NEW JERSEY RESOURCES CORP
Form DEF 14A
December 29, 2005

SCHEDULE 14A
(RULE 14a-101)
INFORMATION REQUIRED IN PROXY STATEMENT
SCHEDULE 14a INFORMATION
PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE SECURITIES
EXCHANGE ACT OF 1934 (AMENDMENT NO.)

Filed by the Registrant þ
Filed by a Party other than the Registrant o
Check the appropriate box:

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

New Jersey Resources Corporation

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

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NEW JERSEY RESOURCES CORPORATION
1415 Wyckoff Road
Wall, New Jersey 07719

PROXY STATEMENT AND
NOTICE OF 2005 ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD ON JANUARY 25, 2006

The Annual Meeting (the Meeting) of Shareholders of New Jersey Resources Corporation (the Company) will be held at 10:30 a.m., Wednesday, January 25, 2006, 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 for terms expiring in 2009.

2. To approve the Outside Director Stock Compensation Plan and ratify the grants of stock made under the Plan in 2005, all as more fully described in the accompanying Proxy Statement.

3. To approve the Annual Officer Incentive Plan as more fully described in the accompanying Proxy Statement.

4. To approve the action of the Board of Directors in retaining Deloitte & Touche LLP as auditors for the fiscal year ending September 30, 2006.

5. 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 7, 2005, 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 2005 was previously mailed or 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 30, 2005

PROXY STATEMENT

NEW JERSEY RESOURCES CORPORATION
1415 Wyckoff Road
Wall, New Jersey 07719

ANNUAL MEETING OF SHAREHOLDERS
JANUARY 25, 2006

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 Company s Annual Report for fiscal year 2005 has been mailed to the Company s shareholders, or is being mailed together with this Proxy Statement. The 2005 Annual Report is not incorporated into this Proxy Statement and shall not be considered a part of this Proxy Statement or soliciting materials.

This proxy statement and the accompanying proxy materials are being mailed to shareholders on or about December 30, 2005.

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 25, 2006.

VOTING OF SECURITIES AND SHAREHOLDER INFORMATION

The proxies solicited by this proxy statement 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. For purposes of determining the votes cast with respect to any matter presented for consideration at the Meeting, only those votes cast for or against are included. Abstentions and broker non-votes are counted only for the purpose of determining whether a quorum is present at the Meeting. A majority of the shares outstanding on the record date will constitute a quorum for purposes of the Meeting.

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.

Only holders of record of the Company s outstanding Common Stock at the close of business on December 7, 2005 are entitled to notice of and to vote at the Meeting. At the close of business on December 7, 2005, there were 27,549,526 outstanding shares of Common Stock. Each share is entitled to one vote. No person, to the knowledge of the Company, based upon filings with the Securities and Exchange Commission (the SEC), held beneficially five percent or more of the Company s Common Stock as of December 7, 2005.

The following table sets forth, as of December 7, 2005, 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 three percent of the total shares outstanding.

Name	**Title of Security**	**Amount and Nature of Beneficial Ownership(1)(2)**		**Deferred or Phantom Shares(3)**
Nina Aversano	Common Stock	22,395 shares	Direct	1,247
Lawrence R. Codey	Common Stock	16,548 shares	Direct	1,893
Laurence M. Downes	Common Stock	354,789 shares	Direct	38,937
		2,909 shares	Indirect	
Oleta J. Harden	Common Stock	95,261 shares	Direct	12,603
		26 shares	Indirect	
Timothy C. Hearne	Common Stock	77,979 shares	Direct	10,379
		228 shares	Indirect	
M. William Howard, Jr.	Common Stock	267 shares	Direct	
Alfred C. Koeppe	Common Stock	4,701 shares	Direct	
Dorothy K. Light	Common Stock	26,565 shares	Direct	2,274
		74 shares	Indirect	
Glenn C. Lockwood	Common Stock	104,346 shares	Direct	14,575
Joseph P. Shields	Common Stock	55,997 shares	Direct	9,092
		19 shares	Indirect	
J. Terry Strange	Common Stock	6,436 shares	Direct	1,028
David A. Trice	Common Stock	2,718 shares	Direct	1,392
William H. Turner	Common Stock	15,300 shares	Direct	4,923
Gary W. Wolf	Common Stock	9,593 shares	Direct	4,842
George R. Zoffinger	Common Stock	34,128 shares	Direct	9,467
		450 shares	Indirect	
		300 shares	Indirect(4)	
All Directors and Executive Officers as a Group	Common Stock	865,959 shares	Direct	116,052
		3,742 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, as follows: Ms. Aversano 18,750 options; Mr. Codey 4,500 options; Mr. Downes 345,000 options; Ms. Harden 82,500 options; Mr. Hearne 72,000 options; Mr. Koeppe 3,500 options; Mrs. Light 15,750 options; Mr. Lockwood 97,500 options; Mr. Shields 53,875 options; Mr. Strange 6,000 options; Mr. Turner 14,250 options; Mr. Wolf 3,000 options; Mr. Zoffinger 21,750 options and all directors and executive officers as a group 750,975 options.

(3) Includes stock deferred in the officers deferral plan and phantom stock deferred in the directors fee deferral plan.

(4) 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 eleven members divided into three classes with overlapping three-year terms. Dr. R. Barbara Gitenstein, whose term would expire at the Meeting in January 2007, submitted her resignation from the Board of Directors, effective as of July 11, 2005, so that she may concentrate on her other professional duties and responsibilities. We thank her for her service to the Company. Because Mr. M. William Howard Jr. was elected to serve on the Board following Dr. Gitenstein s resignation and subsequent to our annual shareholders meeting in 2005, the number of members of the Board of Directors will remain at eleven.

Four individuals have been nominated for election as directors at the Meeting, each to serve for three-year terms expiring in 2009 and each until their respective successors are elected and have qualified. Each of the nominees is currently serving as a director of the Company and, except for Mr. Howard, each has been previously elected by the Company s shareholders. Mr. Howard s nomination to the Board was recommended by a non-management director. There were no nominee recommendations from shareholders or from any group of shareholders. Unless otherwise indicated on a proxy, the proxy holders intend to vote the shares each proxy 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.

Proxies solicited by the Board will be voted in favor of the nominees listed below, unless otherwise specified in the proxy. 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.

Nominees for Election as Directors With Terms Expiring in 2009

Name and Period Served as Director	**Business Experience During Past Five Years and Other Affiliations**
M. William Howard, Jr. Director since 2005 Age 59	Pastor of Bethany Baptist Church, Newark, New Jersey, since 2000; President, New York Theological Seminary from 1992 to 2000; member, Rutgers University Board of Governors.
J. Terry Strange Director since 2003 Age 61	Retired. Vice Chair and Managing Partner of U.S. Audit Practice, from 1996 to 2002 and Global Managing Partner of Audit Practice from 1998 to 2002, KPMG LLP, an independent accounting firm. Director, Compass Bancshares, a financial institution, BearingPoint, a business consulting, systems integration and managed services firm, Newfield Exploration Company, an independent crude oil and natural gas exploration and production company and Group 1 Automotive, Inc., a specialty retailer with automobile dealer franchises, collision service centers, financing, insurance and service contracts.
Gary W. Wolf Director since 1996 Age 67	Retired. Partner, Cahill Gordon & Reindel, a law firm, from 1970 through 2003.

Name and Period Served as Director	Business Experience During Past Five Years and Other Affiliations
George R. Zoffinger Director since 1996 Age 57	President and CEO, New Jersey Sports & Exposition Authority since March 2002; President & CEO, Constellation Capital Corp., from March 1998 to March 2002, a financial services company. Director, NTL, Inc., a United Kingdom cable company, Anchor Commercial Bank and Commercial Federal Bank, both financial institutions, New Brunswick Development Corporation (Devco), a not for profit urban real estate development company, and member of the Rutgers University Board of Governors.

Directors with Terms Expiring in 2007

Name and Period Served as Director	Business Experience During Past Five Years and Other Affiliations
Lawrence R. Codey Director since 2000 Age 61	Retired. President and Chief Operating Officer, Public Service Electric & Gas Company from September 1991 through February 2000. Director, 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, and Trustee, St. Peter s College.
Laurence M. Downes Director since 1995 Age 48	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 and 2005 Chairman, American Gas Association and Trustee, American Gas Foundation.
Alfred C. Koeppe Director since 2003 Age 59	President and Chief Operating Officer, Newark Alliance, a non-profit organization whose mission is to improve the city of Newark, NJ since October 2003; President and Chief Operating Officer from March 2000 to October 2003 and Senior Vice President Corporate Services from 1996 to 2000, Public Service Electric and Gas Company, and CEO, Bell Atlantic-New Jersey from 1990 to 1995. Director, Horizon Blue Cross Blue Shield of New Jersey and a member of the Board of Governors of the National Conference.
William H. Turner Director since 2000 Age 65	Dean of the College of Business at Stony Brook University, New York, New York since January 2004; Senior Partner, Summus Limited, a consulting firm specializing in the financial services industry, from September 2002 to January 2004; Chairman from September 1999 to September 2002, and President from August 1997 to September 2002, PNC Bank, N.A., New Jersey and Northeast Region, and retired as Vice Chairman and Director, Chase Bank in 1996. Director, Ameriprise Financial, a financial services company, 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; Trustee, NJN Foundation and Trinity College.

Directors With Terms Expiring in 2008

Name and Period Served as Director	Business Experience During Past Five Years and Other Affiliations
Nina Aversano Director since 1998 Age 60	President and CEO, Aversano Consulting, L.L.C., providing consulting services to companies in the telecommunications industry since June 2002; Advisor and Executive Vice President, Worldwide Field Operations, Apogee Networks, a content building and service creation software company, from May 2001 through March 2002 and President, North America Global Service Provider Division, Lucent Technologies, a designer, developer and manufacturer of telecommunications systems, software and products, from 1993 to December 2000, formerly AT&T Network Systems Division. Member of the Board of Advisors, The Peter J. Tobin College of Business, St. John s University and Executive Faculty Member, The Katz School of Business, University of Pittsburgh.
Dorothy K. Light Director since 1990 Age 68	CEO, Alden Enterprises, LLC, since January 1996, a consulting company and Secretary from August 1987 and Corporate Vice President from June 1990 to July 1995, The Prudential Insurance Company of America.
David A. Trice Director since 2004 Age 57	Chairman since September 2004, President and CEO since 2000, President and Chief Operating Officer from 1999 to 2000 and Vice President Finance and International from 1997 to 1999, Newfield Exploration Company, an independent crude oil and natural gas exploration and production company. Director, Hornbeck Offshore Services, Inc., an operator of tugs and tank barges that transport crude and refined petroleum products, and supply vessels that support offshore oil and gas drilling and production, and Grant Prideco, Inc., a manufacturer and supplier of oilfield products and provider of high-performance connections and tubular products.

THE BOARD RECOMMENDS THAT SHAREHOLDERS VOTE FOR THE PROPOSED NOMINEES FOR THE BOARD OF DIRECTORS

INFORMATION ABOUT THE BOARD

During fiscal 2005, there were nine meetings of the Board of Directors. Each director attended more than 75 percent of the combined meetings of the Board of Directors and the Committees on which he or she served during the year. The Company encourages all directors to attend the Company s annual shareholders meeting if at all possible. All of the eleven directors serving at the time of the 2005 annual shareholders meeting attended the Company s annual shareholders meeting in 2005.

Board Standards of Independence

The standards set by the Board require each member of the Board, other than the CEO, to be independent . In order for a director to qualify as independent, neither the director or member of his or her immediate family can have a material business or other relationship with the Company. The standards set by the Board are more stringent than the definition of independence set forth in the New York Stock Exchange (the NYSE) listing standards. With the exception of Mr. Downes, the Chairman of the Board and CEO, each member of the Board has been determined to be independent in accordance with the above standards. Additionally, the Company made no contributions during fiscal 2005 to any charitable organization in which any independent director serves as an executive officer in any single fiscal year within the preceding 3 years in an amount in excess of the greater of $1 million or two percent of the charitable organization s consolidated gross revenues. The Board s standards of independence are described in the Corporate Governance Guidelines and are available on the Company s website at *njliving.com* under the caption Investor Relations . A printed copy is available to any shareowner who requests it by contacting the Corporate Secretary.

Non-management Directors

The non-management members of the Board meet without management present at each regularly scheduled meeting of the Board unless they decide it is not necessary. The non-management director meetings are chaired by the lead director, currently Mr. Lawrence R. Codey. Any shareowner wishing to communicate with the non-management directors on an anonymous basis may do so by calling Ethicspoint, Inc., an unaffiliated toll-free hotline service at 1-866-384-4277 or via E-mail at *ethicspoint.com.* Ethicspoint, Inc. will then notify the lead director or another designated representative of the non-management directors. A copy of the Board s Corporate Governance Guidelines, which sets forth the policies regarding the lead director and meetings of the non-management directors, as well as the policy on communicating with the non-management directors are available on the Company s website at *njliving.com* under the caption Investor Relations . A printed copy of each is available to any shareowner who requests it by contacting the Corporate Secretary.

Code of Business Conduct and Ethics

The Board of Directors has adopted a Code of Business Conduct and Ethics governing the Company s CEO and senior financial officers, as required by the Sarbanes-Oxley Act and SEC regulations and a code for all senior management as required by the NYSE rules. Our Codes govern such matters as conflicts of interest, use of corporate opportunity, confidentiality, compliance with law and the like. A copy of both Codes of Conduct are available on the Company s website at *njliving.com* under the caption Investor Relations . A printed copy of each Code is available to any shareowner who requests it by contacting the Corporate Secretary.

INFORMATION ABOUT THE BOARD S COMMITTEES

Audit Committee

During fiscal 2005, the Audit Committee consisted of Nina Aversano, Lawrence R. Codey, Alfred C. Koeppe, J. Terry Strange (Committee Chair) William H. Turner and Gary W. Wolf. Mr. Turner, who remains a director of the Board and a member of the Financial Policy Committee, resigned from the Audit Committee as of November 16, 2005. Mr. Strange has been determined by the Board to be the Audit Committee financial expert, as such term is defined by SEC Regulation S-K Item 401(h)(2), and each member of the Audit Committee has been determined to be financially literate. Each member of the Audit Committee is independent, under the standards set by the Board, which are more stringent than the standards set by the NYSE. In addition, each Audit Committee member satisfies the audit committee independence standards under the Sarbanes-Oxley Act of 2002. The Audit Committee met 15 times during fiscal 2005 for the purpose of overseeing management s responsibilities for accounting, internal controls and financial reporting. The Committee also selects the independent public accounting firm to serve as the Company s auditors for each fiscal year, approves the retention of such firm for any other purposes, and approves the audit and non-audit fees the Company pays to such firm. The functions and responsibilities of the Committee are described in the Report of the Audit Committee set forth below. A copy of the Audit Committee Charter is available on the Company s website at *njliving.com* under the caption Investor Relations . A printed copy is available to any shareowner who requests it by contacting the Corporate Secretary.

Executive Committee

The Executive Committee consists of Lawrence R. Codey (Committee Chair), Laurence M. Downes, Alfred C. Koeppe, Dorothy K. Light, J. Terry Strange, William H. Turner and Gary W. Wolf. 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 2005.

Financial Policy Committee

The Financial Policy Committee, which during fiscal 2005 consisted of Dorothy K. Light, M. William Howard, Jr., J. Terry Strange, David A. Trice and William H. Turner (Committee Chair), met three times during fiscal 2005 to review and make recommendations to the Board concerning financing proposals, dividend guidelines, capital and operating budgets and other corporate financial and pension matters.

Leadership Development and Compensation Committee

The Leadership Development and Compensation Committee, which consisted during fiscal 2005 of Alfred C. Koeppe, Dorothy K. Light (Committee Chair), David Trice and George R. Zoffinger, met three times during fiscal 2005 to oversee the performance and qualifications of senior management, and to interpret, implement and administer the annual compensation and benefits of all elected officers of the Company and its subsidiaries. See the Report of the Leadership Development and Compensation Committee, below, regarding the factors considered by the Committee in its review of executive compensation. Each member of the Leadership Development and Compensation Committee is independent under the standards set by the Board, which are more stringent than the standards set by the NYSE. A copy of the Leadership Development and Compensation Committee Charter can be found on the Company s website at *njliving.com* under the caption Investor Relations . A printed copy is available to any shareowner who requests it by contacting the Corporate Secretary.

Nominating/ Corporate Governance Committee

The Nominating/ Corporate Governance Committee is comprised of Nina Aversano, Lawrence R. Codey, Alfred C. Koeppe, David A. Trice, Gary W. Wolf (Committee Chair) and George R. Zoffinger, and this Committee met four times in fiscal 2005. Each member of the Nominating/ Corporate Governance Committee is independent under the standards set by the Board, which are more stringent than the standards set by the NYSE. The purpose of the Committee is to assess the corporate needs for an effective Board and then, using those assessments, make recommendations to the Board regarding Board composition, size, additional skills and talents needed. 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. The Nominating/ Corporate Governance Committee will consider qualified nominations for directors recommended by shareholders. Shareholder nominees will be evaluated under the same standards as nominees recommended by management or the outside members of the Board of Directors. 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 September 1, 2006. Nominees will be required to bring the skills and talents and have the knowledge and expertise at the time needed to assure that the composition, structure and operation of the Board serve the best interest of the Company and its shareholders. The Nominating/ Corporate Governance Committee has a written Charter that is available on the Company s website at *njliving.com* under the caption Investor Relations . A printed copy is available to any shareowner who requests it by contacting the Corporate Secretary.

AUDIT COMMITTEE REPORT

In accordance with the Audit Committee Charter, the Audit Committee assists the Board in fulfilling its responsibility for oversight of the integrity of the accounting, auditing and financial reporting practices of the Company. During the fiscal year ended September 30, 2005, the Audit Committee met fifteen times, and the Audit Committee reviewed and discussed the interim financial information contained in the Company s Quarterly Reports on Form 10-Q, and discussed press releases announcing earnings 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 took the following actions, consistent with Independence Standards Board Standard No. 1 Independence Discussions with Audit Committees : 1) obtained from the independent auditors a formal written statement describing all relationships between the auditors and the Company that might bear on their independence, 2) discussed with the auditors relationships that may impact their objectivity and independence and 3) 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 reviewed and discussed 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 and discussed the audited financial statements of the Company as of and for the fiscal year ended September 30, 2005 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 the filing of the Company s audited financial statements in its Annual Report on Form 10-K for the fiscal year ended September 30, 2005, with the SEC. The Audit Committee also reappointed the independent auditors for the fiscal year ending September 30, 2006.

J. Terry Strange, Chair	Alfred C. Koeppe
Nina Aversano	William H. Turner
Lawrence R. Codey	Gary W. Wolf

Dated: November 15, 2005

The Audit Committee Report above shall not be deemed incorporated by reference by any general statement incorporating this Proxy Statement into any filing under the Securities Act of 1933 or under the Securities Exchange Act of 1934, except to the extent that the Company specifically incorporates this information by reference, and shall not otherwise be deemed filed under such Acts.

REMUNERATION OF DIRECTORS

Directors who are not officers of the Company or its subsidiaries are compensated as follows: (1) each Director receives an annual cash retainer of $25,000 and 800 shares of the Company s Common Stock; (2) each Director receives a fee of $1,000 for each Board and committee meeting attended, except for Audit Committee meetings, for which a fee of $1,500 is paid and (3) the chairs of the Audit and Executive Committees receive an annual retainer of $10,000 and the chairs of all other Board committees receive an annual retainer of $5,000. 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. Share ownership guidelines have been established for Directors that specify the expected level of stock ownership to be achieved over a five-year period.

LEADERSHIP DEVELOPMENT AND COMPENSATION COMMITTEE REPORT

Remuneration of Executive Officers

The Leadership Development and Compensation Committee (the Committee) of the Board of Directors consists of four non-employee directors who are independent of the Company under the standards set by the Board, which are more stringent than standards set by the NYSE.

The Committee s executive compensation philosophy is designed to attract, energize, reward and retain qualified executive personnel who will provide superior results and enhance the Company s position in a highly competitive market. The Committee reviews the performance of all officers of the Company and its subsidiaries, sets the compensation of the CEO and makes recommendations to the Board with respect to the compensation of all other officers. The Committee also makes recommendations to the Board with respect to the benefit programs that are applicable to all officers and has oversight of certain of the Company s employee benefit plans.

The Committee uses a national compensation consultant to review competitive compensation levels of senior executives in the industry. Through this process, the Committee identifies the competitive compensation levels, both with respect to base salary and overall executive compensation packages among the Company s peers. Many, but not all, of the compensation peer companies are contained in the Standard and Poor s Utilities Index used in the performance graph on page 14.

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 establish both individual compensation levels and target performance levels under the Company s Officer Incentive Compensation Plan (the Incentive Plan). To the extent Proposal 3 is approved, the Incentive Plan will be replaced with the Annual Officer 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 and responsibilities, staff development 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 is reviewed to ensure consistency with the overall corporate vision, mission and strategies. In making compensation decisions for fiscal year 2005 the Committee reviewed executive accomplishments in total energy deliveries, number of new customers, cost of adding a new customer, earnings, expenses, return on equity, operating and net income, total shareholder return and the Company s assumption of a leadership role in energy-related businesses.

The Committee has established three programs providing for direct compensation of executive officers: the Base Salary Program, the Incentive Plan and the Employee and Outside Director 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 receive a level of compensation approximately equivalent to the median compensation paid to similar executive positions in the marketplace.

Base Salary Program

In setting the base salary level of each executive officer, the Committee considers the base salaries of executive officers in comparable positions in similar companies. The Committee also considers the executive s experience level, time and placement in grade and the actual performance of the executive. Changes in compensation are directly dependent upon individual and Company performance.

Incentive Plan

Under the Incentive Plan, officers and certain key employees of the Company and New Jersey Natural Gas Company (NJNG), a wholly-owned subsidiary of the Company, 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 opportunity 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 attainment of a portfolio of goals including earnings, customer satisfaction and leadership. Incentive award levels provide payments that are at approximately market median when target results are achieved.

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, 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. Share ownership guidelines were established for executives in fiscal 2003, specifying by position an expected level of stock ownership to be achieved over a five-year period. These guidelines are described in the Corporate Governance Guidelines, mentioned above.

Grants under the Long-Term Plan may be made by the Committee every other year. Performance Units are valued at fair market value of Company stock at the time of grant. The Performance Units will only vest upon (i) the attainment of a schedule of performance goals related to shareholder return as measured against a peer group and (ii) additional service beyond the point when the goal is reached. The higher the ranking of the Company among the peer group, the greater the number of Performance Units that will be earned, up to a maximum of 150 percent of target. No Performance Units will vest if the Company does not perform in at least the top half of the peer group. Stock Options granted have an exercise price equal to fair market value at the time of grant. Grants of Restricted Stock have not been made under the Long-Term Plan. Awards made to executives under the Long-Term Plan are calibrated to position total remuneration at approximately the 60th percentile of the competitive marketplace if all awards vest. In fiscal 2005, the Committee made 30-month awards under the Long-Term Plan in the form of Performance Units and Stock Options for one quarter and three quarters of the recipients total target award value, respectively. The Performance Units were valued at fair market value at the time of grant. The Stock Options awarded, including the award to Mr. Downes, were calibrated using the Black-Scholes model, and have an exercise price equal to fair market value at the time of grant.

CEO Compensation

Mr. Downes base salary and incentive award described here are not the same as the information provided in the Summary Compensation Table on page 12 because they are for a different time period. His calendar year 2005 base salary was $560,000, positioned at approximately the median level for comparable companies. The Committee authorized an incentive award of $300,000 to Mr. Downes in fiscal 2006 for achievements in fiscal 2005, reflecting consolidated Company results that exceeded the specific fiscal 2005 goals. These goals included earnings, customer satisfaction, total shareholder return and his overall leadership. Despite this fact, Mr. Downes elected not to accept this performance bonus because NJNG, the Company s regulated subsidiary, did not meet its earnings target due to very unusual weather and customer usage patterns prevalent in fiscal 2005.

Mr. Downes Long-Term Plan award in fiscal 2005 consisted of 6,000 Performance Units, which is the threshold amount that will vest only if the Company performs in at least the top half of the peer group. Mr. Downes also received a grant of 48,000 Stock Options at an exercise price of $45.55 per share.

US Income Tax Limits on Deductibility

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 has relied and intends to continue to rely 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. For that reason, the Board is presenting the Annual Officer Incentive Plan for shareholder approval as Proposal 3. 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

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 whose executive officer or director is a director of the Company.

Dorothy K. Light, Chair	David A. Trice
Alfred C. Koeppe	George R. Zoffinger

Dated: November 15, 2005

The Leadership Development and Compensation Committee Report and Comparison of Five Year Cumulative Total Return graph shall not be deemed incorporated by reference by any general statement incorporating this Proxy Statement into any filing under the Securities Act of 1933 or under the Securities Exchange Act of 1934, except to the extent that the Company specifically incorporates this information by reference, and shall not otherwise be deemed filed under such Acts.

EXECUTIVE COMPENSATION

The following table sets forth compensation paid to the CEO and the four most highly compensated executive officers of the Company as of the fiscal year ended September 30.

Summary Compensation Table

		Annual Fiscal Year Compensation		Long-Term Compensation Awards		
Name and Principal Position	**Year**	**Salary ($)**	**Bonus ($)**	**Performance Unit Award(s)* (#)**	**Options* (#)**	**All Other Compensation** ($)**
Laurence M. Downes	2005	552,615	360,000	6,000	48,000	6,400
Chairman, CEO and	2004	541,962	300,000	0	0	4,000
President	2003	486,154	250,000	16,000	60,000	4,000
Joseph P. Shields	2005	222,539	205,000	2,250	18,000	6,381
Senior Vice President,	2004	219,058	175,000	0	0	6,572
Energy Services, NJNG	2003	193,077	125,000	6,000	30,000	5,375
Glenn C. Lockwood	2005	223,015	76,000	1,125	9,000	6,244
Senior Vice President and	2004	225,654	74,800	0	0	6,472
Chief Financial Officer	2003	207,231	54,000	6,000	30,000	6,217
Oleta J. Harden	2005	213,769	73,000	0	0	6,266
Senior Vice President	2004	215,269	71,300	0	0	6,458
and Secretary	2003	196,400	50,490	6,000	30,000	5,892
Timothy C. Hearne	2005	178,508	54,000	1,125	9,000	5,355
Senior Vice President and	2004	181,842	60,600	0	0	5,455
Treasurer, NJNG	2003	168,893	40,338	2,700	16,000	5,067

* Represents a share of Common Stock.

** Represents the Company s matching contributions under the Employees Retirement Savings Plan (the Savings Plan).

Although all of the above named executive officers received salary increases in fiscal 2005, the lower salary in 2005 reflects fewer days at the higher rate in January of 2005.

The Performance Units awarded in 2003 did not vest in 2005 because the Company s total shareholder return did not rank in at least the 50th percentile as measured against its peer group.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER COMPENSATION PLANS

Number of Securities to be Issued Upon Exercise of	Weighted Average Exercise Price of	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans

Plan Category	Outstanding Options, Warrants and Rights	Outstanding Options, Warrants and Rights	(Excluding Securities Reflected in Column(a))
	(a)	(b)	(c)
Equity compensation plans approved by security holders	1,545,657	$ 29.29	750,916
Equity compensation plans not approved by security holders	None	None	0

OPTION GRANTS IN 2005 FISCAL YEAR

Individual Grants