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New Jersey Resources E3Q09 (Qtr End 6/30/09) Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) Your first question comes from James Lykins – Hilliard Lyons.

James Lykins – Hilliard Lyons

First thing I wanted to ask you is about the new energy mechanism. It sounds like it's very similar to the AIP. Maybe you can just comment on what the difference is between the two might be.

Glenn Lockwood

First of all the AIP program is a true rate based program so our base rates actually get adjusted while the energy efficiency program from a financial perspective is a, we will recover with the cost of capital, our investment and cost over a four year period. So there is in effect a start and finish to the EE program while the AIP is just like any capital investment for a utility and base rates are adjusted.

James Lykins – Hilliard Lyons

Regarding energy services, I know it's difficult for you to comment specifically on what's happening there, but just given that storage has been at an all time high levels, and there may or may not have been any volatility there, maybe if you could just give us a feel for what you're doing to get to the third best year ever there.

Laurence Downes

We have seen some lower volatility. We also as we've disclosed publicly had a contract last year that was profitable for us that ran off. But I have Steve Westhoven, who is the Vice President and I'll ask him to comment on that.

Steve Westhoven

We continue to look for new opportunities in the marketplace. There's certainly some new opportunities in some of the new shelf plays that are coming online, and certainly the volatility, as much as it's been down in volatility due to some cooler than normal weather in the Northeast and such, it's still given us those opportunities. We still managed to trade our book and manage our assets in such a way to produce income and make some positive contributions to the corporation.

Laurence Downes

I think all of the factors that you're raising are embedded in the guidance and the specific range of earnings contribution that we expect from NJRS.

James Lykins – Hilliard Lyons

When you go down to the 30% to 35% overall contribution there, in the past you've been more 40% to 45%. Is this a change in strategy or is it more a part of market conditions?

Laurence Downes

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