specialty packaging materials and systems.

NAME AND PERIOD
SERVED AS DIRECTOR

BUSINESS EXPERIENCE DURING PAST FIVE YEARS AND OTHER AFFILIATIONS

[Downes photo]
Laurence M. Downes
Director since 1995
Age 43

Chairman of the Board of Directors of the Company since September 1996 and President and Chief Executive Officer ("CEO") of the Company since July 1995; Director, New Jersey Manufacturers Insurance Company and the American Gas Association; Member, PNC Bank, N.A., New Jersey Regional Advisory Council and Chairman, Jersey Shore Partnership.(4)

[Foster photo]
Joe B. Foster
Director since 1994
Age 66

Chairman since 1989 and CEO from 1989 until January 2000, Newfield Exploration Company, an oil and gas exploration company; Interim Chairman, President and CEO from January through August 2000 and Director since 1990, Baker Hughes, Inc., an oil and gas services company; Director, McDermott International, Inc., a construction and engineering firm and past Chairman of the National Petroleum Council.

-
- (4) The Company and/or its subsidiaries maintain a banking relationship with PNC Bank, N.A., New Jersey, of which Mr. Downes is a member of the Regional Advisory Council. The Company believes that all transactions with this bank were conducted at terms and rates no more favorable than those available from other similarly situated commercial banks. The Company and/or its subsidiaries have an insurance policy with New Jersey Manufacturers Insurance Company of which Mr. Downes is a director. The Company believes that the policy held by it are on terms and rates no more favorable than those available to other similarly situated companies. In December 1997, Mr. Downes (along with three other current or former officers of the Company) entered into a settlement with the Securities and Exchange Commission (the "SEC") in which he consented, without admitting or denying the SEC's findings, to an administrative order finding that he was a cause of the Company not fully complying with section 13(a) of the Securities and Exchange Act of 1934, as amended, in connection with the Company's reporting of certain 1992 Company subsidiary transactions. No fines or monetary penalties were imposed upon him nor was his ability to act as an officer or director of a public company otherwise limited.

NAME AND PERIOD SERVED AS DIRECTOR	BUSINESS EXPERIENCE DURING PAST FIVE YEARS AND OTHER AFFILIATIONS
{Turner photo} William H. Turner Director since March 2000 Age 60	Chairman, since September 1999, and President from August 1997 to that time, PNC Bank, N.A., New Jersey and Northeast Region; Vice Chairman and Director, Chemical Banking Corporation, from 1990 to 1996; Director, Franklin Electronic Publishers, an electronics reference products company, Standard Motor Products, Inc., an automotive replacement parts company, and Volt Information Sciences, Inc., a staffing services, telecommunications and information solutions company; Chairman of the Board of Trustees, NJN Foundation; Trustee, New Jersey State Chamber of Commerce, Liberty Science Center and First Vice President, Atlantic Health System. (5)

DIRECTORS WITH TERMS EXPIRING IN 2002

NAME AND PERIOD SERVED AS DIRECTOR	BUSINESS EXPERIENCE DURING PAST FIVE YEARS AND OTHER AFFILIATIONS
{Aversano photo} Nina Aversano Director since 1998 Age 55	Retired as of December 2000. Formerly President, North America Global Service Provider Division, Lucent Technologies, a designer, developer and manufacturer of telecommunications systems, software and products, from 1993 through December 2000, formerly AT&T Network Systems Division.
{Coleman photo} Leonard S. Coleman Director since 1995 Age 51	Senior Advisor since November 1999 and formerly President, National League of Professional Major League Baseball Clubs from March 1994 to that time; Director, Avis, Inc., a car rental and leasing company, Cendant Corp., a hotel and real estate franchise company, H. J. Heinz Company, a manufacturer and marketer of processed food products, Omnicom Group, Inc., an advertising holding company, Owens Corning Corp., a glass and plastics manufacturing company and Radio Unica Communications Corp, a radio network.

(5) PNC Bank, N.A., New Jersey provides commercial banking services to the Company.

NAME AND PERIOD
SERVED AS DIRECTOR

BUSINESS EXPERIENCE DURING PAST FIVE YEARS AND OTHER AFFILIATIONS

[Johnson photo]
Lester D. Johnson
Director since 1996
Age 68

Retired. Formerly Director from 1992 through 1995, Vice Chairman and Chief Financial Officer from January 1995 to December 1995, Executive Vice President and Chief Financial Officer from March 1992 to December 1994, of Consolidated Natural Gas Company.

[Light photo]
Dorothy K. Light
Director since 1990
Age 63

CEO, Alden Enterprises, LLC, since January 1996, a consulting company; Corporate Vice President and Secretary from June 1990 to July 1995, The Prudential Insurance Company of America; Chairperson, The Prudential Foundation from December 1992 to July 1995; Director, Utility Women's Leadership Conference; and Trustee and Vice Chairman, Milkweed Editions, a publishing company.

DIRECTORS WITH TERMS EXPIRING IN 2003

NAME AND PERIOD
SERVED AS DIRECTOR

BUSINESS EXPERIENCE DURING PAST FIVE YEARS AND OTHER AFFILIATIONS

[Gluck photo]
Hazel S. Gluck
Director since 1995
Age 66

President, The GluckShaw Group (formerly Policy Management & Communications, Inc.) since April 1994, a government consulting and public relations firm; Director, New Jersey State Chamber of Commerce and Kidsbridge Cultural Center of Trenton; former Commissioner, Port Authority of New York and New Jersey, New Jersey Department of Transportation, New Jersey Transit and New Jersey Department of Insurance.

NAME AND PERIOD SERVED AS DIRECTOR	BUSINESS EXPERIENCE DURING PAST FIVE YEARS AND OTHER AFFILIATIONS
[Hackett photo] James T. Hackett Director since 1999 Age 46	Chairman, President and CEO, Ocean Energy Inc., formerly Seagull Energy Corporation, since 1998, an oil and gas exploration and production company; President-Energy Services Group, Duke Energy Corp. from 1997 to 1998; Executive Vice President, PanEnergy Corp from 1996 to 1997; and Director, Ocean Energy Inc., Kaiser Aluminum, Corp., a producer and fabricator of aluminum and related products, and Temple-Inland, Inc., a holding company engaged in wood, pulp, paper and fiber products, and financial services.
[Wolf photo] Gary W. Wolf Director since 1996 Age 62	Senior Partner, Cahill Gordon & Reindel, a law firm, for more than five years and Director, Southwestern Public Service Company, an electric utility company, from 1986 to October 1997. (6)
[Zoffinger photo] George R. Zoffinger Director since 1996 Age 52	President & CEO, Constellation Capital Corp., since March 1998, a financial services company; President & CEO, Value Property Trust, a publicly owned real estate investment trust from 1995 to February 1998; President and CEO, Constellation Bancorp from 1991 through 1994, a financial services company; Chairman and Director, CoreStates New Jersey National Bank from 1994 through 1997; Director, Silverline Technologies, Inc., a software company, Admiralty Bancorp, Commercial Federal Bancorp, MFN Financial Corp., all financial services companies, New Jersey Alliance for Action, and New Jersey World Trade Council; Trustee, St. Peter's Medical Center, and Chairman, New Brunswick Development Corporation.

INFORMATION ABOUT THE BOARD AND ITS COMMITTEES

During fiscal 2000, there were eight meetings of the Board of Directors. Except for Ms. Aversano, each director attended at least 75% of the combined meetings of the Board of Directors and the Committees on which he or she served during the year.

(6) Cahill Gordon & Reindel represents the Company as legal counsel with respect to various matters.

The Audit Committee consists of Nina Aversano, Lawrence R. Codey, James T. Hackett, Lester D. Johnson (Committee Chair), Dorothy K. Light, William H. Turner and Gary W. Wolf. Each member of the Audit Committee is independent, as such term is defined in the New York Stock Exchange listing standards. The Audit Committee met four times during fiscal 2000 for the purpose of overseeing management's responsibilities for accounting, internal controls and financial reporting. While not attempting to verify the results of any specific audit, the Committee did satisfy itself, and ultimately the Board, that these functions are being carried out responsibly. The Committee acts to assure itself of the independence of the independent accountants by reviewing each non-audit service rendered or to be rendered by the accountants. After meeting with the independent accountants to review the scope of their examination, fees, and the planned scope of future examinations, the Committee makes a recommendation to the Board for the appointment of an independent accounting firm for the following fiscal year. The Report of the Audit Committee (see below) and the Audit Committee Charter (Appendix B) more fully describe the responsibilities and the activities of the Audit Committee.

The members of the Corporate Governance Committee are Leonard S. Coleman, Joe B. Foster, Hazel S. Gluck, Dorothy K. Light (Committee Chair) and Gary W. Wolf. The purpose of the Committee is to assess Board composition, size, additional skills and talents needed, and make recommendations to the Board regarding those assessments. The Committee recommends to the Board the nominees for election as directors, and considers performance of incumbent directors to determine whether to nominate them for re-election. This Committee met three times in fiscal 2000. The Corporate Governance Committee will consider qualified nominations for directors recommended by shareholders. Recommendations should be sent to New Jersey Resources Corporation, Office of the Secretary, 1415 Wyckoff Road, P.O. Box 1464, Wall, New Jersey 07719. Any nomination for director should be received by the Secretary on or before November 10, 2001.

The Executive Committee consists of Leonard S. Coleman, Laurence M. Downes, Lester D. Johnson, Dorothy K. Light, Gary W. Wolf (Committee Chair), and George R. Zoffinger. During the interval between meetings of the Board of Directors, the Executive Committee is authorized under the Company's By-Laws to exercise all the powers of the Board of Directors in the management of the Company, unless specifically directed otherwise by the Board or otherwise proscribed by law. This Committee did not meet during fiscal 2000.

The Financial Policy Committee, consisting of Lawrence R. Codey, Leonard S. Coleman (Committee Chair), Hazel S. Gluck, James T. Hackett, Lester D. Johnson, William H. Turner and George R. Zoffinger, met four times during fiscal 2000 to review and make recommendations to the Board concerning financing proposals, dividend guidelines, and other corporate financial and pension matters.

The Management Development and Compensation Committee, consisting of Nina Aversano, Joe B. Foster, Lester D. Johnson, Dorothy K. Light and George R. Zoffinger (Committee Chair), met twice during fiscal 2000 to oversee the performance and qualifications of senior management, and to review and make recommendations regarding the annual compensation and benefits of all elected officers of the Company and its subsidiaries.

AUDIT COMMITTEE REPORT

The Board has adopted a written Charter of the Audit Committee (which is attached to this proxy statement as Appendix B). In accordance with that Charter, the Audit Committee assists the Board in fulfilling its responsibility for oversight of the quality and integrity of the accounting, auditing and financial

reporting practices of the Company. During the fiscal year ended September 30, 2000, the Audit Committee met four times, and the Audit Committee Chairman, as representative of the Audit Committee, discussed the interim financial information contained in the quarterly earnings announcements with the Chief Financial Officer and the independent auditors prior to public release.

In discharging its oversight responsibility as to the audit process, the Audit Committee obtained from the independent auditors a formal written statement describing all relationships between the auditors and the Company that might bear on their independence consistent with Independence Standards Board Standard No. 1 "Independence Discussions with Audit Committees," discussed with the auditors relationships that may impact their objectivity and independence and satisfied itself as to the auditors' independence. The Audit Committee also discussed with management, the internal auditors and the independent auditors the quality and adequacy of the Company's internal controls and the internal audit functions, organization, responsibilities, budget and staffing. The Audit Committee reviewed with both the independent and the internal auditors their audit plans, audit scope, and identification of audit risks.

The Audit Committee discussed and reviewed with the independent auditors all communications required by generally accepted auditing standards, including those described in Statement on Auditing Standards No. 61, as amended, "Communication with Audit Committees" and, with and without management present, discussed and reviewed the results of the independent auditors' examination of the financial statements. The Audit Committee also discussed the results of the internal audit examinations.

The Audit Committee reviewed the audited financial statements of the Company as of and for the fiscal year ended September 30, 2000 with management and the independent auditors. Management has the responsibility for the preparation of the Company's financial statements and the independent auditors have the responsibility for the audit of those statements.

Based on the above-mentioned review and discussions with management and the independent auditors, the Audit Committee recommended to the Board that the Company's audited financial statements be included in its Annual Report on Form 10-K for the fiscal year ended September 30, 2000, for filing with the Securities and Exchange Commission. The Audit Committee also recommended the reappointment of the independent auditors and the Board concurred in such recommendation.

Lester D. Johnson, Chairman
 Nina Aversano
 Lawrence R. Codey
 James T. Hackett
 Dorothy K. Light
 William H. Turner
 Gary W. Wolf

Dated: November 28, 2000

REMUNERATION OF DIRECTORS

Directors who are not officers of the Company or its subsidiaries are compensated as follows: (1) an annual retainer of \$14,800 of which \$4,000 is paid in Company common stock; (2) a fee of \$800 for each Board and committee meeting attended and (3) an annual retainer for each committee chairperson of \$5,000. Directors also receive a one-time award of 200 shares and options to purchase 5,000 shares of the Company's

common stock pursuant to the Outside Directors Restricted Stock and Stock Option Program (the "Outside Directors Program"). An additional award of options to purchase 1,500 shares of the Company's common stock is made annually. Directors who are also officers of the Company or its subsidiaries do not receive additional compensation for serving on the Board. All directors are reimbursed for any out-of-pocket expenses incurred in attending Board or committee meetings.

REMUNERATION OF EXECUTIVE OFFICERS

MANAGEMENT DEVELOPMENT AND COMPENSATION COMMITTEE REPORT

The Management Development and Compensation Committee (the "Committee") of the Board of Directors consists of five outside, non-employee directors. In addition, as Chairman and Chief Executive Officer of the Company, Mr. Downes is a non-voting, ex officio member of the Committee.

The Committee's executive compensation philosophy is designed to attract, energize, reward and retain qualified executive personnel who will provide superior results over the long-term and enhance the Company's position in a highly competitive market. The Committee also administers awards under certain of the Company's employee benefit plans. Accordingly, the Committee reviews the performance of the officers of the Company and the Company's subsidiaries, and makes recommendations to the Board with respect to the compensation and benefit programs that are applicable to officers of the Company and/or its subsidiaries.

The Committee each year has utilized a national compensation consultant to review competitive compensation levels of senior executives in the natural gas industry. Through this process, the Committee identifies the competitive compensation levels, both with respect to base salary and overall executive compensation packages, at the Company's peers. Many, but not all of the compensation peer companies are contained in the Company Peer Group used in the performance graph on page 15.

The Committee compares this external data to the base salary and other compensation provided to senior Company executives. In this fashion, the Committee is able to assess and make recommendations to the Board with respect to both individual compensation levels and target performance levels under the Company's Officer Incentive Compensation Plan (the "Incentive Plan").

Compensation levels set for each executive officer are based upon marketplace compensation information, the Committee's judgment and performance against established goals. Individual performance is measured in several specific areas, including the development and execution of annual operating plans, strategic plans, leadership qualities, staff development, change in leadership responsibilities and the individual's specific contributions to corporate objectives which have a significant and positive impact on the Company. Performance of the subsidiary companies is measured by comparing actual achievements to financial and strategic objectives in their annual operating plans. Company performance criteria is also measured yearly to ensure consistency with the corporate vision, mission and strategies. In making compensation decisions for 2000 the Committee reviewed executive accomplishments in total energy deliveries, number of new customers, cost of adding a new customer, earnings, expenses, return on equity, market share, operating and net income and the Company's assumption of a leadership role in energy-related businesses.

The Company has established three programs providing for direct compensation of executive officers: the Base Salary Program, the Incentive Plan and the Long-Term Incentive Compensation Plan (the "Long-Term Plan"). The structure of the total executive compensation package is such that when the Company achieves its target annual business objectives, the Company's senior executives are expected to receive a level of

compensation approximately equivalent to the median compensation paid to executives among the Company's peers.

Each of these three programs is discussed in greater detail below.

BASE SALARY PROGRAM

In setting the base salary levels of each executive officer, the Committee considers the base salaries of executive officers in comparable positions in other similarly situated natural gas companies and companies of similar size in other industries. In setting levels, the Company currently targets the 50th percentile of the relevant labor market. The Committee also considers the executive's experience level, time and placement in grade and the actual performance of the executive (in view of the Company's needs and objectives). Changes in compensation are directly dependent upon individual and Company performance. Mr. Downes' calendar 2000 base salary is \$375,000, well below the median compensation for comparable companies.

INCENTIVE PLAN

Under the Incentive Plan, officers and certain key employees of the Company and New Jersey Natural Gas Company, a wholly-owned subsidiary of the Company ("NJNG"), designated by the Committee, may receive additional cash compensation based upon the Committee's thorough evaluation of the Company's performance against a series of performance objectives. The Committee believes that variable at-risk compensation, both annual and long-term, should make up a significant part of an executive's compensation and that the amount of this compensation component should increase with increasing levels of responsibility. Awards under the Incentive Plan are based upon a percentage of the base salary of each eligible Incentive Plan participant during the year. Threshold, target and maximum incentive award levels are established annually by the Committee for each award group.

Individual awards are payable based on the executive's attainment of a portfolio of goals including earnings, customer satisfaction and leadership. Incentive award levels provide payments that are at approximately the 60th percentile of the market, which is competitive within the industry when performance results are fully achieved.

The incentive awards to executive officers for achievements in fiscal 2000 (paid in fiscal 2001), including the incentive of \$160,000 made to Mr. Downes, reflect overall results that, in total, were at target for the Company.

LONG-TERM PLAN

The Long-Term Plan provides for the award of stock options, (the "Stock Options"), performance units (the "Performance Units"), or restricted stock (the "Restricted Stock") to designated employees. The Committee believes that Performance Units, each unit of which is equal to a share of Common Stock, and Restricted Stock awards provide executives a strong incentive to create earnings that could be the foundation for the payment of dividends and as a focus on stock price appreciation. As the value of the Company's stock is generally considered the strongest indicator of overall corporate performance, awards of Stock Options, which allow the executive to benefit by appreciation in stock price at no direct cost to the Company, and the performance-based Performance Units and Restricted Stock, provide strong incentives to executives by relating a portion of their compensation to the future value of the Company's stock. Additionally, the use of stock-based compensation encourages individuals to act as owners/managers and is an important means of fostering a mutual interest between management and shareholders.

In 2000, the Committee awarded Mr. Downes 100,000 Stock Options pursuant to the Long-Term Plan at an exercise price equal to fair market value at the time of grant, with vesting accelerated upon achieving specific stock price hurdles. The award made to Mr. Downes was calibrated using the Black-Scholes model equal to the 60th percentile of the competitive market if all awards vest.

OTHER

Section 162(m) of the Internal Revenue Code (the "Code") provides that executive compensation in excess of \$1 million will not be deductible for purposes of corporate income tax, unless it is performance-based compensation and is paid pursuant to a plan meeting certain requirements of the Code. The Committee intends to continue reliance on performance-based compensation programs. The Committee expects that such programs will fulfill future corporate business objectives. The Committee currently anticipates that, to the extent practicable and in the Company's best interest, such programs will be designed to satisfy the requirements of Section 162(m) with respect to the deductibility of compensation paid. The Committee recognizes, however, that there may be business considerations that dictate that compensation be paid that is not deductible under Section 162(m).

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

With the exception of Mr. Downes, who is a non-voting, ex officio member of the Committee, no member of the Committee is a former or current officer or employee of the Company or any of its subsidiaries, nor does any executive officer of the Company serve as an officer, director or member of a compensation committee of any entity one of whose executive officers or directors is a director of the Company.

MANAGEMENT DEVELOPMENT & COMPENSATION COMMITTEE :

George R. Zoffinger, Chair
Nina Aversano
Joe B. Foster

Lester D. Johnson
Dorothy K. Light

SUMMARY COMPENSATION TABLE

NAME AND PRINCIPAL POSITION	YEAR*	ANNUAL COMPENSATION		LONG-TERM COMPENSATION AWARDS		ALL OTHER COMPENSATION***
		SALARY (\$)	BONUS (\$)	PERFORMANCE UNIT AWARD(S)** (#)	OPTIONS (#)	
Laurence M. Downes.....	2000	368,269	150,000	--	100,000	3,400
Chairman, Chief Executive Officer and President	1999	336,731	135,000	7,129	90,000	3,200
	1998	293,984	108,030	--	--	3,200
Glenn C. Lockwood.....	2000	173,985	45,179	--	--	5,038
Senior Vice President & Chief Financial Officer	1999	162,550	47,093	2,018	30,000	4,877
	1998	150,123	46,450	--	--	4,503
Timothy C. Hearne.....	2000	152,192	40,000	--	--	4,566
Senior Vice President and Treasurer, NJR Service Corporation	1999	149,337	31,064	1,541	10,000	4,480
	1998	144,623	35,180	--	--	4,338
Joseph P. Shields.....	2000	147,846	48,000	--	--	4,435
Senior Vice President, Energy Services, NJNG	1999	139,612	48,065	1,259	20,000	4,188
	1998	131,431	42,400	--	--	3,942
Oleta J. Harden.....	2000	148,115	40,000	--	--	4,443
Senior Vice President, General Counsel & Secretary	1999	141,673	31,298	1,355	10,000	4,250
	1998	136,823	36,405	--	--	4,104

* For fiscal year ended September 30.

** Represents a share of Common Stock. Total includes 2,929, 1,218, 1,141, 859, and 955 shares for Messrs. Downes, Lockwood, Hearne, and Shields and Ms. Harden, respectively, that were earned on the 1997 award because the Company's performance goal of total shareholder return over a three year period was within the first quartile of its peer group.

*** Represents the Company's matching contributions under the Employee's Retirement Savings Plan (the "Savings Plan").

OPTION GRANTS IN 2000 FISCAL YEAR

NAME	INDIVIDUAL GRANTS				POTENTIAL REALIZABLE VALUE AT ASSUMED ANNUAL RATES OF STOCK PRICE APPRECIATION FOR OPTION TERM	
	NUMBER OF SECURITIES UNDERLYING OPTIONS GRANTED (#)	PERCENT OF TOTAL OPTIONS GRANTED TO EMPLOYEES IN FISCAL YEAR	EXERCISE PRICE (\$/SH)	EXPIRATION DATE	5% (\$)	10% (\$)

Laurence M. Downes.....	100,000*	81.5%	38.8125	01/26/10	2,440,879	6,185,703**
Glenn C. Lockwood.....	--	--	--	--	--	--
Timothy C. Hearne.....	--	--	--	--	--	--
Joseph P. Shields.....	--	--	--	--	--	--
Oleta J. Harden.....	--	--	--	--	--	--

* Subject to the price of the Company's common stock at various times and change of control, termination, and acceleration conditions, the options vest no later than January 26, 2005.

** The stock options granted to Mr. Downes in fiscal 2000 would produce the pre-tax gain of \$6,185,703 shown in the table above only if the Company's stock price rises to \$100.67 per share before Mr. Downes exercises the stock options. Based on the number of shares of Company stock outstanding at the end of 2000, such an increase in the Company's stock price would produce a corresponding aggregate pre-tax gain of approximately \$1,100,000,000 for the Company's shareholders. In other words, Mr. Downes' potential gain from stock options granted in 2000 would equal one-half of one percent (.5%) of the potential gain to all shareholders resulting from the assumed future stock price increases.

AGGREGATED OPTION EXERCISES IN 2000 FISCAL YEAR AND FISCAL YEAR-END OPTION VALUES

NAME	SHARES ACQUIRED ON EXERCISE (#)	VALUE REALIZED (\$)	NUMBER OF UNEXERCISED OPTIONS AT FISCAL YEAR-END (#)	VALUE OF UNEXERCISED IN-THE-MONEY OPTIONS AT FISCAL YEAR-END (\$)

			EXERCISABLE/ UNEXERCISABLE	EXERCISABLE/ UNEXERCISABLE
Laurence M. Downes.....	0	0	75,223/177,500	743,813/558,906
Glenn C. Lockwood.....	0	0	23,483/25,250	213,186/118,375
Timothy C. Hearne.....	0	0	16,145/9,166	167,961/49,106
Joseph P. Shields.....	0	0	13,184/16,416	101,069/73,544
Oleta J. Harden.....	500	7,406	18,352/9,834	208,996/57,707

COMPARISON OF FIVE YEAR CUMULATIVE TOTAL RETURN *

	THE COMPANY -----	S&P UTILITIES -----	S&P 500 -----	COMPANY PEER GROUP** -----
9/95	100.00	100.00	100.00	100.00
9/96	114.12	107.44	153.03	113.48
9/97	139.05	122.83	214.86	132.54
9/98	159.87	159.35	234.24	157.80
9/99	187.48	157.56	299.26	148.81
9/00	198.79	227.71	338.92	169.18

* Assumes \$100 invested on September 30, 1995, in the Company stock, the S&P Utilities Index, the S&P 500 Index and the Company Peer Group. Cumulative total return includes reinvestment of dividends.

** The twenty-six companies in the Company Peer Group noted above are as follows: AGL Resources, Inc., Atmos Energy Corporation, Cascade Natural Gas Corporation, Chesapeake Utilities Corp., Conectiv, NiSource, Inc., Consolidated Edison Energy, Inc., Dominion Resources, Inc., Energy East Corporation, Keyspan Energy Corp., Laclede Gas Co., Nicor, Inc., Northwest Natural Gas Co., NUI Corporation, Oneok, Inc., PP&L Resources, Inc., Peoples Energy Corporation, Piedmont Natural Gas Co., Inc., Public Service Enterprise Group, Inc., RGS Energy Group, Scana Corp., SEMCO Energy, Inc., Sempra Energy, South Jersey Industries, Inc., Vectren Corp., and Washington Gas Light Co. The Company has decided to include the performance of the Company Peer Group, because the Company Peer Group has a higher percentage of natural gas utility and combination natural gas and electric utility companies operating in the same region as the Company and having comparable size and market capitalization to that of the Company, as compared with the S&P Utilities Index.

RETIREMENT PLANS

The following table sets forth estimated annual benefits payable upon retirement (including amounts attributable to the Plan for Retirement Allowances for Non-Represented Employees (the "Plan") and any other defined benefit supplementary or excess pension award plans) in specified compensation and years of service classifications, and assumes a reduction of approximately 10% which is applied to married employees in order to provide the spouse a survivor's annuity of 50% of the employee's reduced retirement benefit:

PENSION PLAN TABLE

YEARS OF CREDITED SERVICE

COMPENSATION	10	15	20	25	30	35	40	45
\$125,000.....	\$16,721	\$ 25,081	\$ 33,441	\$ 41,801	\$ 50,162	\$ 58,522	\$ 65,553	\$ 72,584
150,000.....	20,433	30,650	40,866	51,083	61,299	71,516	79,953	88,391
175,000.....	24,146	36,218	48,291	60,364	72,437	84,509	94,353	104,197
200,000.....	27,858	41,787	55,716	69,645	83,574	97,503	108,753	120,003
225,000.....	31,571	47,356	63,141	78,926	94,712	110,497	123,153	135,809
250,000.....	35,283	52,925	70,566	88,208	105,849	123,491	137,553	151,616
275,000.....	38,996	58,493	77,991	97,489	116,987	136,484	151,953	167,422
300,000.....	42,708	64,062	85,416	106,770	128,124	149,478	166,353	183,228
325,000.....	46,421	69,631	92,841	116,051	139,262	162,472	180,753	199,034
350,000.....	50,133	75,200	100,266	125,333	150,399	175,466	195,153	214,841
375,000.....	53,846	80,768	107,691	134,614	161,537	188,459	209,553	230,647
400,000.....	57,558	86,337	115,116	143,895	172,674	201,453	223,953	246,453
425,000.....	61,271	91,906	122,541	153,176	183,812	214,447	238,353	262,259
450,000.....	64,983	97,475	129,966	162,458	194,949	227,441	252,753	278,066
475,000.....	68,696	103,043	137,391	171,739	206,087	240,434	267,153	293,872
500,000.....	72,408	108,612	144,816	181,020	217,224	253,428	281,553	309,678
525,000.....	76,121	114,181	152,241	190,301	228,362	266,422	295,953	325,484
550,000.....	79,833	119,750	159,666	199,583	239,499	279,416	310,353	341,291
575,000.....	83,546	125,318	167,091	208,864	250,637	292,409	324,753	357,097
600,000.....	87,258	130,887	174,516	218,145	261,774	305,403	339,153	372,903

For the five executives named in the Summary Compensation Table, compensation covered by the Plan equals their 5 year average Base Salary.

The number of years of credited service at normal retirement for the named executive officers are as follows:

NAME	YEARS OF CREDITED SERVICE
Laurence M. Downes.....	37
Glenn C. Lockwood.....	38
Oleta J. Harden.....	30
Timothy C. Hearne.....	36
Joseph P. Shields.....	39

Benefits are computed on a straight life, annuity basis. The benefits listed in the above table are not subject to deduction for Social Security or other amounts.

To the extent benefits that would otherwise be payable to an employee under the Company's Savings Plan exceed the specified limits on such benefits imposed by the Code, the Company intends to pay such excess benefits to the employee at the time the employee receives payment under the Plan. These excess benefit payments would be made from the general funds of the Company. As of September 30, 2000, two employees, Messrs. Downes and Lockwood, were eligible for excess benefit payments.

The Company has supplemental retirement agreements ("Supplemental Retirement Agreements") with Messrs. Downes, Lockwood, Hearne and Shields and Ms. Harden and certain other officers not named in the Summary Compensation Table, payable over a five-year period commencing with retirement at age 65. At projected retirement, the total maximum amounts currently payable to Messrs. Downes, Lockwood, Hearne and Shields and Ms. Harden under their respective Supplemental Retirement Agreements would be \$250,000 for Mr. Downes and \$125,000 for each of the remaining four officers named in the Summary Compensation Table.

CHANGE OF CONTROL ARRANGEMENTS

Under the Long-Term Plan, in the event of a Change of Control (as defined therein) of the Company, the Board may, among other things, accelerate the entitlement to outstanding benefits awarded thereunder.

Pursuant to the Supplemental Retirement Agreements of Messrs. Downes, Lockwood, Hearne and Shields and Ms. Harden, in the event of a change of control of the Company, the right to the amounts payable to each of them thereunder becomes immediately vested and such amounts are immediately payable in the event of a subsequent termination of employment for any reason. Change of Control of the Company is defined in the Supplemental Retirement Agreements as a reportable change of control under the proxy rules of the SEC, including the acquisition of a 30% beneficial voting interest in the Company, or a change in any calendar year in such number of directors as constitutes a majority of the Board, unless the election, or the nomination for election by the Company's shareholders, of each new director was approved by a vote of at least two-thirds of the directors then still in office who were directors at the beginning of the year.

The Company has entered into agreements with each of the five executives named in the Summary Compensation Table that provide each such executive certain rights in the event that his or her employment with the Company is terminated within three years following the occurrence of a Change of Control (i) by the Company without "Cause" (i.e., conviction of a felony, gross neglect, willful malfeasance or willful gross misconduct which has had a material adverse effect on the Company or repeated material willful violations of the executive's duties which result in material damage to the Company) or (ii) by the executive for "Good Reason" (e.g., due to a material breach of the agreement by the Company, including, without limitation, a material adverse change in executive's position or responsibilities or a reduction of the executive's compensation). Subject to the limitation described below, upon either such termination of employment, the executive will receive three times, in the case of Mr. Downes, and two times, in all other cases, the sum of (x) his or her then annual base salary and (y) the average of his or her annual bonuses with respect to the last three calendar years ended prior to the Change of Control. The agreements further provide that, if any such executive is subject to the so-called "golden parachute" excise tax imposed under Section 4999 of the Code, the Company shall make an additional payment to the executive in an amount sufficient to place the executive in the same after-tax position as if no such excise taxes had been imposed. For purposes of these agreements, a "Change of Control" generally means (i) the acquisition by any person of beneficial ownership of securities representing

25% or more of the combined voting power of the Company's securities; (ii) within any 24-month period, the persons who were directors of the Company immediately before such period (the "Incumbent Directors") and directors whose nomination or election is approved by two-thirds of the Incumbent Directors and directors previously approved by the Incumbent Directors ceasing to constitute a majority of the Board or (iii) the shareholders of the Company approve a merger, consolidation, share exchange, division, sale or other disposition of all or substantially all of the assets of the Company, as a result of which the shareholders of the Company immediately prior to such event do not hold, directly or indirectly, a majority of the Voting Power (as defined in such agreements) of the acquiring or surviving corporation.

PROPOSED AMENDMENT TO THE RESTRICTED
STOCK AND STOCK OPTION PROGRAM FOR OUTSIDE DIRECTORS

[ITEM (2) ON PROXY CARD]

ITEM 2

On January 11, 1995, the Board of Directors adopted the Outside Directors Program which was subsequently approved by the shareholders at the March 8, 1995 Shareholders Meeting. On November 29, 2000, the Board of Directors adopted, subject to the approval of the shareholders at the Meeting, amendments to the Company's Outside Directors Program. The text of the Outside Directors Program as proposed to be amended is set forth in Appendix A.

Under the Outside Directors Program, 175,000 shares previously were authorized for issuance to all outside directors of the Company. The proposed amendments would increase from 175,000 to 275,000 the number of shares of the Company's Common Stock authorized for awards under the Outside Directors Program (there are, as of the date of this Statement, 16,650 of the previously authorized 175,000 shares still available for issuance). Additionally, under the proposed changes, the Board of Directors would be permitted to amend, suspend or terminate the Outside Directors Program or any portion thereof at any time, without a vote of stockholders, unless any federal or state law or regulation or the rules of any stock exchange or automated quotation system on which the common stock may be listed requires shareholder approval, or the amendment would have a material effect on any previously granted award.

DESCRIPTION OF THE OUTSIDE DIRECTORS PROGRAM

GENERAL

The purpose of the Outside Directors Program is to enable the Company to attract and retain persons of outstanding competence to serve on the Board of Directors and strengthen the link between the Directors and Company shareholders by paying Outside Directors a portion of their compensation in Company common stock and options to purchase common stock ("Awards"). The Outside Directors Program is summarized below.

PARTICIPATION

Members of the Board of Directors who are not employees of the Company or any of its subsidiaries ("Outside Directors") are eligible to participate in the Outside Directors Program. Eleven members of the Board are currently Outside Directors.

ADMINISTRATION

The Outside Directors Program will be administered by an Administrative Committee ("Committee") consisting of the Chief Executive Officer of the Company and two other officers of the Company or its subsidiaries designated by the Chief Executive Officer. In the absence of such designation, the other members of the Committee will be the Chief Financial Officer and the Secretary of the Company.

SHARES SUBJECT TO THE PROGRAM

Under the Outside Directors Program, each Outside Director receives automatic grants of common stock of the Company and options to purchase common stock of the Company, as described below. The total number of shares of Common Stocks ("Shares") available for Awards under the Outside Directors Program is 175,000 subject to adjustment in the event of a merger, consolidation, stock split, stock dividend or other recapitalization ("Recapitalization"). Shares consist of previously authorized and unissued shares or treasury shares. Any Shares (i) awarded under the Outside Directors Program with respect to which the restrictions set forth below have not lapsed and which have thus been forfeited and (ii) subject to the unexercised portion of an option granted under the Outside Directors Program which expires or terminates without being exercised, are available for Awards under the Outside Directors Program. As of the date of this Statement, 16,650 of the previously authorized 175,000 shares are still available for issuance. IF THE PROPOSED AMENDMENTS ARE ADOPTED THE NUMBER OF SHARES OF THE COMPANY'S COMMON STOCK AVAILABLE FOR ISSUANCE UNDER THE OUTSIDE DIRECTORS PROGRAM WOULD BE INCREASED BY 100,000 TO 275,000 SHARES, OF WHICH 116,650 WILL REMAIN AVAILABLE.

TYPES OF AWARDS

Each Outside Director automatically receives on the date of election or appointment to the Board 200 shares of the Company's Common Stock ("Restricted Stock"). Each grant of Restricted Stock vests ratably and becomes exercisable in 50 share increments on each anniversary of the grant date thereof. Except in cases of accelerated vesting as discussed below, termination of service of an Outside Director for any reason results in forfeiture of all Shares not then vested; provided, however, that on the date of an Outside Director's death or resignation due to a disability or retirement, all Shares of Restricted Stock for which the vesting restrictions have not lapsed will immediately become fully vested.

In addition, each Outside Director automatically receives options to purchase 5,000 shares of the Company's Common Stock on the date of their election or appointment ("Initial Options"). Each Initial Option vests ratably and becomes exercisable in 1,000 share increments on each anniversary of the grant date thereof. In addition, commencing with the first anniversary of an Initial Option grant to an Outside Director and annually thereafter, each Outside Director automatically receives an additional option to purchase 1,000 shares of the Company's Common Stock, such options to be fully exercisable on the first anniversary of their respective dates of grant ("Annual Options"). The Supplemental Stock Option Program For Outside Directors increased this amount to 1,500 options. The exercise price for all options is the fair market value of the Shares, subject to such option on the grant date thereof. Initial Options and Annual Options expire ten years from their dates of grant, subject to earlier expiration under certain circumstances when an optionee ceases to be an Outside Director. Options are not transferable except under certain limited circumstances. Restricted Stock and Shares underlying options are subject to adjustment in the event of a Recapitalization.

ACCELERATED VESTING

In the event of a dissolution or liquidation of the Company or a merger or consolidation of the Company in which the Company is not the surviving corporation, Awards of Restricted Stock which have not yet vested

and any unexercised options granted prior to the date of dissolution, liquidation, merger or consolidation will automatically become vested and exercisable, respectively, immediately prior to such date.

In the event of a "change in control" of the Company, as defined, any Awards of Restricted Stock which have not vested and any unexercised options granted prior to the date of such event will immediately become vested and exercisable, respectively, immediately prior to such date. At the optionee's request, however, the Committee will purchase any unexercised options for the fair market value of the stock underlying such options on the date immediately preceding a change in control.

In addition, the Committee may in its discretion accelerate the vesting of Restricted Stock and options where it deems it appropriate in the event of extraordinary circumstances.

TERMINATION AND AMENDMENT

Currently, the Board may terminate the Outside Directors Program at any time. The Board may also amend the Outside Directors Program, except that any amendment which would materially increase the benefits accruing to Outside Directors Program, increase the number of Shares which may be issued under the Outside Directors Program, or materially modify the eligibility requirements of the Outside Directors Program, will require the approval of the shareholders, and provided further, that any such action may not adversely affect any Outside Director's rights under the Outside Directors Program with respect to Awards which were made prior to such action. IF THE PROPOSED OUTSIDE DIRECTORS PROGRAM AMENDMENT IS ADOPTED, SHAREHOLDER APPROVAL NO LONGER WILL BE REQUIRED BEFORE THE BOARD OF DIRECTORS MAY AMEND, SUSPEND OR TERMINATE THE OUTSIDE DIRECTORS PROGRAM, UNLESS ANY FEDERAL OR STATE LAW OR REGULATION, OR THE RULES OF ANY STOCK EXCHANGE OR AUTOMATED QUOTATION SYSTEM ON WHICH THE COMMON STOCK MAY BE LISTED REQUIRES SHAREHOLDER APPROVAL, OR THE AMENDMENT WOULD HAVE A MATERIAL EFFECT ON ANY PREVIOUSLY GRANTED AWARD. SHAREHOLDER APPROVAL WOULD ALSO BE REQUIRED BEFORE EXISTING STOCK OPTIONS MAY BE REPRICED, REPLACED, OR REGRANTED THROUGH CANCELLATION, OR THE OPTION PRICE LOWERED ON PREVIOUSLY GRANTED OPTIONS, OTHER THAN IN CONNECTION WITH THE CUSTOMARY ANTI-DILUTION ADJUSTMENTS.

GRANT INFORMATION

During fiscal 2000, options to purchase a total of 23,500 shares of Common Stock were awarded under the Outside Directors Program to all Outside Directors of the Company.

The affirmative vote of the holders of a majority of the shares of Common Stock of the Company present, or represented by proxy, and voted at the Meeting is required for the approval of this item.

THE BOARD RECOMMENDS THAT SHAREHOLDERS VOTE FOR
THE PROPOSED AMENDMENT TO THE OUTSIDE DIRECTORS PROGRAM

APPOINTMENT OF AUDITORS

[ITEM (3) ON PROXY CARD]

ITEM 3

It is intended that the shares represented by the proxy holders will be voted for approval of the appointment of Deloitte & Touche LLP (unless otherwise indicated on proxy) as independent public accountants (auditors) to report to the shareholders on the financial statements of the Company for the fiscal year ending September 30, 2001. Each professional service performed by Deloitte & Touche LLP during fiscal 2000 was approved in advance or was subsequently approved and the possible effect on the auditors' independence was considered by the Audit Committee. The Audit Committee has recommended, and the Board of Directors has approved, the appointment of Deloitte & Touche LLP subject to the approval of the shareholders at the Meeting. Although submission of the appointment of independent public accountants to shareholders is not required by law, the Board of Directors, consistent with its past policy, considers it appropriate to submit the selection of auditors for shareholder approval. Representatives of Deloitte & Touche LLP are expected to be present at the Meeting with the opportunity to make a statement if they desire to do so and to be available to respond to appropriate questions.

The affirmative vote of the holders of a majority of the shares of Common Stock of the Company present, or represented by proxy, and voted at the Meeting is required for the approval of this item. The Board has not determined what action it would take if the shareholders do not approve the selection of Deloitte & Touche LLP, but would reconsider its selection in light of the shareholders' action.

THE BOARD RECOMMENDS THAT SHAREHOLDERS VOTE FOR
THE APPOINTMENT OF DELOITTE & TOUCHE LLP

OTHER MATTERS

COMPLIANCE WITH SECTION 16(A) OF THE SECURITIES EXCHANGE ACT

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's executive officers and directors, and persons who beneficially own more than ten percent of the Company's equity securities, to file reports of ownership and changes in ownership with the SEC and the New York Stock Exchange. Officers, directors and greater than ten percent shareholders are required by SEC regulation to furnish the Company with copies of all Section 16(a) forms they file.

Except for the following, the Company believes that all such filing requirements applicable to its officers and directors (the Company not being aware of any ten percent holder) were complied with during fiscal 2000. Gary W. Wolf, a director of the Company, failed to include in the filed Form 5 for fiscal 1999 an annual award of options pursuant to the Outside Directors Program.

EXPENSES OF SOLICITATION

All expenses of soliciting proxies, including clerical work, printing, and postage will be paid by the Company. Proxies may be solicited personally, or by mail, telephone, facsimile, or telegraph, by officers and other regular employees of the Company, but the Company will not pay any compensation for such solicitations. In addition, the Company has agreed to pay Corporate Investor Communications a fee of \$6,500

plus reasonable expenses for proxy solicitation services. The Company will also reimburse brokers and other persons holding shares in their names or in the names of nominees for their expenses for sending material to beneficial owners and obtaining their proxies.

SHAREHOLDER PROPOSALS FOR 2002 ANNUAL MEETING

Proposals of shareholders intended to be presented at the 2002 Annual Meeting must be received by the Company on or before August 25, 2001 to be considered for inclusion in the Company's Proxy Statement and for consideration at that meeting. Shareholders submitting such proposals are required to be the beneficial owners of shares of the Company's Common Stock amounting to at least \$2,000 in market value and to have held such shares for at least one year prior to the date of submission. Shareholder proposals submitted to the Company outside the processes of Rule 14a-8 of the Exchange Act (i.e., the procedures for placing a shareholder proposal in the Company's proxy materials) with respect to the Company's 2002 annual meeting of shareholders will be considered untimely if received by the Company after November 7, 2001. Accordingly, the proxy with respect to the Company's 2002 annual meeting of shareholders will confer discretionary authority to vote on any shareholder proposals received by the Company after such date.

OTHER BUSINESS

The Board does not know of any other business that may be brought before the Meeting. However, if any other matters should properly come before the Meeting or at any adjournment thereof, it is the intention of the persons named in the accompanying proxy to vote on such matters as they, in their discretion, may determine.

By Order of the Board of Directors

OLETA J. HARDEN
Secretary

Dated: December 18, 2000

NEW JERSEY RESOURCES CORPORATION
RESTRICTED STOCK AND STOCK OPTION PROGRAM
FOR OUTSIDE DIRECTORS
(AS AMENDED, EFFECTIVE JANUARY 1, 2001)

1. PURPOSE. The purpose of this Restricted Stock and Stock Option Program for Outside Directors ("Program") is to enable New Jersey Resources Corporation ("NJR") to attract and retain persons of outstanding competence to serve on its Board of Directors and strengthen the link between the Directors and NJR shareholders by paying such persons a portion of their compensation in NJR common stock and options to purchase such stock (collectively, "Awards").

2. DEFINITIONS.

(a) The terms "Outside Director" or "Participant" mean a member of the Board of Directors of NJR who is not an employee (within the meaning of the Employee Retirement Income Security Act of 1974) of NJR or any of its Subsidiaries. A Director of NJR who is also an employee of NJR or any of its Subsidiaries shall become eligible to participate in the Program and shall be entitled to receive Awards hereunder upon the termination of such employment.

(b) The term "Subsidiary" shall mean any corporation 50% or more of the outstanding common stock of which is owned, directly or indirectly, by NJR.

(c) The term "Service" shall mean service as an Outside Director.

(d) The term "Disability" means a permanent and total disability as defined in Section 22(e)(3) of the Internal Revenue Code of 1986, as amended.

(e) The term "Retirement" shall mean normal retirement as an Outside Director at age 70.

(f) The term "Committee" shall mean the Administrative Committee established pursuant to Section 11 hereof.

3. ELIGIBILITY. All Outside Directors of NJR shall be eligible to receive Awards hereunder.

4. SHARES SUBJECT TO THE PROGRAM. Subject to adjustment in accordance with Section 9 hereof, the total number of shares of Restricted Stock, as defined herein and shares of common stock underlying Options, as defined herein, which may be granted under the Program is 275,000 ("Shares"). The Shares shall be either previously authorized and unissued shares or treasury shares. Any Shares (i) awarded under the Program with respect to which the restrictions set forth in Section 5(c) hereof have not lapsed and which have thus been forfeited and (ii) subject to the unexercised portion of any Option granted under the Program which expires or terminates without being exercised shall again be available for Awards under the Program.

5. RESTRICTED STOCK AWARDS.

(a) Grants. Subject to the maximum number of Shares available under the Program, Outside Directors who are elected or appointed to the Board of Directors shall automatically receive an Award of 200 Shares on the date of such Outside Director's initial election or appointment to the Board of Directors. (Shares that are the subject of such Awards are referred to herein as "Restricted Stock").

(b) Certificates. Subject to the provisions of Sections 5(c) and 7 hereof, certificates representing Restricted Stock may be issued in the name of the respective Participants. During the period of time such Restricted Stock is subject to the restrictions set forth in Section 5(c) hereof, any such certificates shall be endorsed with a legend to that effect, and shall be held by NJR. Alternatively, NJR may hold a global certificate representing all shares of Restricted Stock subject to such restrictions. The Participant shall, nevertheless, have all other rights of a shareholder of NJR, including the right to vote and the right to receive all cash dividends paid and other distributions made with respect to such Restricted Stock. Subject to the requirements of applicable law, certificates representing Restricted Stock shall be delivered to the Participant within 30 days after the lapse of the restrictions to which they are subject.

(c) Restrictions/Vesting. Subject to Sections 9 and 10 hereof, Restricted Stock Awards shall vest as follows:

(i) Provided that the grantee of such Award is then serving as an Outside Director of NJR, 50 of the Shares that are the subject of each Restricted Stock Award will vest on each of the first, second, third and fourth anniversaries of the date of grant of the Award. Except as provided in Sections 5(c)(ii) and 10 hereof, termination of Service of a Participant for any reason, shall result in forfeiture of all Shares that have not vested as of the date of such termination;

(ii) Notwithstanding the provisions of Section 5(c)(i) above, on the date of a Participant's death or resignation from the Board due to a Disability, or a Participant's Retirement, all Shares issued as Restricted Stock with respect to which the restrictions set forth herein have not yet lapsed shall nevertheless immediately become fully vested.

(d) Transferability. During the period commencing on the grant date of a Restricted Stock Award and ending on the date of termination of the Outside Director's Service, death or Disability, such Restricted Stock may not be sold, exchanged, transferred, pledged, hypothecated, or otherwise disposed of other than to NJR pursuant to Section 7 hereof.

6. STOCK OPTION AWARDS.

(a) Grants. Subject to the maximum number of Shares available under the Program, each Outside Director, on the date of such Outside Director's initial election or appointment to the Board shall automatically receive an Option to purchase 5,000 Shares ("Initial Option"). Commencing with the first anniversary of the grant of an Initial Option to an Outside Director and annually thereafter, each such Outside Director shall automatically receive an additional Option to purchase 1,500 Shares ("Annual Option") (Initial Options and Annual Options are referred to as "Options").

(b) Option Terms. Each Option and the issuance of Shares thereunder shall be subject to the following terms:

(i) Option Agreement. Each Option shall be evidenced by an option agreement ("Agreement") duly executed on behalf of NJR. Each Agreement shall comply with and be subject to the terms and conditions of the Program. Any Agreement may contain such other terms, provisions and conditions not inconsistent with the Program as may be determined by the Committee.

(ii) Option Exercise Price. The Option exercise price shall be the fair market value of the Shares subject to the Option on the date of grant thereof. For purposes of the Program, "fair market value" shall be the closing sale price for NJR common stock on the date of grant on the New York Stock Exchange

Consolidated Tape as reported in The Wall Street Journal, or, if NJR common stock was not traded on that day, on the next preceding day on which common stock of NJR was so traded.

(c) Exercisability; Vesting. Subject to paragraph (e) immediately below and Sections 9 and 10 hereof, each Initial Option shall become exercisable with respect to 1,000 of the Shares subject thereto on each of the first, second, third, fourth and fifth anniversaries of the date of grant of the Initial Option, provided that the Participant optionee ("Optionee") has continued to serve as an Outside Director until such anniversary date. Annual Options shall vest and be fully exercisable on the first anniversary of their respective dates of grant. (The exercise date of each Initial and Annual Option is referred to as the "Exercise Date.") No portion of an Option shall be deemed vested until its Exercise Date.

(d) Time and Manner of Exercise of Option.

(i) From and after its Exercise Date, an Option may be exercised in whole or in part at any time and from time to time; provided, however, that only whole Shares will be issued pursuant to the exercise of any Option.

(ii) Subject to Section 7 hereof, any Option may be exercised by giving written notice, signed by the person exercising the Option, stating the number of Shares with respect to which the Option is being exercised, accompanied by payment in full for such Shares. Payment may be made in whole or in part in (i) cash or (ii) shares of NJR common stock which shares shall be valued at the closing sale price of NJR common stock on the New York Stock Exchange Consolidated Tape as reported in The Wall Street Journal for the trading date immediately preceding the date on which such notice of exercise is given. The notice of exercise shall be irrevocable. The Committee may provide for other methods of payment, including through broker-assisted same day transactions.

(e) Terms of Options. Each Option shall expire ten (10) years from the date of grant, but shall be subject to earlier expiration under the following circumstances:

(i) In the event that an Optionee ceases to be an Outside Director for any reason other than the Optionee's death or resignation from the Board due to a Disability, Retirement, a Merger or Consolidation event (as provided in Section 10(a)), or a "Change in Control" (as hereinafter defined), the Options granted to such Optionee shall automatically expire ninety (90) days following the date such Optionee ceases to be an Outside Director.

(ii) In the event of an Optionee's death, Disability or Retirement, a Merger or Consolidation event (as provided in Section 10(a)), or a "Change in Control" (as hereinafter defined), all Options granted to such Optionee shall immediately vest and become exercisable and shall then expire three years after the date of the Optionee's death, resignation from the Board due to a Disability, Retirement or "Change in Control", as the case may be. In the event of the Optionee's death, the Options held by such Optionee may be exercised by the Optionee's legal representatives or the estate, by any person or persons whom the Optionee shall have designated in writing on forms prescribed by and filed with NJR or, if no such designation has been made, by the person or persons to whom the Optionee's rights have passed by will or the laws of descent and distribution.

(f) Transferability. During an Optionee's lifetime, an Option may be exercised only by the Optionee or the Optionee's legal representative. Options granted under the Program and the rights and privileges conferred thereby shall not be subject to execution, attachment or similar process and may not be transferred, assigned, pledged or hypothecated in any manner (whether by operation of law or otherwise) other than by will or the laws of descent and distribution or a "qualified domestic relations order" as defined in the Internal Revenue

Code of 1986 ("Code") or the Employee Retirement Income Security Act ("ERISA") except that, to the extent permitted by applicable law and Rule 16b-3 under Section 16(b) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), the Committee may permit an Optionee to designate in writing during the Optionee's lifetime a beneficiary to receive and exercise Options in the event of the Optionee's death, as provided in Section 6(e)(ii) hereof. Any attempt to transfer, assign, pledge, hypothecate or otherwise dispose of any Option under the Program or of any right or privilege conferred thereby, contrary to the provisions of the Program, or the sale or levy or any attachment or similar process upon rights and privileges conferred hereby, shall be null and void.

(g) Optionee's or Successor's Rights as Shareholder. Neither an Optionee nor an Optionee's successors in interest shall have any rights as a shareholder of NJR with respect to any Shares subject to an Option granted to such person until such person becomes a holder of record of such Shares.

(h) Representations and Warranties. Each Participant shall represent and warrant to and agree with NJR that he or she (i) takes any Shares acquired upon the exercise of Options for investment only and not for purposes of sale or other disposition and will also take for investment only and not for purposes of sale or other disposition any rights, warrants, shares, or securities which may be issued on account of ownership of such Shares, and (ii) will not sell or transfer any such Shares or any rights, Shares, or securities issued on account of the Shares awarded or any Shares received upon exercise of any such rights or warrants except in accordance with (A) an effective registration statement under the Securities Act of 1933 or (B) an opinion of counsel for NJR (or of other counsel acceptable to NJR) that such Shares, rights, warrants, or other securities may be disposed of without registration under the Securities Act of 1933.

7. PAYMENT OF TAXES. If required to do so by applicable law, Participants shall pay to NJR, in cash, any federal, state or local taxes of any kind required by law to be withheld with respect to any Shares which (a) shall have vested in accordance with Section 5(c)(i) hereof on the vesting date thereof and (b) are acquired upon the exercise of Options on the date such Options are exercised. NJR, to the extent permitted or required by law, shall have the right to deduct from any payment of any kind otherwise due to a Participant any federal, state or local taxes of any kind required by law to be withheld with respect to any vested Shares or to the delivery of common stock issued pursuant to the exercise of Options under the Program. Subject to Committee approval, a Participant may elect to (i) apply a portion of fees earned in respect of his or her Service as an Outside Director or (ii) deliver shares of NJR common stock to satisfy, in whole or in part, the amount NJR is required to withhold for taxes in connection with a vesting of Shares or an exercise of an Option under the Program. Such election must be made on or before the date the amount of tax to be withheld is determined, and if applicable, subject to rules, regulations and interpretations of the Commission or the Commission Staff under Section 16(b) of the Exchange Act. Once made, the election shall be irrevocable. The withholding tax obligation that may be paid by the delivery of shares may not exceed NJR's minimum federal, state and local withholding tax obligations in connection with Shares vested or Options exercised. The value of any NJR shares to be delivered will be based on the closing sale price of NJR common stock on the New York Stock Exchange Consolidated Tape on the trading date last preceding the date the amount of tax to be withheld is determined as reported in The Wall Street Journal.

8. LIMITATION AS TO DIRECTORSHIP. Neither the Program nor the granting of any Awards hereunder nor any other action taken pursuant to the Program shall constitute or be evidence of any agreement or understanding, express or implied, that a Participant has a right to continue as a Director for any period of time.

9. RECAPITALIZATIONS. If as a result of stock dividend, stock split, recapitalization (or other adjustment in the stated capital of NJR), or as the result of a merger, consolidation, or other reorganization, the common stock of NJR is increased, reduced, or otherwise changed, the appropriate number of Shares of Restricted Stock available and to be awarded and the aggregate number of Shares for which Options may be granted, the number of Shares covered by each automatic grant and each outstanding Option and exercise price per Share shall be appropriately adjusted, and if by virtue thereof a Participant shall be entitled to new or additional or different Restricted Stock Awards or Options, such Restricted Stock or Options to which the Participant shall be entitled shall be subject to the same terms, conditions, and restrictions herein contained relating to the original date and terms and conditions governing Awards of Restricted Stock or Options. In the event that warrants or rights are awarded with respect to Restricted Stock awarded hereunder, and the recipient exercises such rights or warrants, the Restricted Stock or securities issuable upon such exercise shall likewise be subject to the same terms, conditions, and restrictions herein contained relating to the original Restricted Stock.

10. ACCELERATION OF VESTING OF RESTRICTED STOCK AWARDS AND STOCK OPTIONS.

(a) Merger or Consolidation. Subject to the provisions of Section 6(e) hereof, in the event of a dissolution or a liquidation of NJR or a merger or consolidation of NJR in which NJR is not the surviving corporation, any Restricted Stock Awards which have not vested and any unexercised Options granted prior to the date of such dissolution, liquidation, merger or consolidation shall automatically become vested and exercisable, respectively, immediately prior to such date.

(b) Change in Control. Subject to the provisions of Section 6(e) hereof, in the event of a Change in Control of NJR, as hereinafter defined, any Restricted Stock Awards which have not vested and any unexercised Options granted prior to the date of such event shall automatically become vested and exercisable, respectively, immediately prior to such date; provided, however, that upon an Optionee's request, the Committee shall provide for the purchase of any such unexercised Options for an amount of cash equal to the amount which would have been realized if such Option were exercised and sold on the date immediately preceding a Change in Control at the reported closing price per share of NJR common stock on such day (or, if there was no closing price on such day, the closing price on the immediately preceding day). The Committee may, in its discretion, include such further provisions and limitations in any Agreement entered into with respect to an Option as it may deem equitable and in the best interests of NJR.

A "Change in Control" shall be deemed to have occurred if (a) absent prior approval by the Board of Directors, thirty (30%) percent or more of NJR's outstanding securities entitled to vote in elections of Directors shall be beneficially owned, directly or indirectly, by any person, entity or group; or (b) individuals currently constituting the Board of Directors (or the successors of such individuals nominated by a Board of Directors on which such individuals or such successors constituted a majority) cease to constitute a majority of the Board of Directors.

(c) Other. Notwithstanding anything to the contrary contained in the Program, the Committee shall have discretion to accelerate the vesting of Restricted Stock and Options awarded to an Outside Director on such terms and conditions as the Committee may deem appropriate in the event of extraordinary circumstances.

11. ADMINISTRATIVE COMMITTEE. The Committee shall have full power and authority to construe and administer the Program. Any action taken under the provisions of the Program by the Committee arising out of or in connection with the administration, construction, or effect of the Program or any rules adopted thereunder shall, in each case, lie within the discretion of the Committee and shall be conclusive and binding upon NJR and upon all Participants, and all persons claiming under or through any of them. The Committee

shall have as members the Chief Executive Officer of NJR and two other officers of NJR or its Subsidiaries designated by the Chief Executive Officer. In the absence of such designation, the other members of the Committee shall be the Chief Financial Officer and the Secretary of NJR.

12. APPROVAL; EFFECTIVE DATE. The Program was approved by the shareholders of NJR at the March 8, 1995 Shareholders Meeting and was effective on the same date.

13. AMENDMENT. The Program may be amended, suspended or terminated by the Board without the consent of shareholders, unless any federal or state law or regulation or the rules of any stock exchange or automated quotation system on which the common stock may be listed requires shareholder approval, or the amendment would have a material effect on any previously granted award. Without the prior approval of the Company's shareholders, options issued under any of the Company's existing stock options will not be repriced, replaced, or regranted through cancellation, or by lowering the option exercise price of a previously granted award other than in connection with the customary anti-dilution adjustments.

14. EXPENSES OF THE PROGRAM. All costs and expenses of the adoption and administration of the Program shall be borne by NJR and none of such expenses shall be charged to any Participant.

15. COMPLIANCE WITH RULE 16B-3. It is the intention of NJR that the Program comply in all respects with Rule 16b-3 under Section 16(b) of the Exchange Act and that Participants remain disinterested persons ("disinterested persons") for purposes of administering other employee benefit plans of NJR and having such other plans be exempt from Section 16(b) of the Exchange Act. Accordingly, if any Program provision is later found not to be in compliance with Rule 16b-3 or if any Program provision would disqualify Program Participants from remaining disinterested persons, that provision shall be deemed null and void, and in all events the Program shall be construed in favor of its meeting the requirements of Rule 16b-3.

AUDIT COMMITTEE CHARTER

The By-Laws of New Jersey Resources Corporation (together with its subsidiaries, the "Company") in Article IV, Section 2 require the Board of Directors ("Board") to appoint an Audit Committee (the "Committee") composed of at least three independent directors. The By-Laws also require the Committee to (1) make recommendations to the Board with respect to the retention of the Company's independent auditors; (2) review the plan and scope of annual and other independent audits; (3) consult with the independent auditors regarding audit results and financial statements (including compliance with disclosure requirements); (4) oversee the adequacy of the system of internal accounting control; and (5) oversee the effectiveness of the internal audit function (including reviewing and consulting with the internal auditors with respect to internal audit results and recommendations).

The Board, acting in accordance with the By-laws and in furtherance thereof, has adopted this Audit Committee Charter:

GENERAL

The Committee shall be appointed by the Board on an annual basis, and the Board shall designate a Chairperson from among its members. In accordance with the rules of the New York Stock Exchange ("NYSE"), and the Composition/Expertise and Independence Requirements thereof:

Each member shall be financially literate or must become financially literate within a reasonable time after being appointed to the Committee. In addition, one member shall have accounting or related financial expertise. The Board shall determine whether the members meet these criteria.

Each member, as determined by the Board, shall be independent from management and the Company. Specifically, (a) a director who is an employee of the Company or an immediate family member of an executive officer of the Company may not be a member and may not become a member until three years after termination of such employment relationship (unless otherwise permitted by the rules of the NYSE); (b) a director who has a business relationship with the Company may not be a member unless the Board determines that such relationship does not interfere with such director's exercise of independent judgment; and (c) a director who is an executive officer of another corporation which has a Company executive officer on its compensation committee may not be a member of the Committee.

The head of the Internal Auditing Department of the Company ("Audit Manager") shall report directly to the Chief Executive Officer of the Company and to the Committee. The Committee shall have direct access to the independent auditors.

MEETINGS

The Committee shall hold at least three regular meetings a year, and any additional meetings that may be requested by a Committee member, the Board, the Chief Executive Officer or the independent auditors. In addition to Committee members, meetings shall normally be attended by representatives of the independent auditors; the Chief Executive Officer, the Chief Financial Officer and the Chief Accounting Officer of the Company; the Treasurer of New Jersey Natural Gas Company; and the Audit Manager. Other persons, including officers and employees of the Company, may be asked to attend at the Committee's discretion. The

Secretary of the Company shall attend the meetings of the Committee to record the minutes thereof. For a portion of each meeting, the Committee shall meet separately with the independent auditors and the Audit Manager. Non-members may be excused from any meeting, or portion of any meeting, of the Committee upon the request of the Committee Chairperson.

INDEPENDENT AUDITORS

The independent auditors are ultimately accountable to the Board and the Committee acting on behalf of the Board. The Board and the Committee have the authority and responsibility to select, evaluate and, where appropriate, replace the independent auditors (or to nominate the independent auditors to be proposed for shareholder approval).

The Committee shall:

Discuss with management and recommend to the Board the selection or replacement by the Board of the independent auditors; review with the independent auditors, prior to their audit, the scope of their examination; review the anticipated level of non-audit services to be provided by independent auditors and consider the possible effect, if any, of these services on the independence of the independent auditors; and review with the independent auditors the estimated fees to be paid for the work performed.

Ensure that the independent auditors submit on a periodic basis a formal written statement delineating all relationships between the independent auditors and the Company; discuss with the independent auditors any such relationships or any services that may impact on the objectivity and independence of the independent auditors and take appropriate action in response to such report to satisfy itself of such independence.

Discuss with the independent auditors such other matters and take such other action, including discussions with respect to the independent auditors' responsibility under generally accepted auditing standards; significant accounting policies; proposed audit adjustments not recorded, if any; unusual transactions; significant audit adjustments; other information in documents containing audited financial statements; disagreements of the independent auditors with management; the Company's consultation with other accountants; major issues discussed with management prior to retention of the independent auditors; and difficulties encountered in performing an audit.

Make such recommendations to the Board as the Committee deems appropriate with respect to the inclusion of the audited financial statements in the Company's Annual Report on Form 10-K for the last fiscal year for filing with the Commission.

FINANCIAL STATEMENT MATTERS

The Committee shall:

Oversee the quarterly and annual reporting of the Company by reviewing the work of management and the independent auditors.

Review and discuss with management and the independent auditors all annual and other audited financial statements.

Review with management and the independent auditor changes in accounting principles and reporting standards that have, or may in the future have a significant impact on the financial statements of the Company.

Receive from management, on a timely basis, advice of significant current financial reporting issues and practices.

Discuss with management and the independent auditors their qualitative judgments about the appropriateness of accounting policies, principles and financial disclosure practices used or proposed to be adopted.

OTHER MATTERS

The Committee shall:

Oversee the internal audit function of the Company including (a) the planned scope of the internal audit work, (b) findings of the internal auditors and related management actions, (c) the adequacy of the staffing of the internal audit function, (d) the adequacy and effectiveness of the internal accounting controls and compliance with the Foreign Corrupt Practices Act, (e) the adequacy, effectiveness and compliance with the Code of Conduct of the Company and (f) the effectiveness of the electronic data processing procedures and controls and related security programs; and (g) review the independent auditors' letter to management, and other comments, if any, regarding the system of internal accounting controls and review any management response thereto.

Prepare a report to shareholders as required by the Securities and Exchange Commission to be included in the proxy statement.

Review and reassess the adequacy of this Charter and the Internal Audit Department Charter on an annual basis.

Review such other matters as the Committee shall determine from time to time, within the scope of its responsibilities, and make such recommendations to the Board with respect thereto as the Committee deems appropriate.

DETACH HERE

PROXY

NEW JERSEY RESOURCES CORPORATION

1415 WYCKOFF ROAD, WALL, NJ 07719

SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS
FOR THE 2001 ANNUAL MEETING OF SHAREHOLDERS

The undersigned hereby appoints Oleta J. Harden, with full power of substitution, proxy to represent the undersigned at the Annual Meeting of Shareholders of New Jersey Resources Corporation to be held at 10:30 a.m., local time, on Wednesday, January 24, 2001 at the Robert B. Meyner Reception Center at the PNC Bank Arts Center, Exit 116 on the Garden State Parkway, Holmdel, New Jersey 07733 and at any adjournment thereof, and thereat to vote all of the shares of stock which the undersigned would be entitled to vote, and, if applicable, hereby directs the trustee(s) of the employee benefit plan(s) shown on the reverse side of this card to vote the shares of stock allocated to the account of the undersigned.

SEE REVERSE
SIDE

CONTINUED AND TO BE SIGNED ON REVERSE SIDE

SEE REVERSE
SIDE

Vote by Telephone

It's fast, convenient, and immediate!
Call Toll-Free on a Touch-Tone Phone
1-877-PRX-VOTE (1-877-779-8663).

Follow these four easy steps:

1. Read the accompanying Proxy Statement/Prospectus and Proxy Card.
2. Call the toll-free number 1-877-PRX-VOTE (1-877-779-8663). For shareholders residing outside the United States call collect on a touch-tone phone 1-201-536-8073.
3. Enter your 14-digit Voter Control Number located on your Proxy Card above your name.
4. Follow the recorded instructions

Your vote is important!
Call 1-877-PRX-VOTE anytime!

Do not return your Proxy Card if you are voting by Telephone or Internet

NJR67A

Please mark
[X] votes as in
this example.

Unless otherwise Indicated, this proxy will be voted "FOR" all nominees for election as directed and "FOR" the proposals referred to herein.

Vote by Internet

It's fast, convenient, and your
vote is immediately confirmed
and posted.

Follow these four easy steps:

1. Read the accompanying Proxy Statement/Prospectus and Proxy Card.
2. Go to the Website <http://www.eproxyvote.com/njr>
3. Enter your 14-digit Voter Control Number located on your Proxy Card above your name.
4. Follow the instructions provided.

Your vote is important!
Go to <http://www.eproxyvote.com/njr>
anytime!

DETACH HERE

FOR AGAINST ABSTAIN
[] [] []

1. Election of Directors
Nominees: (01) Lawrence R. Codey,
(02) Laurence M. Downes,
(03) Joe B. Foster,
(04) William H. Turner

FOR [] [] WITHHELD FROM ALL
ALL NOMINEES
NOMINEES

2. To amend the Restricted Stock and Stock Option Program for Outside Directors (the "Outside Directors Program") to: a) increase from 175,000 to 275,000 the number of shares of the Company's Common Stock authorized for awards thereunder and b) permit the Board of Directors of the Company to amend, suspend or terminate the Outside Directors Program or any portion thereof at any time, without a vote of shareholders, unless such a vote is required by law.

[]

For all nominees except as note above

FOR AGAINST ABSTAIN
[] [] []

3. To approve the retention of Deloitte & Touche, LLP as auditors for the fiscal year ending September 30, 2001.
4. To transact any other business that may properly be brought before the meeting or any adjournment or adjournments thereof.

In case of joint owners, each owner should sign. When signing in a fiduciary or representative capacity, please give full title as such. Proxies executed by a corporation should be signed in full corporate name by duly authorized officer.

Date: _____

Signature: _____

Date: _____